

Scoping paper: AGORADA 2019

“Exploiting the full potential of social enterprises”

Residence Palace, Rue de la Loi 155, 1000 Bruxelles

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1. Introduction

Development agencies agree over the key role played by social enterprises for our territories, however policies, programmes, and structures to support these actors considerably differ across Europe. This is why EURADA gathers around the same table regional practitioners, experts, and policy-makers in order to discuss the state of art of social enterprises as well as challenges and solutions to help them develop and flourish. Let's start with basics, social enterprises are an operator of the social economy. According to the European Economic and Social Committee (EESC) there are 2,8 million social economy enterprises and organisations in the European Union, which employ 13,6 million people and account for 8% of the EU's GDP. Social economy refers to a diversity of subjects, such as cooperatives, mutuals, associations, foundations, paritarian institutions of social protection, and of course social enterprises that are united by common values and characteristics, such as primacy of people over capital, democratic governance and reinvestment of most the profits/surpluses to carry out sustainable development objectives.

Social enterprises are agents of inclusive growth and democratisation of the economic and social spheres. They combine social goals with entrepreneurial activity while addressing socio-economic challenges in innovative ways. Social enterprises also proved resilient to economic adversity: between 2008 and 2014 in Italy and Belgium their employees grew at a rate of 20% and 12%, while the mainstream enterprises underwent a deep crisis. Social enterprises are natural allies for governments, as their primary goal is to improve service delivery and the lives of the most vulnerable individuals with little to no strain on public resources. However, in many countries, governments still do not put in place public policies able to unlock and exploit the full potential of social enterprises and the whole social economy.

This scoping paper highlights some of the key challenges hindering social enterprises to flourish, and provides an overview of regional programmes with proven records to tackle these. At the conclusion, it deals with the dilemma, if in spite of some intrinsic specificities social enterprises should be considered by policy-makers, and thus supported by development instruments, in the same way of mainstream enterprises.

2. European Perspective

The social economy and social enterprises are “a European success story” that have increasingly gained political visibility as a sector constituting an important pillar for employment and social cohesion across Europe. In this sense, the European Parliament, Council of the European Union, EESC, EU–Member States, Commission Expert Group on Social Entrepreneurship and social economy representative organisations have consistently called for the development of an ambitious European policy for the social economy with adequate resources proportionate to its socio-economic weight in the European Union.

Social economy and social enterprises should be considered in EU industrial policies as a tool to achieve industrial modernisation. A successful example is the Partnership of the Industrial Modernisation Platform on Social Economy. The partnership stimulates cross-border operations to enable the social economy sector to use the full potential of the single market, through interregional collaboration activities.

The partnership deals with key challenges related to S3 and social economy such as, how to: develop social economy clusters; create European value chains of social economy enterprises belonging to different regions in Europe; improve the cooperation between enterprises and other territorial actors, especially those having technological and innovative competences.

3. Challenges

A number of challenges are relevant for the social economy, especially for micro, small, and medium-sized social enterprises. The scoping paper focuses on 4 challenges, policies, programmes and structures successfully delivered on: start-up and scale-up, finance, internationalisation, and innovation.

START-UP AND SCALE-UP

According to the Global Entrepreneurship Monitor (2018) a third of start-ups worldwide aim for social good, however social entrepreneurs struggle to receive comprehensive support. Business hubs, accelerators and incubators gradually reoriented towards social enterprises, yet experts are still arguing over the best programmes, tools and structures to ensure an effective and efficient start-up. The Wallace Foundation breaks down scaling-up for social enterprises into 3 strategic elements: how to scale (“pathways”), whom to involve (“partnerships”), and how to ensure retention (“fidelity”). The strategy highlights the strengths of a multi-dimension approach ensuring the grow of social enterprises. Development practitioners can draw on these dimensions, yet thinking over policy instruments from a multi-level perspective is necessary. Scale-up should also be seen as an exercise of coordination: efforts at local, regional and national level can successfully help social enterprises scale-up only if a coherent ratio is given.

FINANCE

“Social enterprises go bust all the time”, this expression of scepticism goes straight to the point: financial and economic actors mistrust forward-looking capacities of social enterprises. Wariness often turns into financial constraints for social enterprises, yet credit access is key to the further development of promising start-ups among social enterprises. Policy makers should design and implement instruments to address this challenge.

INTERNATIONALISATION

Internationalising social enterprises became a challenge especially for those regions and countries with a well-established social enterprise sector. Services and products successfully provided or sold in a certain region can be likewise successful in a different region. However, internationalisation strategies are frequently designed for mainstream SMEs only. One explanatory model thereof builds on a mistake of both the ones that should support and the ones to be supported. On one hand policy makers tend to hold a static view of social enterprises, these “grow out from the social problems of a community to fix these with economic recipes”, yet without any ambitions to “export” this solution to fix communities elsewhere. On the other hand, social enterprises’ managers tend to see their peers - mainstream enterprises - as the solely natural beneficiaries of internationalisation measures due to a longstanding tradition of public support via strategies and programmes for them only.

INNOVATION

Social enterprises lead the way in social innovation. Despite the lack of resources social enterprises regularly innovate in various sectors and markets. However, social enterprises like mainstream enterprises, are confronted with today’s dilemma “innovate or perish”. Development practitioners should therefore deliver policies, programmes, and structures to help social enterprises fully exploit the strengths of social innovation and ensure that their services or products can successfully compete on the market

4. Best-practices

The common denominator of the best-practices below described is the extent to which they delivered on 4 challenges affecting the development of social enterprises. The summary of policies, programmes and structures offers relevant inputs for regional practitioners, experts and policy makers concerning theory and practice of the support for social enterprises.

START-UP AND SCALE-UP

The Rzeszów Social Economy Support Centre (ROWES) is a specialised unit operating in the organisational frame of the Polish Rzeszow Regional Development Agency. ROWES is an outstanding example of structure able to address all relevant stages to support social enterprises: from the business idea to the business development. ROWES offers: - animation; - incubation; - business services; - training and study visits; - financial assistance; - specialised consultancy; and a - school of leaders of the social enterprise sector. For every development stage, advisors of the Social Economy Support Centre build on their specific expertise to best support persons willing to register a social enterprise. Besides economic support, ROWES helps social entrepreneurs “discover” their own socioeconomic regional and local ecosystem, by providing partnerships with relevant public and private actors as well as existing networks to unlock their business goals.

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FINANCE

MarketMate is a national grant and development programme designed to comprehensively boost business and social impact capacities of social enterprises. It was identified as Interreg best-practice to support social enterprises to access to finance due to its innovative design. MarketMate coherently assesses and provides advice to social enterprises on both dimensions: the business and the social one, before funding projects with expected social benefits and economic sustainability. MarketMate was successfully carried out in 6 Hungarian regions with excellent results in terms of out-reach and impact. In fact, through MarketMate each 10th Hungarian social enterprise further professionalised, and accessed finance support to launch projects with both a strong business perspective and a wide social impact for local communities. The programme consortium of MarketMate is also worth-mentioning, as it coherently builds on the interplay of the Ministry of Economics, OFA–National Public Employment Agency and IFKA–National Public Agency for Development and their respective networks.

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INTERNATIONALISATION

The Government of Catalonia and the Catalan Third Social Sector entities, through the III Support Plan for the Third Social Sector (2016-2018), delegate in ACCIÓ (the Catalan Government’s Agency for Business Competitiveness) the competence to “advise, train and support Catalan social economy organisations in the internationalisation of their activities and services”. One of ACCIÓ’s key tools for that purpose are the 40 ACCIÓ’s Trade & Investment worldwide offices, which help Catalan enterprises to do business in 110 countries. ACCIÓ carries out different services for social enterprises since 2014, such as prospective missions and individual promotion plans. ACCIÓ has undertaken 36 individual internationalisation projects for social enterprises in the last two years, 13 of which by ACCIÓ’s team in Brussels, specialised in active identification of potential tenders. Besides, ACCIÓ is the lead partner in RaiSE, an Interreg Europe project (2017-2021) that brings together 6 proactive regions and one advisory partner to enhance social enterprises competitiveness through an active interregional exchange of experiences.

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INNOVATION

The government of Navarre is developing a transversal vision for civil and commercial mediation so as to help resolve conflicts in an alternative way than via ordinary courts. To this end, this region turned to its natural ally, namely social enterprises. In fact, the DNA of these economic actors is to experiment new approaches to see opportunities whereby other actors see problems. The Navarre-based social enterprises Mediación Navarra and Fundación Narac successfully apply social innovation to alternative dispute resolution. Their expertise allows them to turn a conflictual situation leading to a win-lose situation, for instance a dispute among two companies, into a win-win situation. This exercise requires a systemic-thinking, social enterprises can build on as they have a deep comprehension of socio-economic needs, interdependencies and forward-looking forms of cooperation across their territories.

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The Association Social economy Slovenia started a #Buy responsible campaign in January 2018 in Slovenia. It aims to reach out the European level promoting purchases of the social economy sector among consumers, the private and public sector. The same year a platform was established to enable easy access to market for responsible suppliers as well as easy access to order responsible products and services. #Create responsible is the first e-cooperative supporting the activation of individuals by using the high-tech tool – blockchain platform, facilitating access to services and the market, thus providing greater visibility, security and stability of the members. The target groups of the platform are: freelancers, unemployed persons, contracted performing part-time and part-time employees, cultural workers, persons with supplementary work statuses, and social enterprises that take into account the social economy principles: sustainable development, social responsibility, inclusion of Vulnerable groups, and solidarity and democratic decision-making.

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5. Conclusion

It is indeed complex to solve the riddle whether social enterprises should be considered by policy-makers, and thus supported by development instruments, in the same way of mainstream enterprises.

Let's start from the "practice" of the support measures in favour of social enterprises and enterprises, namely policies, programmes and structures put in place to help both categories of economic agents. The challenges for social enterprises, previously presented in the third section, are the very same of mainstream enterprises, and so is the rationale of the best-practices to address these.

It is certainly true that up-skilling support measures need to be specifically tailored to socially vulnerable individuals making up a significant part of the social enterprises' workforce. It also is undisputable that the management architecture of certain types of social enterprises - due to their democratic intrinsic nature and legal framework - may partially decelerate the decision-making process, e.g. when it comes to embark on financial instruments or carry out an ambitious scale-up strategy. However, the exponential growth of social enterprises Europe-wide also brought along learning processes within these economic actors.

In fact, the expertise generated this way progressively adjusted some structural discrepancies between social enterprises and mainstream enterprises. A new generation of social entrepreneurs came in with high managerial and business skills as well as a clear community and social oriented vision. The successfully passed "crash-test" during the financial crisis made emerge social enterprises as competitive, flexible and resilient economic actors, their profit-oriented peers have increasingly to come to terms with.

Drawing on our practitioner-oriented view of territorial development, we believe as EURADA that the time has come to rethink our role as development agencies towards social enterprises and the whole social economy. Regional development agencies have long considered social enterprises as an economic “protected species”. We have designed and implemented ad hoc measures for these economic actors, yet by practising “positive discrimination” we de facto created and reinforced a negative dualism between: social enterprises and mainstream enterprises. This dualism has characterised policies, programmes and structures ever since and it now needs to be overcome to unlock and exploit the full potential of social enterprises.

6. References

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