

## ***Panel discussion on social entrepreneurship: New avenues for job creation and social inclusion***

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### **SOCIAL ENTERPRISES ARE REPLACING INDIVIDUALS AT THE HEART OF THE ECONOMY\***

<p>A Social Entrepreneur is an individual who sets up an enterprise with the aim to solve a social issue. The resulting enterprise will prioritise social objectives over financial goals.</p>
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Social Enterprises often deal with vulnerable people such as the elderly, disabled, long-term unemployed, disadvantaged youths, single mothers, etc. This may be through direct employment, or by producing goods and services to meet the needs of these vulnerable groups. Alternatively, such enterprises may be dedicated to the production of goods and services that have positive social or environmental impacts, such as eco-friendly or fair trade products.

There are various key characteristics shared by most social enterprises. The first is a strong objective to have a positive impact on society, for example, by helping socially excluded and vulnerable people to integrate into the labour market and into society as a whole. These enterprises aim to develop innovative solutions that work alongside measures taken by other organisations from both the public and private sectors. Social enterprises should take advantages of their entrepreneurial characteristics, including the ability to be professional, take risks, be innovative, exploit economies of scale, gather financial resources, etc. A democratic decision making process should prevail, in which each individual has the opportunity to express their views and has a role to play in the governance of the organisation. Social enterprises support a collective approach and propose a real economic democracy. Furthermore, social firms promote the reinvestment of a significant proportion of the revenue back into the enterprise to serve the social mission.

Similarly, there are several key characteristics shared by social entrepreneurs. They will have an awareness of the social and economic challenges faced by the locality in which they live, and a real sense of social duty and responsibility. They should be motivated by a strong set of personal social values which drive them to pursue their mission to benefit society. Social entrepreneurs will not only identify the issues that need to be addressed, but will continually ask themselves how they can improve the situation.

Social enterprise offers an opportunity to manage public goods in a more collective, responsible and sustainable way, by proposing new, innovative and sustainable economic models as a means to address collective issues.

*Social enterprises place the individual and his values at the heart of the organization by:*

- Giving people the chance to reconcile their deep personal beliefs with their professional activities;
- Enabling people to take part in the decision process and to benefit from the financial rewards;
- Contributing to sustainable development by passing the majority of the financial rewards onto future generations (solidarity between generations)

Many social enterprises are involved in the fight towards a more inclusive society, in which all individuals live in dignity regardless of their weaknesses. In France, 5,000 social enterprises employ disabled or long term unemployed people, generating over 700,000 jobs. From a macroeconomic perspective, social enterprise has a significant role to play in Europe regarding the reconciliation of public actors, economic sectors and civil society. Social entrepreneurs have proven that we can combine society and the economy, and that the economy can be a useful tool to serve social progress. In that sense, social entrepreneurs are defining a real market social economy.

## ***A global social and economic environment favorable to the development of social entrepreneurship in Europe***

*The following factors have contributed to the development of social enterprise in Europe:*

- The crisis of the social and economic production and welfare state system in Europe - the State alone cannot respond to all of its social needs;
- The movement towards the decentralisation of public decisions - local democracy is increasing at the heart of the areas where social initiatives are being developed;
- The development of a “responsible consumer” who chooses more environmentally friendly and socially responsible products and services;
- The increasing awareness that private companies have of their social responsibility and the desire to take action for the public good;
- The significant growth in social savings. For example, there were 200,000 social savers in France in 2005, 10 times as many as in 1999, contributing to over 1 billion Euros saved.
- A clear desire to give meaning to one’s professional involvement, particularly among young people. For example, 63% of French people and 75% of French youths would prefer to work for a social enterprise; 75% of the French people and 80% of French youths think that social enterprise can contribute positively to changing the society (Sondage CSA / Avise January, 2010).

### ***The role of social entrepreneurship in Europe***

Social entrepreneurship was born in Europe during the 1980’s, following a major social, economic and environmental crisis. However, there is currently no ‘European model for social entrepreneurship’ and the characteristics of social enterprise differ from one country to another. The following examples illustrate the different roles that social enterprises play within different European countries.

In the UK, social entrepreneurs have traditionally aimed to respond to the deficiencies and limitations of the government. Social enterprises have been considered by the government as a real tool to fight against exclusion in urban areas. For example, 40% of social enterprises in the UK are being developed in poor urban areas (Repère de l’AVISE –panorama de l’ES dans les pays de l’OCDE). A strong strategic public policy has been developed to recognise, support and finance social enterprises.

In Italy, a strong cooperative movement has developed. Italy was the first country to vote for a defined status for social enterprise in 2005. Social enterprises are defined in Italy as ‘private, non-profit organizations that produce goods and services with a social purpose, for a public good’ (Présentation de la loi italienne et du décret créant l’entreprise sociale, Groupe Esfin Ides, François Soulage, president, août 2006).

Scandinavian countries already benefit from a well developed welfare state, and therefore social enterprise has experienced limited growth. The public bodies in charge of the unemployed have had a small role to play in social enterprise. However, the increases in unemployment and economic deregulations have modified the situation and new cooperatives have begun to play an increasing role in the integration of people into the workforce.

Social enterprises play different roles in different European countries. The definition, purpose and responsibility of social enterprises are intrinsically linked to the economic, political and judiciary traditions of each state. However, the global economic and social environment is leading to the rapid development of social enterprise in Europe, and is contributing towards the search for a common definition across the continent.

### ***What roles do social enterprises play in connection with public institutions?***

Social enterprises have the capacity to identify and respond in an innovative way (experiment with new sustainable social and economic models) to well identified social needs in local territories. They can be

very useful for public bodies as they can conduct experiments on a local scale, in the search for future global solutions to major social and environmental issues. In Europe, social enterprises work in partnership with public bodies (strong public financing) and operate as a complementary actor. However, in the US, social enterprises perform functions that, in Europe, would be devolved to the public bodies. For example, in the US, social enterprises play a crucial role in the health sector; they replace the welfare system. 46% of the non profit sector's organizations are in the health sector. (ADDES: XXIeme colloque: dynamique entrepreneuriales et stratégies de développement de l'économie sociale)

***Increasingly more higher education institutions are becoming involved in social entrepreneurship and social innovation in Europe***

*The pioneers are as follows:*

- In the USA : Harvard University (mid 1990's – Dr Greg Dees)
- In Europe: London School of Economics – Center for Civil Society (1990's)
- In France: ESSEC – Chaire Entrepreneuriat social (2001)

On a global scale, there has been a real increase in the number of schools involved in this field. In January 2004, 20 schools in the world had developed teaching programs in social entrepreneurship. By March 2008, 35 schools in the world developed teaching programs in social entrepreneurship (a 75% increase). However, 30 of these 35 schools are based in the US. They are the oldest, they gather the most students, they direct a lot of research programmes in this field and they produce the most significant number of publications (source: [www.universitynetwork.org/](http://www.universitynetwork.org/) handbook).

*The following are examples of institutions dedicated to social enterprise and innovation:*

- Social Enterprise Initiative – Harvard;
- Social Enterprise Program - Colombia University (NY);
- Centre for Social Innovation - Stanford University;
- Centre for Advancement of Social Entrepreneurship – Duke University (US);
- Canadian Centre for Social Entrepreneurship - University of Alberta.

*The main academic institutions involved in Europe are:*

- Institute for Social Innovation and Social Entrepreneurship – ESSEC Business School;
- Skoll Center for Social Entrepreneurship – Saïd School of Business – Oxford University;
- Master in International Studies in Philanthropy and Social Entrepreneurship- Université de Bologne;
- Center for Social Entrepreneurship - Roskilde University, Copenhagen;
- Program on Social Entrepreneurship - Stockholm School of Entrepreneurship.

***The development of social entrepreneurship in Europe: major challenges and propositions***

*The main challenges and propositions to help the development of social entrepreneurship in Europe are as follows:*

- Increase the understanding of social entrepreneurship, by:
  - Making more people (young, retired, etc.) aware of the existence of social enterprises and their roles in society;
  - Educating more students on the characteristics and major challenges of social enterprise in secondary schools, colleges and higher education institutions. This will contribute to the emergence of new social entrepreneurs;

- Developing a qualitative communication strategy to convince different groups of people of the real opportunity and credibility of social enterprise;
- Insuring that social enterprises benefit from a constant renewal of the workforce, that is, the continual injection of young, bright, innovative social entrepreneurs. For example, in France in 2006, more than 25% of all the employees in social enterprises were over 50 (520,000 employees), representing almost 17% of the workforce (source: rapport Vercamer).
- Increase the institutional recognition of social enterprises (the specificities of social enterprise), by:
  - Developing a shared definition for social enterprise across the border;
  - Developing a status and label for social enterprise;
  - Producing statistics and analyses of the sector.
- Reinforce the exchanges on a European scale between social entrepreneurs and public bodies to create a transnational movement across the European borders (exchange of best practices, collaborations, etc.), around the development of social entrepreneurship.
- Increase the partnerships between social enterprises and traditional for-profit companies, by:
  - Exchanging competencies and best practices. For example, in Work Integration Social Enterprises (WISE), Human Resource competencies are well developed to deal with employees with real difficulties. The model that they use could be useful for traditional enterprises facing similar challenges (Jean-Guy Henckel – Jardins de Cocagne – example of the meeting in Lorraine with HR directors);
  - Using social innovations developed by social entrepreneurs in traditional for-profit companies. For example, for the development of new products and services for new types of markets.
- Increase the partnerships between social enterprises and public bodies for the development of well adapted financial and strategic support and an increased efficacy at the heart of the territories.
- Help the development of social enterprises, by:
  - Multiplying the measures dedicated to helping social enterprises to emerge and develop;
  - Enabling access to common law financing for social entrepreneurs and their specificities;
  - Developing new types of financial resources for entrepreneurs, such as:
    - Social Venture Capital Funds;
    - Investment Banks for the social enterprises, which also facilitate the merging and acquisition of social enterprises.
  - Increasing the level of professionalism of social entrepreneurs on all the strategic issues related to the management of social enterprises to ensure their durability and the maximization of their social impact (that is, leadership, governance, HR management, social impact measurement, etc.).

*\* This document was prepared with the assistance of Sophie Keller, Institut de l'Innovation et de l'Entrepreneuriat Social (IIES) .*