

# The Role of Social Enterprises at European Level



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**Abstract** The social enterprise model of business is gaining more and more in popularity since it provides opportunities to combine societal goals with commercial objectives for the benefit of both community and environment. The chapter presents the role played by European Union social enterprises in creating innovation, driving growth and reducing unemployment and poverty. It starts with refining the meanings of social enterprise to have a consistent definition which can be broadly used across all European countries. It further introduces the forms of organization of social enterprises and common fields where they operate together with associated target groups. Furthermore, a financial model for the social enterprise is introduced. The next part of the chapter discusses the ways in which social enterprises can contribute to the economy and what networks and mutual support mechanisms there are for social enterprises at European level. The chapter also brings into the discussion real case examples of social enterprises and their key success factors.

## The key points of the chapter are the following ones:

1. To define and understand the characteristics of a social enterprise in European countries
2. To identify and analyse a societal/environmental problem holistically
3. To understand the forms of social enterprises and recognize common fields where they operate
4. To reflect and rethink the roles and the boundaries of the market, the state and civil society

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5. To identify and analyse various financing opportunities for social enterprises
6. To enhance entrepreneurial thinking and confidence in starting a (social) venture

## 1 Introduction

Social enterprises have gained in importance across European countries in recent years due to their ability to address some of the major challenges that Europe is currently facing (Batko and Bogacz-Wojtanowska 2015; Sepulveda 2015; Goncalves et al. 2016). There is a growing awareness and interest in creating sustainable and inclusive economic growth, creating jobs, preserving the environment and stimulating social innovation.

Social enterprise has its roots in the social economy (Neverauskiene and Moskvina 2011). The social economy is a subset of the wider economy which includes the delivery of social services or working towards the achievement of a social mission. Social economy covers all organizations whose major goal is to serve the community's members rather than to seek profit and who operate through democratic and participatory decision-making processes. Organizations belonging to the social economy include associations, cooperatives, mutual organizations, foundations and social enterprises. Social economy organizations are mainly characterized by (European Union 2013): the primacy of the individual and the social goal over profit; voluntary and open participation based on solidarity and responsibility; democratic decision-making by membership; congruence of the interests of members/users and/or the general interest; autonomous management and independence from public authorities; reinvestment of surpluses in the pursuit of a social mission.

The social enterprise model of business is gaining in popularity since it provides opportunities to combine societal goals with commercial objectives for the benefit of community and environment (Szymanska and Jegers 2016). Social economy enterprises have clear social aims and compete in the marketplace like any other business to achieve an impact. They integrate social responsibility with entrepreneurial spirit, experiment and innovate, proving to be a dynamic and progressive style of business that all other enterprises can learn from.

The chapter starts with refining the conceptual frameworks and definitions of the term "social enterprise", based on specialized literature, national economy legislation and relevant European reports and other documentation. It further introduces the typology of social enterprises and common fields where they operate, following which, a financial model for the social enterprise is introduced. Furthermore, the chapter discusses the ways in which social enterprises can contribute to the economy and what networks and mutual support mechanisms there are for social enterprises at the European level. The chapter ends with presentation of two impactful social enterprises and conclusions.

## 2 Definitions and Characteristics of Social Enterprises

### 2.1 *What Is Social Enterprise?*

The growing recognition of the role social enterprise can play in tackling social and environmental challenges and fostering inclusive economic growth has led to a continually increasing interest in social enterprise across Europe. Despite the large interest in and the emergence of the new inspirational business model of social enterprise, relatively little is known about the manifestation and contribution of this phenomenon in Europe. Scholars argue that there is a paradigm shift in the practice and conceptualisation of social enterprises, as they are increasingly taking a more corporate approach to achieve their outcomes (Mswaka et al. 2016).

The European Commission's Social Business Initiative (2011) definition of social enterprise articulates that a social enterprise is an operator in the social economy whose primary objective is to achieve social impact rather than generating profit for owners and shareholders; an entity which uses its surpluses mainly to achieve these social goals and is managed by social entrepreneurs in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity. Social enterprises seek to maximize the general interest or collective benefit dimension through the pursuit of an entrepreneurial or economic activity. They take a wide array of legal entities that share three common dimensions: social, entrepreneurial/economic, and participatory governance. Entrepreneurial as they use economic tools in the market to sell goods and services which support the achievement of their social objectives, social as they strive to achieve a social impact, and governance, described as open and responsible decision-making and management.

The Fourth Sector Network (2009) defines a social enterprise as a new emerging enterprise found at the intersection of public, private and social sectors and new hybrid organizations are emerging. As Defourny and Nyssens (2010) argue, the notions of social entrepreneur, social entrepreneurship and social enterprise were in the recent past used interchangeably, social entrepreneurship being seen as a process through which social entrepreneurs create social enterprises. More recently though, the notions have been differentiated: "social entrepreneurs" in the United States are individuals launching activities dedicated to a social mission, often in an entrepreneurial way, while in Europe the emphasis is put more on the result of the activities of social entrepreneurs—that is, on the social enterprises themselves, which are usually of a collective, cooperative or associative nature, rather than on the individual social entrepreneurs themselves. Europeans tend to stress the fact that social entrepreneurship is located inside the "third sector" and the notion of social enterprises indicates non-profit entities pursuing the benefit of the community through the provision of goods and services.

However, social entrepreneurship and social enterprise are still relatively poorly defined and understood differently internationally, although many authors, institutions and networks have attempted to clarify these (Loosemore 2015; Sepulveda

2015; Diochon and Ghore 2016; Farmer et al. 2016; Kay et al. 2016). Many closely related names tend to occupy this ground including terms such as social economy, third sector, non-profit sector, not-for-profit, social enterprise, social entrepreneurship and social entrepreneur, some of which are also ill-defined and overlapping.

The term “social enterprise” is defined differently in European countries as there is a large diversity of national economic structures, welfare, traditions, legal frameworks and development pathways of social enterprise. Also, different conceptual frameworks and delimitations are given amongst academics, policymakers and in the public discourse among stakeholders, and there does not seem to be a strong demand for a unique strong definition. The term gained progressive interest as it is perceived as an alternative to combat negative effects of the economy such as unemployment, poverty, lack of education, and poor distribution of income (Goncalves et al. 2016).

Over recent years there has been increasing focus on how social enterprise is conceptualized in different national economies and how their ecosystems differ across countries (European Union 2015b; Hazenberg et al. 2016; O’Shaughnessy and O’Hara 2016; Petrella and Richez-Battesti 2016).

The UK Government (2011), for example, defines a social enterprise as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners”. This definition underlines the need for a social enterprise to have primarily social objectives, to involve commercial activities and to reinvest any surpluses generated for its social objectives or in the community.

In Germany, existing conceptual frameworks given for social enterprises emphasise core features like: the social motive/mission of the entrepreneur, the entrepreneurial approach and the need to be innovative—reinventing themselves and their services, the application of democratic decision-making procedures, the need to be active on a competitive market and obtain revenues from trading, the limits on profit distribution. The social entrepreneurs are persons who, as part of their individual civic engagement, found social organizations that address social challenges with innovative and entrepreneurial approaches. A more recent working definition of social enterprise is offered by Jansen (2013: 75) who states that “social enterprises are either new establishments (‘social entrepreneurship’) or transformations of existing social organisations (‘social intrapreneurship’) which have a high degree of institutionalisation [...] and the corresponding formal governance structures, and contribute to the entrepreneurial development of innovative and scalable blueprints for the mitigation and resolving of social problems.”

In France, the Law on Social and Solidarity Economy (2014) refers to “solidarity enterprise with a social utility” as official version of social enterprise in the French context. The “solidarity enterprise with a social utility” combines several features: it is labelled as a ‘social and solidarity economy’ organisation; it has a limited profitability due to its social orientation; it accepts limits on the dispersion of employees’ wages within the organisation; it has a strong emphasis on innovation

(both technological and social) which reinforces their ability to achieve social impact.

Italian Law on Social Enterprises (Law no. 155/2006) defines a social enterprise as a private legal entity engaged in regular production and exchange of goods and services having “social utility” and seeking to achieve public benefit purpose, rather than generate a profit. If profit is obtained, this has to be reinvested to achieve the main statutory goal of the social enterprise and cannot be distributed to its members. In addition, the social enterprise has to be characterized through a transparent, open and participatory decision-making process.

In Belgium, the term of social enterprise has traditionally been equated with work integration social enterprise (WISE). In 1995 a law recognizing “social purpose companies” was adopted. “Social purpose company” is a transversal legal status that can be obtained by any commercial company, regardless of its underlying legal form (cooperative or investor-owned), which adheres to certain statutory obligations like: members seek only a limited profit or no profit at all; there is a clear description of the social goals to which the activities of the organisation are dedicated to; the policy for distribution of profits is appropriate to the internal and external purposes of the company; each employee has the right to participate in the company’s governance through the ownership of shares.

According to the Romanian Law on Social Economy (2015) a social enterprise is “any juridical entity of private law which undertakes activities which fall under the social economy sphere and which respects its principles.” Social economy includes that part of the wider economy which serves the interests of a community or personal non-commercial interests. Social economy principles are: priority of social objectives over profit making; convergence between the interests of the affiliated members and the general interest of the society/community; democratic governance; distinct legal entity, with managerial autonomy and independence from the public sector. Romanian legislation refers to an additional category of social enterprise namely “social insertion enterprise” that must meet additional criteria e.g., 30% of their permanent staff should comprise members of a vulnerable group; 60% of their profits should be reinvested to support the main social objective of the enterprise.

## ***2.2 Core Features of Social Enterprises in Europe***

The various definitions given in the previous section articulate that a social enterprise is a business which is engaged in some economic activities (manufacturing and trading) primarily to support a social mission and goal. As such, what differentiates social enterprises from mainstream commercial businesses is that their social mission is core to their success. Therefore, the main objective of social enterprises is to generate a significant impact on society, the environment and/or the local community rather than making profits for stakeholders.

Social enterprises fulfil their mission by tackling the most pressing problems, by providing a social or ecological product or service, or by targeting people in low income markets. Thus, their social goal can be either to create employment, to help

local community, or to improve the environment. More specifically, the societal interest of a social enterprise can include the provision of access to quality training and education for disadvantaged people, to provide jobs for people with disabilities or to collect and recycle wastes to improve the environment.

Social enterprises trade in the market for a social purpose, like any commercial business, and make their money from selling goods and services in the open market in order to cover their costs. Any profits made are reinvested back into the business, supporting their social objectives and ensuring maximum benefit to the social purpose (Social Enterprise UK, 2011). So, when they profit, society profits. Social enterprises strive to achieve a social impact rather than only making a profit for their owners or shareholders.

To be successful a social enterprise needs to employ suitably skilled people in all sorts of roles, like for example: sales, administration, customer service, IT, transport, etc., therefore, it provides a wide range of employment opportunities.

The solutions delivered by a social enterprise contribute to the common good, are community-focused, innovative, ambitious, sustainable, and have a mixed impact: social, environmental and economic. They ensure an inclusive economic growth and accelerate innovation while achieving the social goal.

Therefore, social enterprise is a dynamic way of doing business that can transform communities and drive profound and lasting social change. As businesses, which maximize community benefit over personal financial gain, social enterprises deliver solutions that are bigger, better, bolder and fitter (Social Enterprise Scotland 2016): *bigger* since they deliver joined-up social, environmental and economic outcomes; *better* because they are community-focused and sustainable; *bolder* because their independence enables social enterprises to be innovative, and *fitter* because they address explicitly the unmet social needs.

As such, there are broadly speaking three common characteristics of social enterprises, namely (Social Enterprise Academy 2010; Social Enterprise UK (SEUK); Defourny and Nyssens 2010): explicit social, societal or environmental aims, economic activity and social ownership.

Concerning the social enterprise's aim, there is a clear primary social or societal mission/purpose, set out in governing documents, which drives the enterprise and that benefits the society. This explicit social aim is core to the activities, rather than incidental. Any profit that the business makes is reinvested into the purpose of the social enterprise meant to promote the welfare of the community.

Kaplan (2014) suggests that the defining characteristics of European management are cross-cultural, societal management based and interdisciplinary approach. Societal management is viewed as management that takes into account the well-being of society at large and its long-term interests. The concept holds that the enterprise's task is to manage its operations in a way that delivers the desired satisfactions to the target population, and preserves or enhances the consumer's and the society's well-being. Thus, societal management and the social enterprise do inherently and even by definition belong to European management.

To what regards the economic activity, a social enterprise subordinates the financial interests of its investors to its social mission. It undertakes economic

risks by engaging in economic activity (activity of production and/or exchange of goods and/or services). The venture will aim to derive a significant portion (more than 50%) of its income from commercial contracts or the sale of goods and services to a market, to achieve the social objectives. The organization may still however generate income from a variety of other sources such as local authority grants etc. Any surpluses generated should be reinvested principally for its social objectives or in the community, rather than distributed to shareholders and owners.

In terms of ownership, a social enterprise is managed in a participatory manner by involving key stakeholders in decision-making processes. There will be organizational autonomy from the State and other traditional for-profit organizations, transparent operations, demonstration and responsible reporting of impacts. The ownership system reflects inclusive governance characterized by democratic, transparent, responsible or participatory principles.

Thus, the core values shared by all social enterprises are: democratic governance, social impact, innovation, profit reinvestment or the central place given to the human in the economy

### ***2.3 The Spectrum of Social Enterprises in Europe***

Social enterprises have developed differently in Europe. There is a large variance of models and types of social enterprises in Europe. In some countries, they have a strong presence, are recognized and integrated in public policies, while in other countries they are poorly developed and not well understood. Social enterprises continue to grow across Europe in many and varied general interest activity fields and tackle a variety of needs arising in society.

The term “social enterprise” is not to be understood as one single legal form of organization, but rather as a term encompassing a large variety of models and expressions. Social enterprises all depend on their national legal systems.

The social enterprise sector is very diverse across European countries. The social enterprises in Europe embrace either a distinct legal identity exclusively designed for social enterprises or a wide variety of organizational and legal forms such as work integration social enterprises (WISE), cooperatives serving general or collective interests and with a “public benefit” status, social solidarity cooperatives, development trusts, associations and foundations with a “public benefit” status and commercial activities, private limited liability companies with “public benefit” status, mainstream socio-economic enterprises pursuing an explicit and primary social aim, community interest companies, etc. The following paragraphs summarize briefly these types of organization.

*Work integration social enterprises* aim to reintegrate vulnerable groups or disadvantaged people into the labour market (e.g. long-term unemployed or disabled people) (Petrella and Richez-Battesti 2016).

*Social purpose companies* are enterprises that combine a social purpose with commercial/economic activity, set up to create employment for those most severely disadvantaged in the labour market.

*Development trusts* are businesses created to provide integrated employment to people with disabilities and disadvantages. They are umbrella organisations under which different regeneration activities can take place.

*Intermediate labour market companies.* These organizations provide training and work experience for the long term unemployed and other disadvantaged groups. The aim is to assist these groups to re-enter the labour market through the provision of paid work together with high quality training, personal development and active job-seeking.

*Community businesses* are social enterprises that have a strong focus on local markets and services. They are trading organisations which are set up, owned and controlled by the local community and which aim to be a focus for local development and ultimately create self-supporting jobs for local people.

*Credit unions/cooperatives* are finance cooperatives that help people save and borrow money. They also provide access to community finance initiatives.

*Charities trading arms.* These organizations enable charities to meet their objectives in innovative ways such as restaurants, shops and fair trade companies.

*Associations and foundations* are formally organised private entities with autonomous decision making processes and whose surplus cannot be appropriated by those creating, controlling or financing them. Associations and foundations usually operate under the legal form of ‘non-profit organisations’.

*Mutual societies* are found as mutual aid associations for employees or for pensioners. The purpose of these organisations is to support and assist their members by granting loans at low interest rates; in addition, mutual aid units for pensioners also provide social, cultural and touristic services. The latter also allow beneficiaries of social benefits and the members of their families to become members.

*A cooperative society* is defined as an autonomous association of natural and/or legal persons, established by their free consent, with the purpose to promote the economic, social and cultural interests of the cooperative members, being owned jointly and controlled in a democratic manner by its members, according to the cooperative principles.

*Protected units* are defined as economic operators, public or private, with their own financial administration, where at least 30% of the total employees that have individual labour contract are people with disabilities. Accredited protected units can be of two types: (a) with legal personality; (b) without legal personality, with its own financial administration, in the form of sections, workshops or other structures organised within economic operators, public institutions or NGOs, as well as those set up by an authorised disabled person, under the legal framework, to run independent economic activities.

## **2.4 Social Enterprises Sectors of Activity and Target Groups**

The social enterprises cover a wide range of activities, namely: welfare; health; social care; education, instruction and professional training; environmental and eco-system protection; development of cultural heritage; social tourism; academic



**Table 1** Fields of operation for social enterprises

Field of operation	Examples
Work integration	Social and economic integration of the disadvantaged and excluded people, such as: sheltered employment, training and integration of people with disabilities and unemployed people;
Social services of general interest	Long term care for the elderly and for people with disabilities; education and child care; employment and training services; social housing; health care and medical services;
Personal social services	Health, well-being and medical care, professional training, education, health services, childcare services, services for elderly people, or aid for disadvantaged people;
Other social and community services	Counselling, youth outreach, micro finance, temporary housing for homeless etc.

**Table 2** Sectors of activity for social enterprises

Sector of activity	Examples
Local development of disadvantaged areas	These include social enterprises in remote rural areas, neighbourhood development/rehabilitation schemes in urban areas, development aid, and development cooperation with third or developing countries;
Public services	These include maintenance of public spaces, transport services, waste collection, rehabilitation of people who have previously been in prison, etc.;
Land-based industries and the environment	These include social enterprises activating for reducing emissions and waste, recycling, renewable energy etc.;
Other services	These include environmental protection, sports, arts, culture or historical preservation, science, research and innovation, and consumer protection.

and post-academic education; research and delivery of cultural services; extra-curricular training; support to social enterprises. Despite their diversity, social enterprises mainly operate in four fields (European Commission 2016): work integration, social services of general interest, personal social services, and other community services (Table 1).

There are specific sectors of activity in which social enterprises are predominantly active. These include (European Union 2013): local development of disadvantaged areas, public services, land-based industries and the environment and other services (Table 2).

The target groups across Europe's population of social enterprises closely reflect the sectors of activity of those organizations.

A first category of target groups is represented by the *disadvantaged people in the labour market*. These include long-term unemployed, poorly qualified persons, vulnerable workers, which can be of various types: women, people with disabilities, minority ethnic groups, migrants, ex-offenders, etc. The provision of training, skills and job opportunities by social enterprises is targeted at those groups.

Another category include *local community and people in need in local neighbourhoods*. There are social enterprises which address the social, economic and/or environmental needs of a particular local neighbourhood or community. For example, provision of education and training, waste collection, recycling, etc.

Other target groups are represented by the *vulnerable groups within the population and people in need in society*. Social enterprises seek explicitly to tackle social issues through the substantial provision of social services of general interest to vulnerable groups or people in need including children, youth, disability and poor health groups, the elderly, migrants, those in poverty, and those suffering exclusion on a variety of dimensions such as discrimination, housing, finance, etc.

Also, an important target group is represented by the *traditional customers and businesses*. Increased market-orientation of social enterprise through the provision of consumer goods and services introduces new target groups amongst existing consumers and businesses. These are customers who share the social values/mision of the social enterprise and are willing to pay for its benefits and impacts. Such consumers share, for example, their concerns about renewable energy, fair trade, reduced environmental impact, community development, etc.

## **2.5 Social Enterprises Financial Model**

Creation of a social enterprise is a good opportunity for young entrepreneurs who want to test their entrepreneurial readiness and to prove that, without having substantial capital to spare, they are able to enter the business world and create employment, while simultaneously offering a service to the communities in which they live.

Social economy enterprises have the advantage of being able to draw upon best practice in the voluntary sector as well as the entrepreneurial flair that exists in many successful companies and benefit from the financing opportunities that exist for them. Depending upon the national legal framework in which they operate, social economy enterprises have access to multiple sources of financing, namely: grants, crowdfunding, private equity & social investments, credits from suppliers, loans, social impact bonds.

The main revenue streams of social enterprises include, but are not limited to, the following (Hudon and Périlleux 2014): revenue derived from public contracts (extended with governmental agencies), direct grants/subsidies, market based revenue derived from private sources (individuals or private companies), membership fees, subscriptions, donations and sponsorship, and other forms of revenue.

As such, social enterprises extend contracts with public authorities and agencies to receive fees for well-defined public services. The structure of these payments can vary in different national economies in Europe, from direct payment by public authorities to social security systems, voucher systems, or indirect payment through third party intermediaries. Also, public authorities and agencies provide to social enterprises grants for specific project based activity, or employment subsidies

which are often made available to WISE as ‘compensation’ for employing people with impaired work ability.

Social enterprises also make income through the sale of goods and services to other businesses and final consumers, food and beverage sales, catering and canteen services, etc. Other forms of revenue for a social enterprise include income from renting assets (such as property, equipment), penalty payments, income from endowed assets, and non-monetary forms such as in-kind donations (e.g. old IT equipment, food or building material). Volunteering time, especially, has remained an important source of in-kind revenue.

Ensuring financial sustainability of the social enterprise represents a crucial variable for its survival (Jenner 2016). The growing awareness of the importance of accessing alternative sources of funds and developing new funding models has led to more creative approaches in raising money, which include: accessing social investment, using subsidiary businesses to fund work activities, or developing a new social enterprise (Hailey and Salway 2016). However, social enterprises may rely substantially on civil society and volunteering to accomplish their social missions (Child 2016).

In the end, the desired state for any social enterprise is that in which they manage to make a surplus and reinvest all surpluses in the process of their social mission and objectives realization (Szymanska and Jegers 2016).

### **3 Contributions of Social Economy Enterprises in Europe**

#### ***3.1 How Can Social Economy Enterprises Contribute to the Economy?***

There is an increasing popularity and interest in the social economy enterprise model of business in Europe and across the globe. In Europe, about 3.5 million jobs are provided by social economy enterprises, delivering a broad range of services (European Union 2015a).

The success of social enterprise is the national economy’s success. A social enterprise measures its success based on: the return on investment for itself and its donors, social/environmental mission gains and risks, financial sustainability and organizational development gained as a result of the operation of the enterprise. Social entrepreneurship can be a driver for change of mentalities and attitudes, regeneration of communities, neighbourhood renewal, job creation in deprived areas and social reform (Zografos 2007). Social economy enterprises address social needs, improve public services and stimulate commercial enterprises’ performance. According to Commission Expert Group on Social Entrepreneurship (European Union 2016), the main possible contributions of social enterprises to global economy can be linked to five key areas: job creation and development, social inclusion, poverty reduction, creation of a community based economy, and gender equality.

Social enterprises depend on people intensive work, their skills and commitment to the social values and mission. They operate in job intensive business areas which enable them to maintain and even create jobs. In addition, “many social enterprises have innovated new ways of discovering, nurturing and matching talents to the right jobs, thus contributing to skills development and the improvement of the labour force’s employability and entrepreneurship in the traditional economy.” (European Union 2016: 11). Thus, social enterprises contribute to high-quality and inclusive job creation and development.

Social enterprises play a key role in meeting social needs with respect to “access to child care, assistance for elderly or disabled persons and the inclusion of vulnerable groups.” (European Union 2016: 11). They contribute to the fight against exclusion and poverty and facilitate the social and professional integration of persons with disabilities or persons in vulnerable situations. Social enterprises are key actors in the provision of services of general and specific interest to all people and, especially, to vulnerable persons. They also address the need for access to housing, healthcare, employment and training, and they contribute to the fight against poverty and poverty reduction.

A key contribution of social enterprise to economy refers to the creation of so-called “community based economy”. Social enterprise mostly look for solutions to local needs, as they are deeply rooted in their origin communities. These solutions can then easily replicated across local territories. “The social enterprises play a key role for local and regional authorities who can directly benefit from the added-value or new ideas, solutions and approaches to unforeseen or unavoidable problems that they create, whether this comes in the form of generating wealth and social connections or the production of new goods and services.” (European Union 2016: 12). Also, social enterprises’ mission and objectives are built on values such as solidarity and equality. As such, they are exemplary in supporting gender equality internally and externally.

### ***3.2 Networks and Mutual Support Mechanisms***

Social enterprises trade in all markets to a wide range of customers including: individual consumers, local authorities, government, NGOs, other social enterprises and private businesses. Boosting partnerships between social economy enterprises and public authorities will contribute to safeguarding the public interest and to increasing the efficiency of public resources.

There are several organizations engaged in supporting and/or representing social enterprises and social entrepreneurship at the European level, either focusing on specific segments, or covering the field more generally (European Union 2016). *Ashoka* (<http://ashoka.org/>) is one of the largest global networks promoting social entrepreneurship and social entrepreneurs with a focus on individuals as change-makers. Ashoka awards have been given to almost 500 social entrepreneurs in Europe and 3300 in the world. The network has increasingly been active in Europe promoting capacity building, cross-sectorial networking and scaling of social enterprises’ impact.

Another organization, *Cooperatives Europe* (<https://coopseurope.coop/>), represents the voice of cooperative enterprises in Europe. It has 84 member organizations from 33 European countries across all business sectors, promoting the cooperative business model in Europe. Also, *European Network of Social Integration Enterprises—ENSIE* (<http://www.ensie.org/>) is an organization that supports and represents work integration enterprises in Europe, which constitute an important traditional segment of social enterprises. It covers 19 EU countries as well as Serbia and Switzerland.

Other support networks for social enterprises include: *Impact Hub* (<http://scaling.impacthub.net/about/>)—a global network of social business and innovation incubators, supporting the start-up and development of social enterprises; *Institute for Social Banking—ISB* (<http://www.social-banking.org/>)—a non-profit association, promoting a socially oriented finance sector through education and research on Social Banking and Social Finance that is responsible: ethically, socially and ecologically, and *Social Economy Europe* (<http://www.socialeconomy.eu.org/>)—an EU level organization representing traditional social economy entities, namely mutual societies, associations, foundations and cooperatives. It has 13 members from EU-level and national organizations representing various types of social economy enterprises.

## 4 Impactful Social Enterprises in Europe

There are countries in Europe with a long tradition of doing business in a fair and sustainable way. This evolved from co-operative movement to the new forms of community businesses and co-operatives developed through the 1970s, and up to the inspiring activity of today's social entrepreneurs, characterized through a more inclusive way of doing business and permanent search for new avenues towards social improvement. Internationally, Scotland is one of the world-leaders recognised in the field. Estonia is coming close as part of a growing global movement.

This section introduces two case studies—Alloa Community Enterprises from a country with an established market economy (Scotland) and Tagurpidi Lavka from a country that joined the EU in 2004 (Estonia)—to present the objectives and principles of operation of social enterprises. The case studies allow the identification and understanding of the environment, common areas and problems faced by the analysed companies. The two case studies discussed in the chapter also allow the possibility to prove the validity of this type of entrepreneurship in all countries that are members of the European Union.

### 4.1 Case of Alloa Community Enterprises in Scotland

Alloa Community Enterprises Ltd (ACE) is a Company Limited by Guarantee with charitable status, launched in 1984, in Clackmannanshire, Scotland, with the help of a £1000 small business grant and one employee. The first venture of the

**Table 3** ACE Recycling Group people

ARG people	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Staff	53	42	36	34	42	56	63
Trainees	8	4	10	8	12	18	16
Supported employees	1	1	2	4	6	13	24
Volunteers	0	0	3	4	6	6	5
Homeless clients assisted	250	200	200	220	5	2	3
Retail transactions	0	0	0	1300	2400	2710	2840
Tonnage diverted from landfill	15,500	14,000	14,500	15,000	15,500	15,900	18,300

organisation was to establish a furniture re-use project. In partnership with Clackmannanshire Council's Temporary Tenancy Team, ACE provided second hand furniture packs to over 250 homes every year.

Nowadays, ACE is arguably recognized as the most successful community recycling business in Scotland, employing over 50 people and diverting over 19,000 tons of waste from landfill in 2015/16 (Table 3). The development of ACE beyond the furniture project began in 2000 when they became the first company in Scotland to provide a kerbside recycling service for householders. ACE owns ACE Recycling Group (ARG) which is a Community Interest Company.

As an environmental charity, ACE uses the social enterprise business model, which integrates a blend of activities which are profitable and activities which may be commercially oriented but which need to be subsidised as they are also linked with company's social aims and objectives. Total ARG turnover will be circa £2.1 million by year end March 2017.

The primary objectives of ACE are: to assist with the relief of poverty by the alleviation of unemployment for residents of the Council areas within which they are present; to provide and assist in the provision of training opportunities for local residents and to provide skills that will assist those most removed from employment to become more employable and find work. Another objective regards supporting homeless, transient and low income families with recycled and re-useable furniture packs to ensure a more sustainable home life.

The target groups to which they are committed include: individuals having physical or mental impairment, young unemployed individuals, long and short term unemployed, offenders seeking pre and post release training and work experience, long-term prison inmates seeking to enhance their future employment prospect, and volunteers seeking a rewarding and safe volunteer experience. Some key figures on the company evolution during the last seven years are shown in Tables 3 and 4.

Minimising their environmental impact and especially the carbon footprint of operations is a key aim of ACE which includes reviewing: fleet operations and costs, the company's actions and, most importantly, reducing handling and transportation of materials as much as possible. Operating a 'closed loop' recycling policy means that, wherever possible, the materials collected are recycled back into

**Table 4** ACE Recycling Group turnover, %

ARG turnover	09/10	10/11	11/12	12/13	13/14	14/15	15/16
Kerbside/local authorities	82	37	32	33	47	47	46
C & I and materials	8	20	19	12	19	16	14
Retail	0	0.5	1	6	10	12	12
Glass	3	8	9	9	8	9	7.5
Novelis	4	7	3	5	4	4	2.5
Projects/Funding	3	11	32	33	9	0.5	0
Other income	0	0	6	2	3	11.5	18

their original use. This is seen as the most environmentally efficient method of recycling. Over 95% of the materials collected are reprocessed in Scotland and the UK rather than overseas thus supporting UK jobs and includes: cardboard, paper, plastics, glass, cans, food, tins, small electrical items, textiles, redundant IT equipment, batteries, ink toners and cartridges.

ACE have a proven track record in working with local authorities as recycling partners and have successfully rolled out kerbside collection systems in three authority areas while also operating community bring-site collections, bulky uplifts, and trade waste collections.

As a charity, ACE sets a high priority on making financial returns to the communities within which they work, subject to available surpluses. This is a core part of ACE’s overall strategy and is something which local authorities value, differentiating ACE from many of their private sector competitors. The company also ensures that it provides supported employment opportunities within the local communities and engages with local delivery partners also, to add value to their social objectives and activities.

#### **4.2 Case of Tagurpidi Lavka in Estonia**

The goal of the social enterprise Tagurpidi Lavka is to increase the availability of local food products (of Estonian small farms in particular) to people living in Estonia—especially those living in cities. Moreover, the company aims to make local food products people’s preferred choice, so that the consumer habits would be more environmentally friendly and support the local (rural) economy.

Tagurpidi Lavka buys food products from small farmers in rural Estonia and sells them in and around Tallinn through trade fairs, festivals and via an online store, where clients can order products in advance and have them delivered right up to their front door.

The company employs two full-time staff—a warehouse manager and a general manager, while there is also a small team working two days a week in the warehouse and a driver and packaging volunteers will be present during delivery days. In 2015 the company’s annual turnover was about 68,000 Euros; the surplus income is used to grow the business and better equip the warehouse.

In summary, the company aims to reduce the environmental burden of the food Estonian people eat and to improve livelihoods and incomes in rural areas. The first is delivered by selling locally produced food, which reduces the transportation distances that food has to travel to reach the customer and also reduces the need for packaging and preservatives for the food to remain edible for long periods of time before it reaches the consumer. The second is achieved by selling food from local farmers and small producers enabling them to maintain their livelihoods and continue living in rural places, it also supports the traditional way of life in Estonian rural areas, which is small farming.

The company provides an information service for clients and the wider public about the advantages of buying and eating local food. To make this service even more environmentally friendly, packaging is reused and as much as possible is biodegradable.

Products are sold via an e-shop, with two “delivery days” per week—Mondays and Thursdays. Orders are collected daily and on the “delivery day” the company’s car can drive up to 200 km to pick up products from supplier farms. Many producers however also bring their products to Tallinn themselves. By the evening of the same day all the collected products are organised order by order into the boxes; customers can come to the company warehouse to pick up their order or, for an additional fee, they can arrange for it to be delivered to their home.

There are about 900 food products actively on offer in the e-shop, from about 100 small producers and farms, including—diary, meat, fish, vegetables, berries, fruits, juices, jams, flours, bakery products, etc. while a preference is given to organically grown and produced food products. Handicraft products are also available, for example, woollen socks can be ordered to be knitted especially for you with your favourite colours and foot size.

Over the last 10 years, the number of farms in Estonia has decreased by 60%: 82,800 people (primarily small producers <10 ha) have abandoned or were forced to abandon their farming activities. Small Estonian farmers can’t compete with foreign food producers. As a result, farming as a life style choice becomes less and less popular, young people move from rural areas into Estonian (or foreign) cities and Estonian money goes abroad. Some of the key figures on the company development are shown in Table 5.

Tagurpidi Lavka primarily works with small farmers and producers, though a small share of the products made available in Tallinn may come from producers

**Table 5** Tagurpidi Lavka activity indicators

Activity indicators	2013	2012	2011	Growth
Number of farmers and small producers whose products Tagurpidi Lavka sells in and around Tallinn	79	59	44	80%
Number of orders received via internet	4681	3601	2686	74%
Number of trips taken to collect and deliver products each week	2	1.5	1	100%



who would be considered large producers in the Estonian context when it is not possible to find those specific products from small farmers or producers.

The company generated an average additional income of 110€ per month for its local farmer suppliers in 2013.

Additionally, two individuals were enabled to start farming activities (producing their own goods and selling via Tagurpidi Lavka). Without Tagurpidi Lavka, these local farmers would have had insufficient market access to even start their activities. Tagurpidi Lavka pays a fair price for the products it sells through negotiation with each farmer and producer and reaching a common agreement bearing in mind the farmer's situation and market prices.

## 5 Conclusions

Finally to conclude, social enterprise in Europe is a dynamic, diverse and entrepreneurial movement encapsulating the drive for new business models that combine economic activity with social mission, and the promotion of inclusive growth.

The diverse typology of social enterprises across European countries and the importance of values based on social/environmental and entrepreneurial activities ensures that social enterprise will always remain relevant and ready to deliver highly valued services to the globe's neediest communities.

The value of social enterprise is given by the positive difference it makes in a community and by the scalable impact that it has on the lives of people and their communities. It is about the new jobs created, training and volunteering opportunities, and the essential services that are key to people's existence and survival (Holloway 2016). It also is about the confidence created among people more disadvantaged and hope that they will succeed.

Thus, it is important that as a sub-sector of the social economy, social enterprise should not be defined by criteria referencing what companies are (i.e. typology), or limited to specific activities (i.e. employability training), but by the breadth of the sector's activities as evidenced by their values, social aims and intended impact.

Consequently, the paper delivers new insights into the conceptualization and strategic orientation of social enterprises of benefit to both policy makers and practitioners alike.

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**Questions and Activities**

1. For many years, people in your country and throughout the world have felt that solving major problems like hunger, fighting disease, poverty, education, etc. should be left to government. Do you agree or disagree with this statement? Why?
2. Remember and describe any relevant specific incidents, stages, and changes during your professional career and/or your private life that might affect your decision to found a social enterprise.
3. Describe your motives for starting a social enterprise, that is, why would you chose to start a social enterprise rather than a traditional, primarily financially oriented, company?
4. Discuss the different frameworks and core features of social enterprises. How are they different from commercial enterprises?
5. You are preparing for a meeting with a network of company owners and local government officers to discuss about the potential of social enterprises for economic regeneration and public service delivery in your local area. You researched four definitions of social enterprise that support local development in your area. Discuss these definitions with your classmates and critically look for feedback on your approach.
6. The availability of various non-profit, for-profit and hybrid business models should be viewed by social entrepreneurs as a menu from which they can choose the form that best suits their own business model. Social entrepreneurship relies heavily on an innovative combination of the for-profit and non-profit vehicles. Thus, there is hardly one legal form that adequately fits the whole aims of a social enterprise. Look at the different forms of organization for social enterprises presented in the chapter and comment on the challenges of designing an appropriate legal form for your social enterprise.
7. You are aware now of the role a social entrepreneur plays in society in what concerns solving the social problems that are not addressed yet by governmental institutions. With your classmates, in small groups, select a school-related problem to solve. Create an action plan to address the identified problem following the structure presented below:
  - The school-related social problem identified is: .....
  - Potential solutions for addressing the problem include: .....
  - Key stakeholders involved include: .....
  - Specific, measurable steps you can take to implement the chosen solution are: .....

Feedback on implementation plan and opportunities for improvement are looked for from: .....
8. Your country is dealing with major issues of rural development and organic food provision. As social enterprise, what kind of products and/or services will you offer to address these issues? How does your offer help to solve the problem?

9. Create a funding and financial model for a social enterprise at your own choice. How are revenues generated? How can you keep costs at a minimum level? How can you ensure the financial sustainability of your social enterprise?
10. What are the essential groups/partners you need to involve in your social enterprise activities? How did you establish the relationships with your different partners and stakeholders? How do you collaborate with the different partners and stakeholders?
11. How does Alloa Community Enterprises assess its social impact at regional and national level? Who are the beneficiaries and customers of their offers? What is their desired impact?
12. How does Tagurpidi Lavka create change in Estonian society? Who are the beneficiaries and customers of their offers? How does the social enterprise reach its beneficiaries and customers? Assess its contribution to national economy.

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