



The State of Social Entrepreneurship - Organization of Social Enterprises in Market and Society



About SEFORIS: Social Enterprise as FORce for more Inclusive and Innovative Societies

SEFORIS is a flagship multi-disciplinary, multi-method international research project on social enterprise funded by the European Commission. Through the generation of robust evidence and internationally leading research, SEFORIS aims to better understand the role that social enterprises play in the EU and beyond in the development and evolutions of inclusive and innovative societies.

SEFORIS will investigate key processes through which social enterprises deliver inclusion and innovation (spanning a range of domains, from organisation and governance, over financing and innovation to behavioural change) as well as the contexts in which social enterprises thrive. In terms of methodology, we will start from policy and social enterprise practitioner questions and challenges together with critically scrutinising existing academic literature. We use this first step to develop theoretical frameworks that then serve as a basis for thinking systematically about innovation and inclusion processes in context. This is followed by field and lab experimentation with social enterprises and in-depth case studies to expand and enrich our understanding of social enterprises. Unique longitudinal survey data will be collected across 9 distinct countries to test new (and at times counterintuitive) hypotheses to reach novel insights and generalizable conclusions. We engage policy makers and social enterprises throughout the research process to ensure that our research is relevant for them and can inform their practice.

The SEFORIS partnership

SEFORIS is a consortium of 12 organisations from 10 countries including Belgium, China, Germany, Hungary, Portugal, Romania, Russia, Spain, Sweden, and the UK.

Academic partners and research institutes:

KU Leuven (Belgium), Hertie School of Governance (Germany), Autonomous University of Barcelona (UAB, Spain), University of Aveiro (Portugal), Centre for Economic and Financial Research (CEFIR, Russia), Stockholm School of Economics (Sweden), Aston Business School (United Kingdom)

Social entrepreneur support and financing organisations

Oksigen Lab (Belgium), i-propeller (Belgium), Non-Profit Incubator (NPI, China), Nonprofit Enterprise and Self-sustainability Team (NESsT, Hungary & Romania), and The Foundation for Social Entrepreneurs - UnLtd (United Kingdom)

Advisors

Organisation for Economic Co-operation and Development (OECD, France), Harvard Business School (HBS, USA) and the European Venture Philanthropy Association (EVPA, Belgium)

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1. Belgium - Organization of social enterprises in market and society

Legal form of social enterprises¹

The legal form 'non-profit' is dominant.

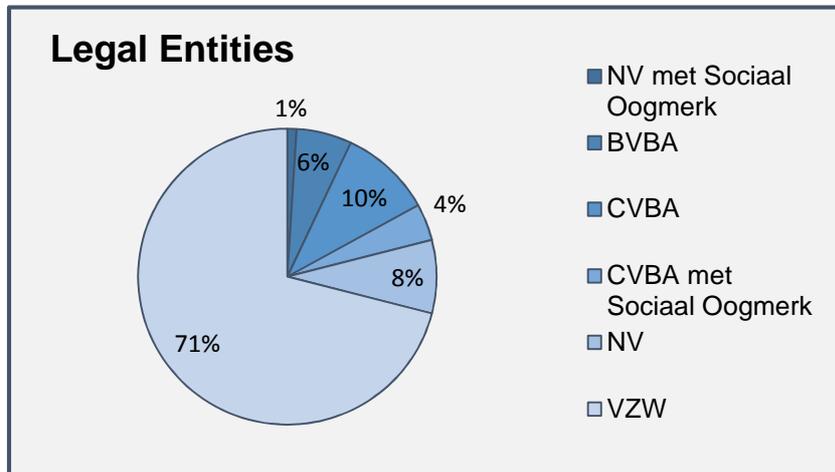


Figure 1: Legal entities (N=78), some organizations were actually composed of several legal entities but the above figure shows only the primary legal entity.

- Almost three quarters of social enterprises interviewed had a non-profit legal statute (71%), which they also often combined with another statute for different reasons, such as to better accomplish different social objectives or to create more flexibility in the revenue generation and access to financing means.
- Cooperatives are present ('CVBA' and 'CVBA met sociaal oogmerk'), but far from the dominant legal form. In similar vein, the dedicated legal form 'with a social purpose' (met sociaal oogmerk/avec finalité sociale) has so far not widely spread across the sector of social enterprises, with 5% only of our sample having adopted this statute. The latter finding raises some doubts on the adequacy and added value of this legal form for social enterprises.
- To the best of our knowledge, there is so far only one B Corp accredited enterprise in Belgium, namely Re-vive.

¹ Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

Operational model of social enterprises²

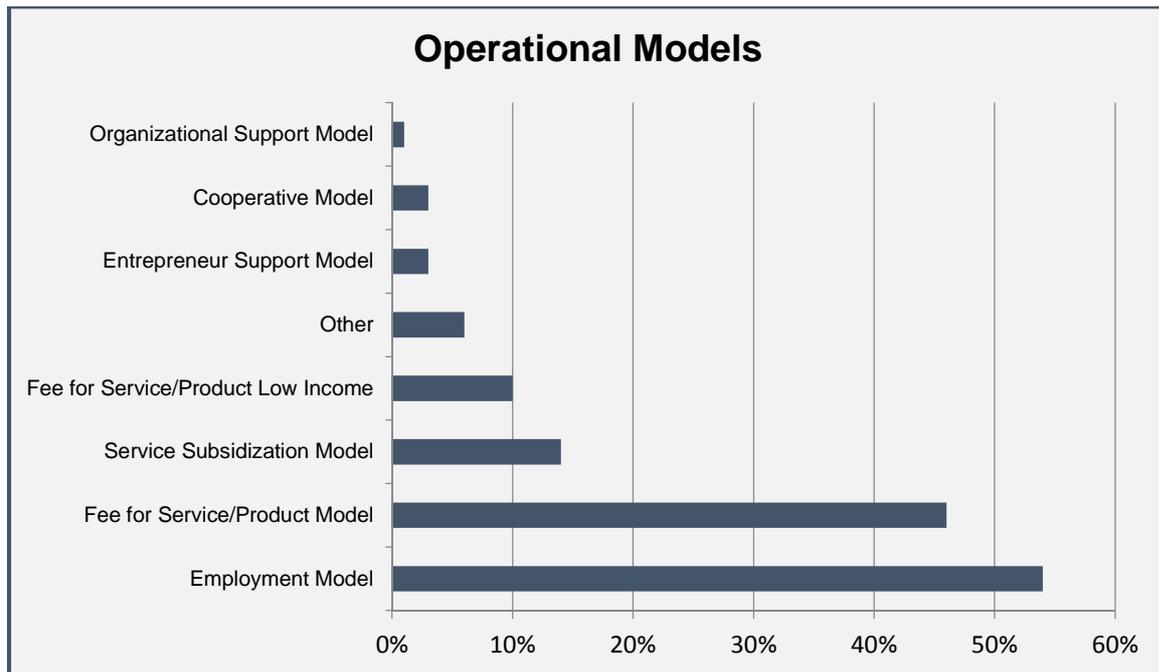


Figure 2: Operational Models. See Annex for explanation of the different models.

Important values for social entrepreneurs²

Compared to a representative sample of Belgian citizens, Belgian social entrepreneurs on average display: strong self-direction and stimulation values, reflecting a relatively big openness to change; lower conservation and normative attitudes; strong universalism and benevolence – this is also confirmed by the motivation drivers below; average self-interest and relative consideration of power and personal achievement – also validated by the low importance allocated to salary expectations.

Social entrepreneurs tend to manage their organization day-to-day in ways that are aligned with their values and their social ambitions. They tend to adopt more participatory management practices: less top-down decision-making, more involvement and consultation of co-workers, and instituting a smaller salary spread than is conventional amongst commercial businesses.

Directors of social enterprises typically earn lower wages than their counterparts in mainstream businesses, yet they report very high average own (and employee) job satisfaction. They appear to be most strongly motivated by the intrinsic and reputational benefits linked to their position.

² Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

2. China - Organization of social enterprises in market and society

Legal forms of social enterprises

Because social enterprises in China are a relatively new concept, there is no specific legislation for them and they have to adhere to the existing legislative framework. There are four sorts of institutions that can be categorized as quasi-social enterprises: NGO & NPO; co-operative; social welfare enterprise; community service center.

Civilian institutions have been growing rapidly, but they play merely a minor role. Co-operatives are developing rapidly and play a positive role in uniting the disadvantaged for common development. But they have to perform in a relatively narrow sphere. Social welfare enterprises have created jobs for some of the handicapped. Because of the reform of those enterprises, their traits of public welfare are fading. Community service centers keep growing, which effectively improves the efficiency and quality of public services. But there are still quite a few problems.³

Operational model of social enterprises

“Operational Model” refers to the methods adopted by the organization to achieve its established goal. “Social enterprises” operate in many different areas using various different operational models. A social enterprise may be a nonprofit organization employing a business’s operational management model. Or it could be a financially advantageous organization transitionally into the nonprofit area. It could also involve joint investments by several nonprofit organizations in order to achieve societal objectives made by a for-profit company.⁴

Important values for social entrepreneurs

Social enterprises are started either driven by an individual’s or by organization’s needs. Many social entrepreneurs launched their social enterprise out of personal motivation with the intention to do something meaningful, out of compassion and to follow a passion.⁵

For the last three decades, China has experienced remarkable economic growth, lifting millions out of poverty. This economic growth, on the other hand, has also led to income disparities and environmental degradation, potentially providing a seedbed for social unrest. Social entrepreneurs worldwide and in China are actively identifying and tackling those voids by providing sustainable solutions.⁶

³ Ding Kaijie.2007.” Social Enterprise: Practice in China”. “Social Enterprise Overview: A UK and China Perspective”.P61-70.

⁴ United Bank of Switzerland(UBS).2013.”2013 China Social Enterprise and Impact Investment Report”. Accessed April 26, 2014. <http://www.serc-china.org/index.php/news/542-0814-.p3>.

⁵ Andrea Lane. 2012. “China Social Enterprise Report 2012”. Foundation for Youth Social Entrepreneurship.P13.

⁶ Andrea Lane. 2012. “China Social Enterprise Report 2012”. Foundation for Youth Social Entrepreneurship.P4.

3. Germany - Organization of social enterprises in market and society

Social enterprises are frequently conceptualized as hybrid organizational forms that combine market and community logics⁷. Much of the discussions about governance structures of social enterprises in Germany are based on hybrid organizing and how to avoid mission drift towards the dominance of either market or community logics⁸.

Legal form of social enterprises

There is not yet an exclusive legal form for social enterprises in Germany. There are more than 20 legal forms, many of which are not suited for social enterprises. While some take legal forms characteristic for the third sector such as associations, cooperatives and foundations, others take the private sector legal forms such as GmbH. This also leads to problems in identifying and classifying what counts as a social enterprise⁹. In 2013, the gGmbH has been introduced as a limited liability company (GmbH) with a social mission (gGmbH). However, it is no legal form in its own right but is subject to limited liability company law.

The Mercator Study¹⁰ has shown that many social enterprises in Germany draw on hierarchical, manager-focused governance structures (drawing on a market logic and legal forms such as the GmbH), while less social enterprises organize in a democratic and participatory manner linked to a community logic of organizing. However, although market driven governance structures may prevail, stakeholders are frequently included in decision making processes. While the governance non-profit organizations are centered on achieving its mission, the governance of for-profit enterprise focuses on generating shareholder return. Therefore, social enterprises with a for-profit legal form have to construct mechanisms to safeguard the mission while controlling for a reasonable shareholder return¹¹.

Most of the social enterprises financed by the KfW program¹² take a market driven legal form (GmbH). However, also other legal forms (such as gGmbH or gAG) are entitled to apply.

Operational model of social enterprises

As to our knowledge, there is not yet comprehensive information on operational models of social enterprises in Germany. While the SELUSI project has explored operational models of social enterprises in other countries, the German context has not yet been studied.

⁷ See Mair, Johanna and Ignasi Marti. 2006. "Social entrepreneurship research: A source of explanation, prediction, and delight". *Journal of World Business*. 41(1): 36-44 and Mair, Johanna, Julie Battilana and Julian Cardenas. 2012. "Organizing for Society: A Typology of Social Entrepreneurial Models". *Journal of Business Ethics*. 111(3) 353-373.

⁸ See Jansen, Stephan A., Rolf G. Heinze and Markus Beckmann, eds. 2013. *Sozialunternehmen in Deutschland*. Springer: Wiesbaden and Scheuerle, Thomas, Gunnar Glänzel, Rüdiger Knust, and Volker Then. 2013a. *Social Entrepreneurship in Deutschland - Potentiale und Wachstumsprobleme*. Centre for Social Investment, CSI: Heidelberg.

⁹ Ibid.

¹⁰ Jansen, Stephan A., Rolf G. Heinze and Markus Beckmann, eds. 2013. *Sozialunternehmen in Deutschland*. Springer: Wiesbaden.

¹¹ Schöning, Mirjam, Abigail Noble, Andreas Heinecke, Ann-Katrin Achleiter and Judith Mayer. 2012. *The Governance of Social Enterprises. managing your Organization for Success*. World Economic Forum.

¹² KfW. 2013. *Finanzierung von Sozialunternehmen. Weiter wachsen mit Beteiligungskapital*. Frankfurt.

One of the most frequent operational models in the German context is the employment model that has been frequently used by social welfare organizations in the area of work integration. Also frequently found can be fee-for-service models.

Entrepreneur support models, however, only recently started to emerge in Germany but are perceived as highly important for the further development of social entrepreneurship.

Important values for social entrepreneurs

“What I do in my work is meaningful. Not many people can say this.”

- Heidrun Mayer, Verein Papilio

Social entrepreneurs and their characteristics are described in a variety of ways. Most definitions emphasize that they are not (exclusively) driven by financial profit but rather by their motivation to solve societal or environmental problems, their strong attachment to values of sustainable development, democracy and their ability to mobilize other actors to join their efforts¹³.

Social Entrepreneurship is also becoming increasingly popular as a study course in German Universities such as at the University of Heidelberg, the Leuphana University in Lüneburg or the Hertie School of Governance¹⁴.

¹³ Szyperski, Norbert. 2014. „Social Entrepreneurship - wer unternimmt etwas in der Gesellschaft?“ Memorandum der Sylter Runde: Sylt.

¹⁴ Schneider, K. 2009. Sozialunternehmertum. Etwas sinnvolles tun. Zeit online

4. Hungary - Organization of social enterprises in the market and society

“There is no explicitly created social enterprises legal form or status in Hungary. Social enterprises can have a wide range of legal forms, with all their advantages and disadvantages. This results in a colourful palette that is beneficial to the further development of the sector, as it leaves room for innovation and experimentation.”

- Eva Varga: Ecosystem of the social enterprises - International examples and best practices

Legal form of social enterprises

- Social enterprises in Hungary can function either in non-profit legal forms (e.g. foundation, association, non-profit business association etc.) or in for profit legal form (e.g. social cooperative).

Social enterprises functioning in non-profit legal form can only carry out business activities in a complementary manner. Those social enterprises which have a special public benefit status may enjoy some discounts or exemptions from taxes, duties and customs.

- The business activities are regulated in different legal norms which are sometime inconsistent and the related concepts are unclear.

Operational model of social enterprises

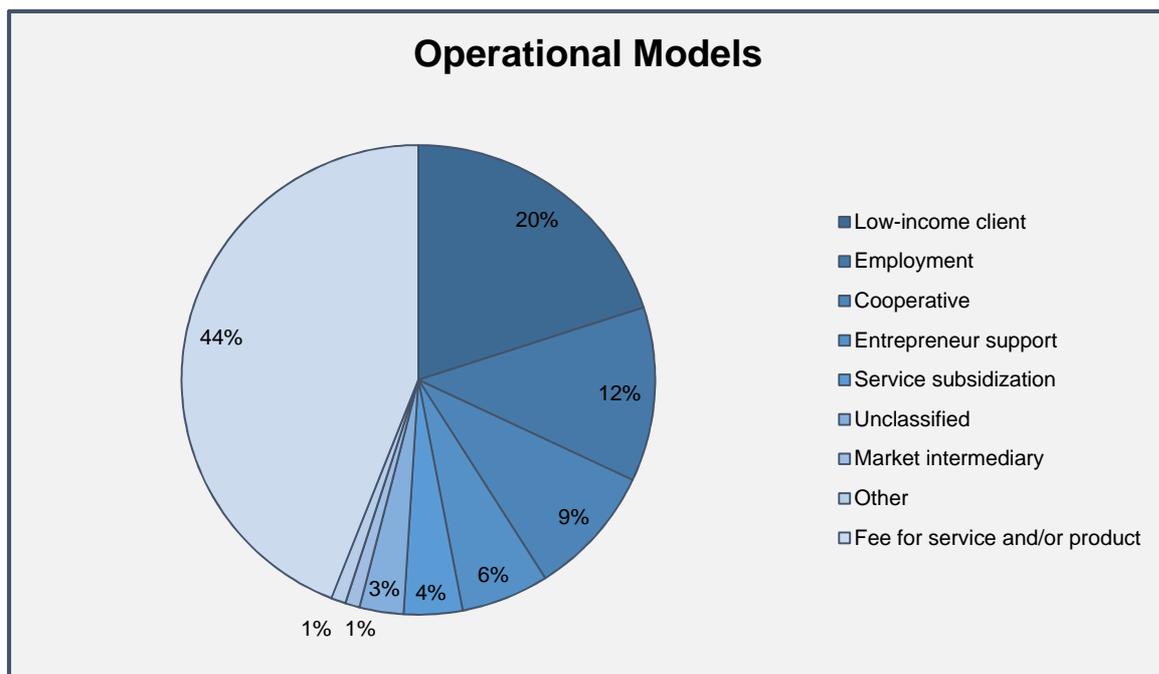


Figure 1: Operational Models (SELUSI, 2012. N=104). See Annex for explanation of the different models.

Important values for social entrepreneurs²

On average Hungarian social entrepreneurs emphasize experimenting with new processes and methods and also typically act proactively, i.e. are introducing products, services and processes ahead of similar organizations and/or competitors. Moreover, they emphasize developing new products, services and processes. At the same time Hungarian social ventures are somewhat less inclined to take risks, i.e. when faced with uncertainty they tend to take more cautious actions and typically make more incremental rather than wide-ranging changes in their organizations.¹⁵ Social enterprises often become dependent on the donor or they have to satisfy the expectations of the owner who provides the start-up capital which restricts their possibilities.¹⁶

¹⁵ SELUSI, Personalized Feedback Report Hungary, 2011:

http://www.selusi.eu/uploads/images/101216_Selusi_Report_HU.pdf.

¹⁶ Attila István Petheő, A vállalati társadalmi felelősségen túl: a szociális vállalkozás, 2009: http://phd.lib.uni-corvinus.hu/398/1/petheo_attila.pdf.

5. Portugal - Organization of social enterprises in market and society

Legal form of social enterprises¹⁷

According to a project of University of Oporto (Social Entrepreneurship in Portugal: policies, organizations and training/learning practices; 2013) “The scarce number of scientific studies about the third sector in Portugal, the lack of national statistics on the sector and the consequent limited understanding of its working rationale, alongside its heterogeneous legal forms as well as the organizational and management structures partially justify the fragile identity of the sector.” The study considers that the third sector in Portugal includes three major legal forms: associations, cooperatives and foundations. In the figure below, is represented the number of organizations that adopt each one of the multiple legal forms that constitute this sector of activity in the country.

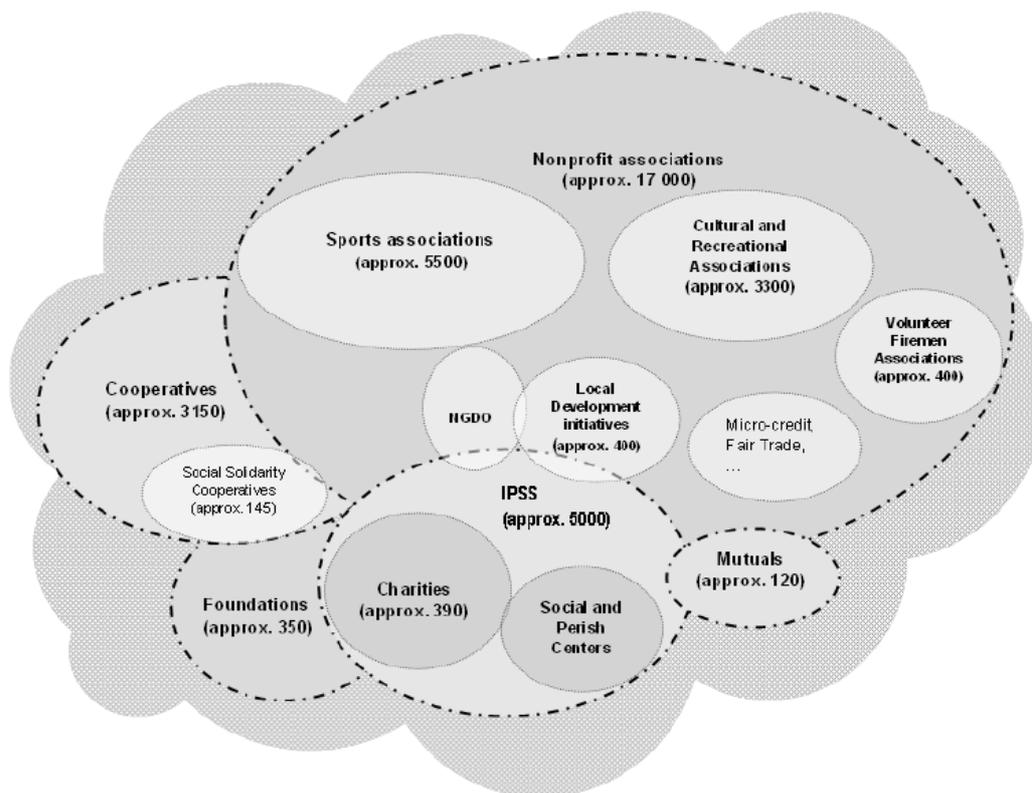


Figure 1: The third sector in Portugal

¹⁷ Quintão, Carlota. 2011. “O terceiro sector e a sua renovação em Portugal: uma abordagem preliminar”. University of Oporto Institute of Sociology Working Paper 2.

Operational model of social enterprises

In Portugal, it is possible to identify social entrepreneurship initiatives that fit the different operational models as fee for service model (low-income clients), cooperative model, service/organizational subsidization model or the employment model. However, it is difficult to quantify the weight of each one of these models in social economy.

Important values for social entrepreneurs

Emerging social entrepreneurs are highly motivated people, typically previously involved to some extent in other collaborative or socially concerned initiatives, such as social movements or associations.

Most of the citizens involved in the setup of social innovation ideas have a high level of formal education, mostly holding a university degree.

6. Romania - Organization of social enterprises in the market and society

“[...] the sector is still in an incipient phase, in which too many and too early regulation could hamper creative and innovative initiatives, which would not fit in a predefined model. The Romanian legal framework – as in many other countries – is currently imposing a clear cut between for-profit and non-profit legal entities and is, in generally, unfriendly with hybrid models, which combines social objectives with an entrepreneurial approach, making social enterprise development difficult and bureaucratic.”

- Roxana Damaschin-Tecu¹⁸

Legal form of social enterprises

Table 1: Legal forms of Non-Profit Organizations

Number of Nonprofit Organizations Registered in Romania	
Type of Nonprofit Organization	Number Registered
Associations	44,271
Foundations	16,785
Federations	758
Foreign legal entities	22
Unions	633
Others	213
Total	62,682

Source: National Registry of Associations and Foundations, 2009

- Currently Romania’s legal frame defines the social economy with the help of the principles recognized at a European level. Based on the definitions coming from the European environment, the following social economy legal entities can be identified in Romania:
 1. Not for profit organizations that develop economic activities, irrespective of their activity field.
 2. Not for profit organizations organized like CAR – mutual aid funds (both for employees and retirees).
 3. Credit cooperatives.
 4. Cooperative societies, 1st degree, regulated through Law 1/2005. Cooperatives can have activities in various sectors such as agriculture; regulated through law 566/2004, transportation cooperatives, etc.
- In addition to the ones mentioned above, for Romania there are also some normative acts and references to what is called social enterprise, but they do not have a definition that is accepted from a legal point of view.
- The Romanian legal framework regarding CSOs is: OG 26/2000 (legal status), OMFP 1696/2007 (accounting regulations) and the Fiscal Code (fiscal obligations).

¹⁸ <http://profitpentruoameni.ro/wp-content/uploads/2013/05/05-Interviu-cu-Roxana-Damaschin-Tecu-enterprise-development-director-la-NESST-Europe.pdf>

- Up to this moment, in Romania the following organizations specific to social economy have been registered:
 1. 2.179 mutual aid funds
 2. 51 credit cooperative banks
 3. 419 authorized protected sheltered units
- From the numbers made public by the Ministry of Labour, Family, Social Protection and elderly in 2010, the most often met social economy type of organization was the mutual aid fund.
- Another possible legal form for a social enterprise is the limited liability company or other legal form for for-profit companies. Most of these types of social enterprises have the founding NGO as their sole owner but there is no statistic regarding their number. Private initiatives are difficult to identify given the lack of a clear definition of the concept or a methodology to keep track of their record.

Operational model of social enterprises

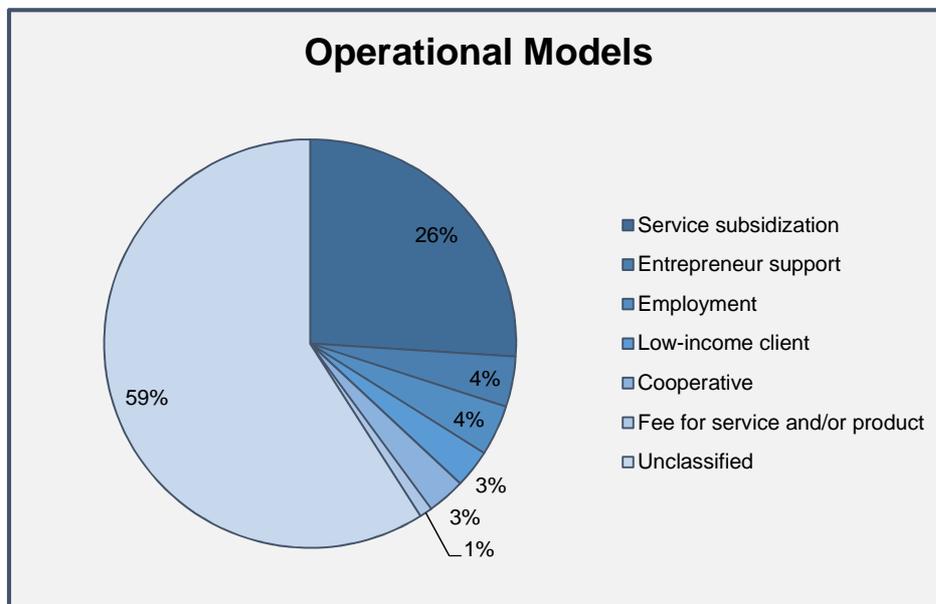


Figure 1: Operational models of social enterprises (Source: SELUSI, 2012. N=73). See Annex for explanation of the different models.

Important values for social entrepreneurs

In most cases, the social entrepreneur is an active member of the civil society, having developed or worked in other social projects in the past or being personally connected to a specific social problem.

In some cases the social entrepreneur is also known as a social innovator – the person that solves a certain problem in an efficient, innovative way. The person considered to be a social entrepreneur is a change agent in the community. They are the ones to identify the problems and use the principles of entrepreneurship to organize, create and structure a business that has as a purpose the initiation of social change.

Social entrepreneurs are generally known to have keen abilities to understand and implement change and to convince others to support them in these efforts. They choose to use their assets for the social causes they believe in. They often seem to be from a different world because they are idealistic and extremely passionate about what they do but also have the practical and strategic ability to actually change the world they live in.

However, in Romania there are just a few social entrepreneurs well known for their achievements, usually the success of social enterprises being attributed to a team or an organization. Often, a value shared by members of social entrepreneurial teams is collaborative approaches to solving social problems.

7. Russia - Organization of social enterprises in market and society

Legal form of social enterprises¹⁹

- The social enterprises choose a legal form according to the social aim of the enterprise and the available resources.
- There are representatives of non-for-profit organizations, small businesses and even parts of state enterprises among social enterprises in Russia, however the shares of these types are not known.

Operational model of social enterprises

Table 1: Social Entrepreneurship Spectrum, 2009²⁰

Traditional NGO	0,15%
Non-For-Profit SE	0,18%
Economically oriented hybrid SE	0,77%
Socially oriented hybrid SE	0,05%
For-Profit SE	0,05%

Important values for social entrepreneurs

- Previous professional experience seems to be very important for social entrepreneurs as they should know more about the target group and about the product they are going to produce or sell. The required knowledge seems to be deeper than for 'regular' entrepreneurs.
- Social entrepreneurships in Russia are actively using volunteers, so the culture within these organizations seems to fit well with them.
- Social entrepreneurs are likely to get less money than profit-oriented entrepreneurs.

¹⁹ Moskovskaja A. 2011. Social'noe predprinimatelstvo v Rossii: praktika i issledovanija, HSE Publishers, Moscow.

²⁰ GEM Consortium 2009. "Global Entrepreneurship Monitor 2009 Global Report." Global Entrepreneurship Monitor. Accessed April 30, 2014. <http://www.gemconsortium.org/docs/download/265>

8. Spain - Organization of social enterprises in market and society

Legal form of social enterprise

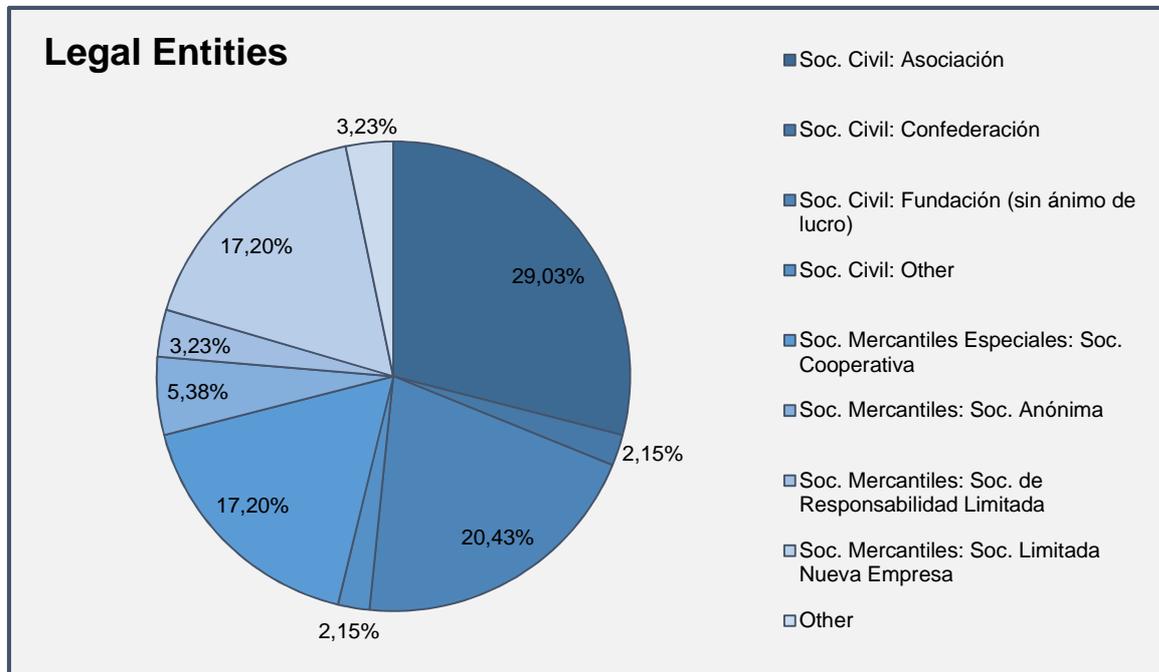


Figure 1: Legal entities (N=93), some organizations were actually composed of several legal entities but the above figure shows only the primary legal entity (SELUSI Project)

- The Spanish legislation recognizes three legal forms for social enterprises. Still, in reality, there are many other legal entities for social enterprises to operate under the three main forms. When picturing the Spanish framework, it is important to have always in mind the traditional, dominant role of cooperatives, as many social enterprise organizations emerged from this typology.
- Until recently, as there was no specific legislation for social enterprises, most organizations were identifying themselves either as cooperatives, social integration companies, or not-for-profit companies. With the ongoing modification of the social economy legislation in Spain, it is possible for this graph to contain new or modified legal forms.

Operational model of social enterprises

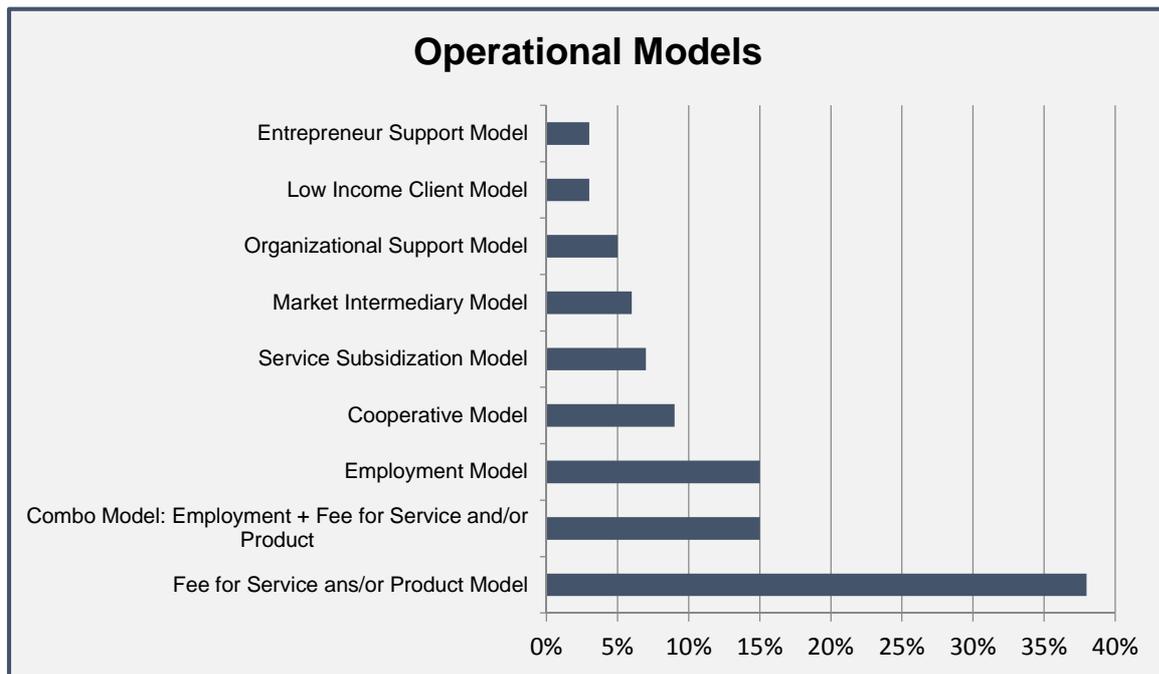


Figure 2 Operational Models (N=139). See Annex for explanation of the different models. (SELUSI Project)

According to the SELUSI data, there are three dominant operational models in Spain. The *Fee for service/or product* model account for 38% of the sample, focusing on commercializing social services and/or products and selling them to a targeted group. It comprises social enterprises with activities related to environment, community aid, recycling, education. The second dominant model is the *Employment* model, including organizations that provide work integration programs for targeted populations, such as disabled, homeless, at-risk-of-poverty youth or ex-offenders. The third dominant operational model identified for Spain was the cooperative model, reflecting the traditional role cooperative firms have in shaping the social environment.

Important values for social entrepreneurs

“ Because this sector (social entrepreneurship) is facing many difficulties, the social entrepreneur obtains resources from places others don't imagine and, because of his social goal; he succeeds in involving people who would not get equally involved if it were only business initiatives”.

- Marta Solórzano, Professor at UNED

The graph below shows the results of the SELUSI Spanish sample (including only social ventures with 10 or more FTEs), on four main components of the entrepreneurial orientation: Innovation, Experimentation, Proactiveness and Risk-taking. On average, Spanish social ventures reported that they tend to be relatively innovative and experimenting, as indicated by an average score above the scale mean of 4, but less risk-taking (score below 4).

Furthermore, Spanish social entrepreneurs reported that they typically take a rather proactive stance in the sense that they are typically introducing product, service and process ahead of similar organizations and/or competitors.

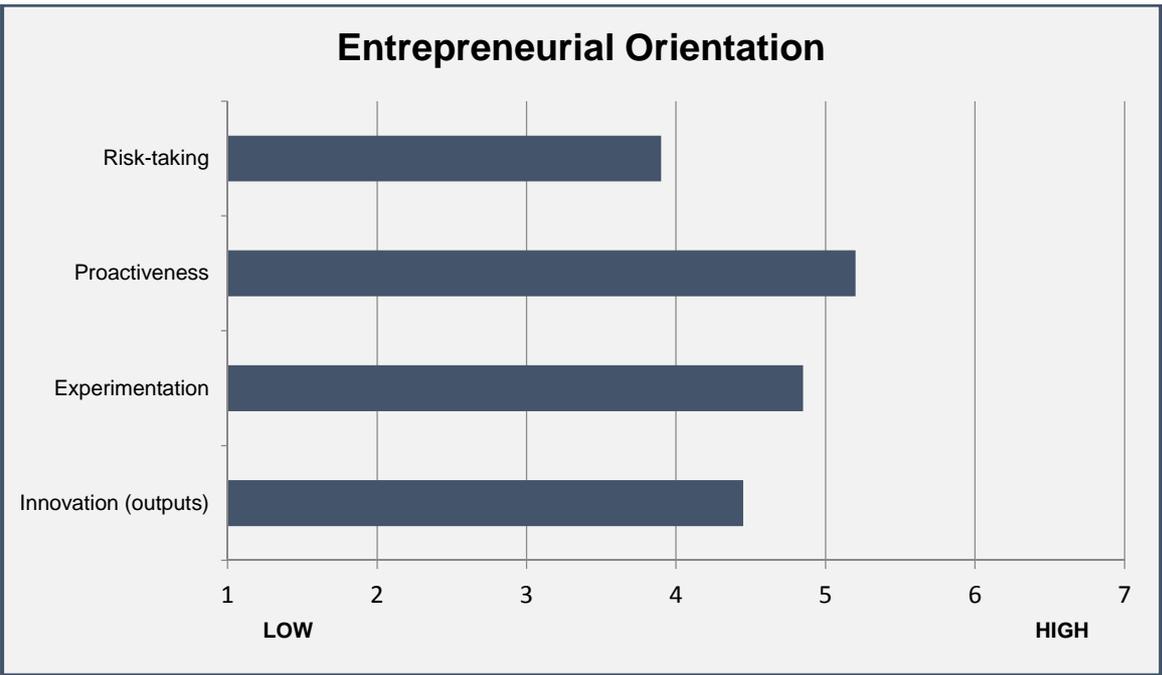


Figure 3 : Breakdown Entrepreneurial Orientation in its Four Components. (SELUSI Project, N=139)

- According to the 2012 GEM report on social entrepreneurship, people aged between 18 and 24 are more likely to engage in social entrepreneurship projects. This trend has been observed in several member states of the European Union.

9. Sweden - Organization of social enterprises in market and society

“ WISE: Enterprises that run their operation with the overall aim of integrating people with substantial difficulties in getting and/or maintaining work in the labour market and in society, i) that creates inclusion for the employees through ownership, contracts, or in an other well-documented way, ii) that essentially reinvests the revenues in its own or other similar activities, iii) that is organisationally independent from public services”

- Government's definition, Tillväxtverket, 2014²¹

Legal forms of social enterprises

- The majority of social enterprises are still non-profit organisations. A smaller share has taken the legal form of foundations; cooperatives, which are common among WISE; and limited companies with a growing share among newer social enterprises. Among the more established social enterprises (with an organisational age over 5 years), hybrid legal solutions are more common. The reason for this might be that it is easier to pay salaries through the company, but it also allows the social enterprise to simultaneously receive grants and maintain the economic transparency of the operation.
- Some new social enterprises are considering the legal form SVB. Some older social enterprises mention that SVB could have been an option if they would have started up today. Remarkably, none of the encountered agencies or intermediaries actively suggest SVB and the general picture confirms that the advantages with that legal form are still indistinct.
- It may still be beneficial to start-up as a non-profit organisation when the enterprise is dependent on grants and scholarships since these are complicated to receive if the legal form is Ltd Company.

Operational model of social enterprises

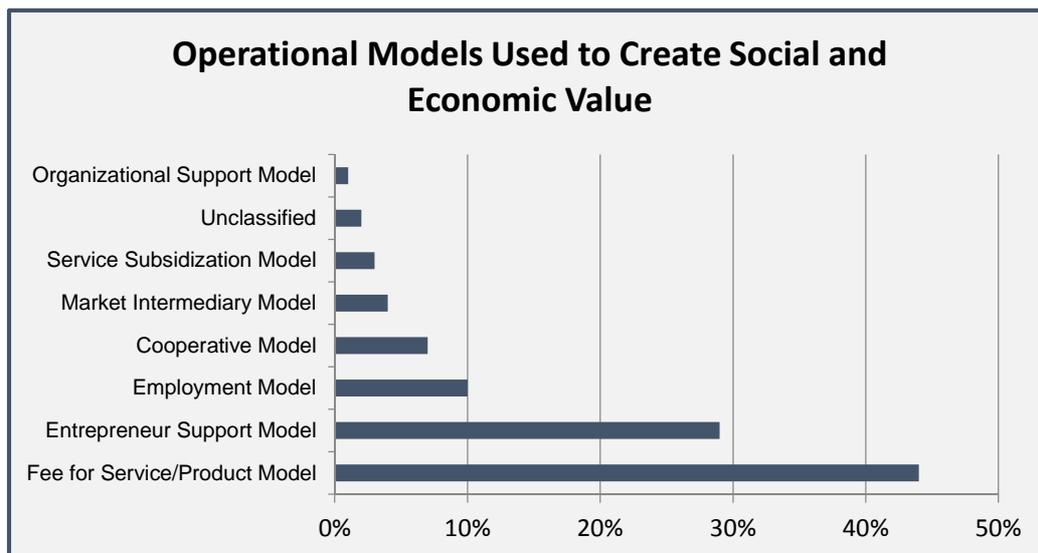


Figure 1: Operational models of social enterprises (SELUSI 2010)

²¹ Translated from the homepage of: Tillväxtverket. (Accessed 12 March).
<http://www.tillvaxtverket.se/huvudmeny/insatserfortillvaxt/flerochvaxandeforetag/samhallsentreprenorskapochsocialinnovationer.4.3c4088c81204cca906180001274.html>

Important values for social entrepreneurs

- The Swedish social entrepreneurs work hard for their “mission and vision” and are often willing to accept a run (often longer than expected) in the start-up period without any financial compensation to achieve their social goals and to change society for the better. Regardless of the entrepreneurial element in the operation, the field of social enterprises in Sweden still relies heavily on dedicated enthusiasts.
- It seems to be less important for social entrepreneurs to front themselves in the media despite the US trend where it is the entrepreneur, and not the entrepreneurial product, that is highly publicised (Amelie Silfverstolpe). Compared to their commercial counterparts, the founders also seem to focus on the second-line of leadership and their product rather than on themselves.
- Based on the mapping of over 100 social enterprises as well as the initial dialogue with a few social entrepreneurs, participation appears to be a common central value. Either in terms of the positive force it represents or in terms of the significant contribution from self-experiences among the employees. Some examples of such organisations are: [Maskrosbarn](#), [Basta!](#), [Vägen Ut!](#), [Svenska med Baby](#).

10. UK - Organisation of social enterprises in the market and society

Legal form of social enterprises

- Social enterprises can operate under a number of different legal forms and determining the most common ones is difficult for two reasons. First, social enterprises may operate under a combination of legal forms which allows them to be flexible, efficient and innovative in their efforts. Second, social enterprises can operate under a charity status, however, national data is collected separately for the private and the voluntary sector, thus certain legal forms are excluded from specific databases by design.
- Based on the 2012 Small Business Survey, which excludes charities, the most popular forms for social enterprises are private limited company (30.8%), sole proprietorship (28.8%), partnership (13.3), company limited by guarantee (7.8%), community interest company (4.9%), and independent provident society (3.2%).²²
- There are 8 666 registered community interest companies, the legal form specifically designed for social enterprises. However, the legal form poses limitations to growth and access to finance. The changes to the community interest company limited by shares aim to address the issue by removing the dividend cap.²³

Operational model of social enterprises

- The most common operational models in the UK are fee for product/service, entrepreneurial support and low-income client, which further demonstrates how social enterprises support disadvantaged groups by creating products and services that directly create social impact or stimulate entrepreneurial and innovative efforts.

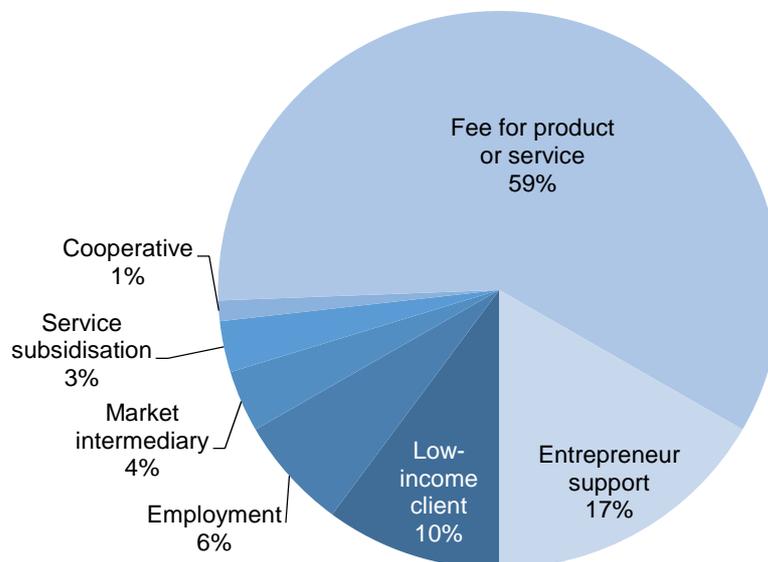


Figure 1: Operational models of social enterprises in the UK (SELUSI, N=168)

Note: See Annex for explanation of the different models.

²² Cabinet Office and BMG Research. 2013. "Social Enterprise: Market Trends." <https://www.gov.uk/government/publications/social-enterprise-market-trends>. London: Cabinet Office.

²³ Office of the Regulator of Community Interest Companies. 2013. "Changes to the Dividend and Interest Caps." <https://www.gov.uk/government/news/changes-to-the-dividend-and-interest-caps>.

Important values for social entrepreneurs

- Reflective of their values²⁴, social entrepreneurs are inclusive in their enterprises and tend to adopt more participatory management practices: less top-down decision-making, more involvement and consultation of employees, and instituting a smaller salary spread than is conventional amongst commercial businesses.
- Compared to a representative sample of UK self-employed individuals, UK social entrepreneurs display: stronger self-direction, stimulation and achievement values; similar power, benevolence and universalism values; and lower tradition, conformity, security, and hedonism values. These values reflect that social entrepreneurs in the UK are more open to change, experimentation and proactivity, and less concerned with fitting into societal traditions and norms²⁵.
- Social entrepreneurs' participatory management practices and values do not hinder the entrepreneurial orientation of their enterprises. On average, UK social entrepreneurs tend to be innovative, experimental, risk-taking and highly proactive in introducing products and services ahead of similar organisations (see also Figure 5).²⁶

²⁴ **Stephan, Ute, Marieke Huysentruyt and Suncica Vuijc.** 2010." Opportunity recognition and the value(s) of social entrepreneurs." Paper presented at NYU Stern Annual Social Entrepreneurship Conference, November 3-5, 2010.

²⁵ **Ibid.**

²⁶ **SELUSI Research Consortium.** 2010. "Social Entrepreneurs as Lead Users for Service Innovation." <http://www.selusi.eu>.



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