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Social enterprise and stakeholder governance
A comparison of the CSR performance in single-stakeholder
and multi-stakeholder structures

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CAP 1 CONCEPTUALIZING SOCIAL ENTERPRISE. CONTRASTING DEFINITIONS AND MEANINGS IN DIFFERENT REGIONAL CONTEXTS

1. Social entrepreneurship: basic concepts

Social entrepreneurship is a recent evolving phenomenon that engages a broad range of stakeholders and is articulated across different organizational approaches. It is recognized in various countries as having positive impact on a wide range of social and environmental problems including welfare, employment, sustainable development and poverty.

At first glance, social entrepreneurship is recognized as those set of economic approaches not directly aimed at providing goods and services for profit-making purposes, but at addressing human needs via market-based mechanisms. Ventures created by social entrepreneurs may generate income, but they are essentially engaged in resolving negative externalities, which exclude poor or disadvantaged individuals from different local markets, such as the labour market, education, trade systems or capital markets. Moreover, social entrepreneurship may also regard the creation of value with a broad environmental impact, that is for the society as a whole, such as environmental conservation, human rights protection or the strengthening of civil society. Broadly speaking, social entrepreneurship may be seen as an approach to the systemic social change that resolves market failures, as it consists of a set of businesses focused less on sales growth or profitability and more on the social and environmental impact.

As a novel, still-evolving, and largely under-theorized area of practice and research, social entrepreneurship is still in a process of self-definition. Yet despite the growing importance as an emergent means to address critical social issues globally, nowadays the understanding of this phenomenon remains largely limited to anecdotal case studies and instrumental analysis of best practices.

In the US studies, social entrepreneurship is tightly approached as a supply-side

driven phenomenon that can be differentiated into three forms (Young, 2008). A first group of researchers refers to the concept of social entrepreneurship as a wide range of initiatives put forward by nonprofit organizations for additional revenues after cuts in governmental support and individual and corporate giving (Dees, 1998 a). A second group of researchers refers to social entrepreneurship as initiatives of independent social entrepreneurs aiming to alleviate particular social problems (Dees, 1998a), while a third group understand it as the socially responsible practices of commercial businesses engaged in cross-sector partnerships (Sagawa and Segal, 2000).

The second definition refers to the well-grounded US literature on the individual 'hero' social entrepreneur and his or her ability to mobilize different types of resources, both financial and human, organize novel paths and solutions, in order to achieve the social mission. Social entrepreneurs are emphasized as a sort of 'mission-driven-opportunity-seekers' who are constantly searching for innovative and risk-taking solutions to social problems on behalf of a wide range of stakeholders.

As agents of change in the social sector, social entrepreneurs pay many difficulties to mobilize financial resources compared to the commercial entrepreneurs (Nicholls, 2006). One of the reasons is that the ventures created pursue not only an economic gain but also social benefits. In fact, social entrepreneurs neither anticipate nor attempt to create substantial financial profit for their investors who disregard the achievement of social goals, since they cannot expect to gain a financial return. Nevertheless, due to the difficulties to raise funds through financial and capital markets, the most quoted source of financing for them appears to be a particular kind of patient capital, that is the social venture capital.

On the opposite side, the European debate on social entrepreneurship appears as demand-driven (Borzaga and Defourny, 2001), as it is mostly traced on ways alternative to the welfare state provision of public services in tackling problems of high unemployment and social inclusion of marginalized people. In this milieu, groups of citizens need to be engaged with entrepreneurial energies to find new

and creative solutions to intransigent problems. Therefore, last decades saw the emergence of new configurations of public policies and regimes of contracting out with nonprofit providers that developed new contract offerings, mainly as a response to governmental incentives.

However, any serious attempts to understand the meanings and boundaries of the social entrepreneurship have to cope with a deep examination of its constitutive concepts, that is, 'social' and 'entrepreneurship', both individually in reciprocal relationship.

The use of the term 'social' as a modifier for entrepreneurship raises questions about which objectives can legitimately be considered social, and to what extent does a given organization actually advance these objectives. In other words, it is essential to understand what 'social' means in the specific context of social entrepreneurship, and how the objectives of the social entrepreneurs differ in their extensions from the objectives of the non-social entrepreneurs. If social entrepreneurship is a quite distinct concept compared to the traditional socially oriented nonprofit organizations or philanthropic foundations, therefore, its entrepreneurial dimension must be separated from other non-entrepreneurial social ventures (Nicholls and Cho, 2006). Hence 'sociality', that is, the extent to which an organization intentionally and effectively pursues the advancement of its social objectives, becomes a problematic dimension in order to distinguish socially entrepreneurial ventures from other social organizations. That is, what social dimension (i.e. the extent of sociality) social entrepreneurship exactly entails, and what is the nature of the social objectives that entrepreneurs try to pursue?

The visions of the social are inextricably linked to varying sets of potentially incompatible values and normative commitments (Nicholls and Cho, 2006).

In contexts of social heterogeneity, talking about social entrepreneurship without acknowledging the possibility of fundamentally divergent social objectives makes little or no sense. Indeed, though some social objectives may be unambiguous expressions of the creation of social value, such as some community care services or microfinance initiatives, others still might be not clearly defined or have a more

contested sociality. For instance, many social ventures pursuing a broad environmental impact, such as those focusing on renewable energy, might show up several problems of legitimization that affect the definition, negotiation and pursuit of their social objectives as well. Thinking about 'social' in terms of social needs depend essentially on the personal and cultural values associated with the individual views of what really means phrases such as 'social impact' or 'social solidarity'. This include very different and sometimes controversial categories of need, which are continuously subjected to debates and reviews; while some authors explicitly refer to a "social" outcome of an entrepreneurial behaviour, such as social change (Prabhu, 1999), others refer to social benefit (Fowler, 2000), social values (Dees, 1998 a), social capital (Morse and Dudley, 2002), social return of investments (Emerson, 2002) or a combination of the preceding ones.

On the 'entrepreneurship' side, the concept evokes a complicated set of questions. The definition of entrepreneurship depends on the extent to which an organization draws a distinction between the traditional social organizations and the socially entrepreneurial ventures. As Casson suggested (2005), despite the numerous competing definitions of entrepreneurship, each one emphasizing different elements and meanings of the entrepreneurial behaviour, two clustered definitions of entrepreneurship corresponding with the 'Schumpeterian' and the 'Austrian' approaches, appear to be relevant for the debate about the understanding of the social entrepreneurial phenomenon.

The Schumpeterian narrative of entrepreneurship emphasizes the role of the entrepreneur as innovator, or a high-level mode entrepreneurship (Casson, 2005), since he or she has the will to develop new combinations of goods, services and organizational forms in the service of a relentless drive to create (Schumpeter, 1934). Put in the context of the creation of social value, social entrepreneurs are essentially social innovators, as several social entrepreneurship funding and support agencies suggest. For instance, the Skoll Foundation (2005) noted that "unlike business entrepreneurs who are primary motivated by profits, social entrepreneurs are motivated to improve the society (...) they are change agents for

society, seizing opportunities others miss and improving systems, inventing new approaches and creating sustainable solutions to change society for better”. In other words, the individual creativity and organizational capabilities are those elements of entrepreneurship most relevant to set apart social entrepreneurs from the traditional social service providers, since they reveal themselves as disruptive, pioneering and essentially innovative in their approach. Therefore, innovation appears to be the primary dimension in defining social entrepreneurship as an aim for the systemic social change.

Contrasting to the Schumpeterian and ‘high-level’ entrepreneurship, the ‘low-level’ entrepreneurship is focused on the exploitation of arbitrage opportunities to buy cheap and sell dear, in order to generate profit or gain efficiency for a further creation of arbitrage opportunities (Casson, 2005). In the context of social entrepreneurship, the relevant principle associated with this mode of entrepreneurship is the market orientation, which involves the rationalized search for financial returns. By market orientation, it means that general dimension of entrepreneurship that entails rationalizing strategic operation in response to exogenous variables traditionally conceived as market pressures. Although many social-purpose organizations are located in dysfunctional or non-existent markets, social entrepreneurs recognize the value of market orientation as a general rule of conduct that gives primacy to the most effective deployment of resources for the achievement of social goals (Nicholls and Cho, 2006).

Within the spectrum of social entrepreneurship, this approach is particularly relevant in the subset of ventures commonly known as social enterprises. This novel organizations distinguish themselves essentially for their double or triple ‘bottom line’ nature, according to their purpose to blend commercial income streams with the pursuit of social or environmental objectives. Likewise, market orientation is often depicted as the ability to foster a full-cost recovery of social programs by the nonprofits, or the development of independent profit-making ventures. For example, the Institute for Social Entrepreneurship (2005) generically defines social entrepreneurship as “the art of simultaneously pursuing both a

financial and a social return on investment”. Likewise, Alter (2000:131) defines social enterprise as “a generic term for a nonprofit enterprise, social purpose business or revenue-generating venture founded to support or create economic opportunities for the poor and disadvantaged populations while simultaneously operating with reference to the double bottom line”. In the same manner, despite the dominant European perspective of ‘social economy’ (*économie sociale*), the EMES Research Network have set up a normative definition of social enterprise centred on a set of social and economic criteria outlining its entrepreneurial nature and the explicit social aims of its activity (Borzaga and Defourny, 2001). Furthermore, the democratic and participative governance of these enterprises create additional social value, so to blend the double ‘bottom line’ for the production of social capital resources for the social fabric of the community.

Developing ventures for social purposes must be considered a more complex construct than simply a path for the generation of financial and social return. Market orientation can resolve many of the complaints associated with traditional social service delivery operations, by encouraging accountability, economy and innovation. On the other hand, in contexts of social heterogeneity, the market-oriented dimension may be controversial and create both progress and regress relative to the social or environmental outcomes desired by different groups, so that it could contribute to precipitate conflicts with other terminal social objectives (Dart, 2004; Weisbrod 2004). For instance, the progressive retreat of the welfare state and the increasing involvement of third sector organizations in the delivery of social services have changed the boundaries between social entrepreneurial initiatives, public-private partnerships and privatization strategies in an increasingly blurry manner. Over the last decades, the spreading of New Public Management has been a key feature in the government policies of a number of developed economies (Metcalf and Richards, 1990; Hood, 1991). Such policies have experienced a growing consensus on the use of market mechanisms for the delivery of public goods funded by the state that parallels some of the market-driven approaches typified in other successful social ventures. This gradually

hybridization of functions calls for a closer critical analysis as it raises mission-related implications, for instance in terms of shifting expectations about full cost recovery. Indeed, not-for-profit ventures that seek to control input costs and achieve operational efficiency exhibit a certain kind of market orientation, whereas profit seeking ventures exhibit another. While neither are intrinsically superior to the other, the degree to which a social venture responds to market incentives is a substantively important issues in order to check new considerations and research directions to the study of social entrepreneurship.

Broadly speaking, the US approach considers social entrepreneurs as anyone who pursues self-sustainable earned income strategies to achieve social objectives in any sector of the market (Dees, 1998 a), while the European approach looks at those set of entrepreneurial initiatives directly started by groups of citizens for the sustainable change of the local communities, that is those activities traditionally belonging to local welfare policies (Borzaga and Defourny, 2001; Evers, 2004).

Social entrepreneurs differ from the traditional entrepreneurs in two important ways. Firstly, their income strategies are tied directly to their social mission. Traditional entrepreneurs are frequently worried to act in a socially responsible manner, since they may donate money to charities, refuse to engage in certain types of business, use environmentally-safe materials and practices or treat their employees with dignity and respect; anyhow, their efforts are only indirectly attached to social problems. On the contrary, social entrepreneurs are different because their income strategies are directly tied to explicit social mission purposes. They either employ people who are developmentally disabled, chronically mentally ill, physically challenged, poverty stricken or otherwise disadvantaged; or they provide mission-driven products and services that have a direct impact on a specific social problem. Accordingly, the US literature converges to confine the working scope of social entrepreneurship into three ample categories of business: 'affirmative business', 'direct-service business' and 'catalytic alliances' (Boschee, 1995). Affirmative business provides employment development opportunities, such as jobs, competitive salaries, career opportunities and ownership for

disadvantaged people and can be found in an ample range of industries (Boschee, 1995). Direct-service businesses commonly aim at improving the social situation of specific groups of people through community-based training, care services or microcredit solutions (Boschee, 1995), while catalytic alliances deal with major social problems without any apparent short term solution, in order to increase the level of public awareness towards particular social or environmental problems that affect the quality of the community living through high-profile publicity campaigns — campaigns that pressure policy-makers to put the issue on their agenda and invite other public, private and nonprofit organizations to work on the problem .

Secondly, traditional entrepreneurs are ultimately measured by their financial results. The success or failure of their companies is determined by their ability to generate profits for their owners. On the contrary, social entrepreneurs are essentially mission-driven, but unlike traditional nonprofits and charitable organizations, they support their business on the double bottom line, that is a “virtual” blend of substantial financial and social returns. Profitability is still a goal, but it is not the only goal, since organizations are frequently designed in order to provide incentives for the balance of economic and social objectives, and profits are often totally reinvested in the mission rather than being distributed to shareholders. People with a wide range of combinations of profit and social motives can become social entrepreneurs. Whether the entrepreneurs have more of a profit motive or a primary motive for social value creation, in both cases they can create social value.

Shortly, three basic elements seem to contribute to frame an understanding of the salient features and dynamics of the social entrepreneurship: sociality, innovation and market orientation. These three elements globally considered map out a set of intertwined dimensions for the building process of the social entrepreneurial field. (Nicholls and Cho, 2006) (Fig. 1)

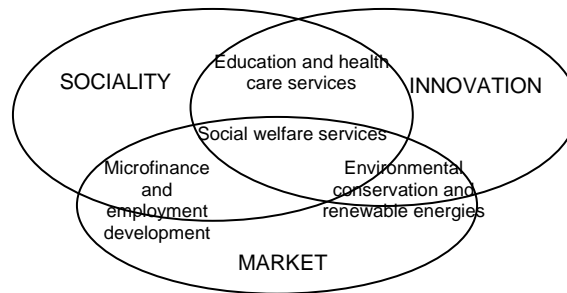


Fig. 1 Dimensions of social entrepreneurship [Adapted from Nicholls and Cho (2006)]

While some social purpose organizations are clearly socially oriented but lack a particularly strong market orientation – as is the case of many welfare services organizations – others might be both socially oriented and market oriented, but inclined to reproduce the existing concepts and therefore not innovative. Examples could be mere replication of microfinance initiatives or some employment development enterprises. Likewise, others still might be both market oriented and innovative, but have a less clearly defined or more contested sociality, as some social ventures developing environmental projects focused on renewable energies or projects targeted at improving access to reproductive health interventions.

Sociality, innovation and market orientation raise a variety of legitimate questions involving ethical and normative considerations, since many social ventures move dynamically within these dimensions (Nicholls and Cho, 2006). Sociality may raise questions about how social entrepreneurs manage their legitimacy as social organizations, and about how the need to acquire and maintain legitimating assets that influence their behaviour. On the contrary, market orientation raises questions about the division of social burdens between the market and the state, such as in cases of ‘commodification’ of social-care services and questions involving the distribution of social benefits (Brickell, 2000). On the other hand, innovation might be seen as a complex phenomenon with blurring boundaries, in that it influences and is influenced by the broader environment wherein the social phenomena are comprised.

1.2 Conceptualizing social enterprise. Contrasting definitions and meanings in different regional contexts

In recent years, social enterprise has been taken on growing importance throughout the western countries, since their number is rapidly growing, including a wide range of organizational forms and a variety of legal frameworks.

Social enterprises are commonly defined as enterprises that trade for a social or environmental purpose. As well as meeting their social or environmental goals, they have to be business-like and meet financial and commercial goals; accordingly, they are sometimes referred to have a double or triple 'bottom line'. However, multiple attempts to define the term have been made in order to reveal specific key attributes of its meaning, outside those 'trivial' definitions that describe them as those organizations by which social entrepreneurs run their businesses.

However, there are many reasons for contesting this term and constantly reviewing and ascribe the meanings to it.

One of the most important reasons to pursuing a shared understanding of the term is the need to establish an agreed identity of social enterprise. This seems rather basic, but given the multifarious nature of the existing social enterprises there is a need to achieve some mutual or shared agreement about it. This is especially true when it comes to critically evaluating the existent literature, which is characterized by a small size of data populations and samples, a short time scale of the research (at this time, there is no evidence of any longitudinal studies examining the sector) and the contested validity of the extrapolations that writers propose. (Bartlett, 2004; Sepulveda and Lyon, 2005)

Secondly, an exploration of its various meanings allows to identify those elements or semantic attributes that best contribute to define it. Accordingly, once accomplished those inherent attributes and qualities, it is reasonable to assess how these emerging and rapidly changing social movements and field of endeavour are changing, and also how to judge what attributes are distinctive or

best explaining the term in different regional contexts.

Thirdly, it seems necessary to make the meanings of the term more public and explicit, in order to highlight the difficulties faced by governments and their capacity to absorb the role of the enterprises as actors of the sustainable social change, their implications and consequences, especially when social enterprises emerge as agents of the local public policies. Furthermore, a shared understanding of the term facilitates social entrepreneurs' possibility of good relationship with the governments and the for-profit businesses, when access to such relationships is not well understood by all parties. Specifically, it is necessary for the governments to understand and acknowledge the place of the social enterprises in the economy of a nation, their social and economic contributions to the employment policies and the delivery of public services, and their role of regenerators of civic engagement for the benefit of the communities as well. On the contrary, many larger corporations sometimes tend to redefine themselves as social businesses, even if they are not driven by a social purpose: for these organizations business comes first, and then, in case, philanthropy or somewhat blurring 'social goals' are accomplished. On the other hand, there is a multitude of nonprofit organizations that integrate some form of earned income activities into their operations without conducting them as separate social businesses. Hence, these positions necessarily have to be changed replaced by social entrepreneurs in order to identify themselves as agents of the social change.

Fourthly, refining the meanings of the term facilitates the analysis of organizational taxonomies of social enterprise emergent throughout the western countries. Policy advisors, bureaucrats and universities in most countries used to have generally a little knowledge of the term, and a very scant and limited knowledge of facts such as the contribution of social enterprises to the shaping of the dynamics of the third sector, since they were unaware of any data-bases, had limited access to the research. Furthermore, only partial and limited case studies for building knowledge on this emerging phenomenon. (Bartlett, 2004)

Nevertheless, there are many authors and several scholars and institutions all

around the western countries that have provided meanings and often precise definitions of the social enterprise. Basically, we think it correct to conceptualize social enterprises as social initiatives that operate with a business model, i.e. are aimed to make a profit from activities, but whose profit is used to provide services for the local community. Social enterprise is broadly defined as a set of nongovernmental, market-based approaches used to address social issues. Social enterprises usually emerge in response to failures in the public provision of services for minority social groups, or emerging problems with the funding or the management of traditional public service provision. Furthermore, they can result from the increasing competition within the nonprofit sector as costs rise and donations decrease.

In any case, the emergence of social enterprises involves the provision of local 'quasi-public' goods, that is services hard to evaluate for their information asymmetry and ideological content, affected by non perfect rival access but perfectly excludable consumption that require high level of reputation and trust in the relationships with the consumer.

The OECD (1999:13) provides a generalized description of social enterprise as "any organization operating with an entrepreneurial approach to integrate disadvantaged groups into the labour market while providing goods and services". The social element of disadvantage highlights the values underpinning social enterprise, such as access-equity, social inclusiveness, social justice and solidarity, and the need to shape the entrepreneurial behaviour according to these values. In the same manner, Virtue Ventures (2007), one of the leading US consultancy organization for the promotion of the social enterprise, proposes a working definition that captures the specificity and purpose while encompassing the broad range of practical applications, defining as social enterprise "any business ventures created for a social purpose, mitigating a social problem or a market failure, and to generate social value while operating with the financial discipline, innovation and determination of a private sector business" (www.vitueventures.org).

Despite of the multitude of recent definitions, many typologies of social enterprise existed prior to the common usage of this term. For example, in many European countries, both voluntary organizations and co-operatives have experienced a considerable growth in the delivery of local public services during the twentieth century. Social enterprises such as co-operatives or community enterprises have a history spanning centuries, but during the past twenty years they have become an increasingly significant component of the economies of the European countries. On the other hand, in the last decades voluntary organizations and charitable institutions have experienced a strong growth of their earned income activities mostly as providers of human services financed by public authorities.

The trans-national appeal of the social enterprise is not only the reason why many new relationships are being forged, but also the reason for confusion and competition over its meaning and nature. For instance, Ridley-Duff, Bull and Seanor (2008) have attempted to represent a taxonomy of those organizations usually defined as social enterprises on the basis of a popular meaning of the term. With reference to the United Kingdom, these authors distinguish four groups of organization:

- charities and voluntary organizations embracing a contracting culture by tendering for contracts with the public authorities;
- charities and voluntary organizations that establish trading operations to generate income for their social mission;
- co-operatives, mutual-aid organizations and social firms that tackle problems of social exclusion adopting 'bottom up', pluralist and participative approaches to their corporate governance;
- other organizations engaged in businesses to invest or share their surpluses in a public interest purpose, or in fair trade enterprise with the social aim to benefit the community, or accomplish specific social or environment projects.

The second and third groups include a wide range of third sector organizations, such as community businesses, development trusts, social firms, voluntary organizations, charities and co-operatives, which are historically linked to the third sector environments. Specifically, the first group of organization comes from the gradual reverse of the welfare state in the provision of human, education and health services in favour of the enterprising of voluntary-based providers, whereas the last group covers a range of businesses involving stakeholders from more than one sector and traditionally labelled under the umbrella of the 'corporate social responsibility' (BITC, 2008).

Reviewing the definitions of social enterprise, a lot of uncertainties in the meaning and differences in emphases and outcomes emerge, although the gist of this term, that is the achievement of social goals under conditions of self-generated revenue, still remains a fixed point of reference for almost all the existent definitions. Essentially, these differences stem from the contrasting forces shaping and reinforcing social enterprises in each regional context. (Kerlin, 2006) A clear conceptual divide among definitions and meanings tends to emerge between United States and the western European countries, with a further distinction for the British context in terms of understanding, use, context and policy. Therefore, the problems surrounding this term may be effectively explored reviewing the main literature of the different regional contexts wherein the term has received a proper recognition.

1.2.1 Social enterprise in the United States

'Social enterprise' is not a precise concept in the United States. The term is generally understood to connote organizations that operate in the open market while addressing social goals. Contemporary interest in social enterprise stems from a number of interrelated trends, including expanded reliance of nonprofit organizations on revenue earned through sales of services and commercial ventures, closer ties between nonprofit organizations and commercial businesses,

and a growing emphasis on the social businesses and corporate social responsibility. Anyhow, the concept focuses clearly on the development of entrepreneurship for the sake of revenue generation than definition elsewhere.

The popular origins of the social enterprise stem from the cutbacks experienced over the last two decades in governmental funding by charities and nonprofits. Nonprofits began to seize on social enterprise as a way to fill the gap left by government cutbacks, expanding the use of commercial activity (Young, 2003), whereas previous decades saw a rapid expansion of governmental funds and subsidies to nonprofits for poverty programs, education, health care and community development, often as alternatives to the creation of large public bureaucracies.

Along with the expansion of income coming from fees and other commercial sources, the term evolved to take on the broader meaning of almost any kind of commercial activity undertaking social or environmental goals. However, at least initially, existing nonprofits took on 'social enterprise initiatives' as strategy to finance the provision of services already in place, with the result that social enterprises were usually perceived as emerging financial strategy subsidizing a broad range of core social services, irrespective of the goods and services they traded.

To this end, data from the National Center for Charitable Statistics at the Urban Institute suggested that in United States nonprofits' commercial activities continued to rise for 20 years (1982-2002). Commercial revenue includes revenue from program service, fee-for-service, net income from sales of goods, net income from special events and activities, membership dues and assessment for which members received comparable benefits. For example, arts and culture nonprofits have experienced a growth of the amount of private contributions and commercial revenues that outpaced by far the increases in government grants over the same period (Salamon, 2002).

Furthermore, revenue generation is the common meaning of "social enterprise" in the United States. However, a quite evident terminological divide exists between academics and practitioners (Kerlin, 2006). In the academic circles, for instance,

social enterprise is understood to include a broad set of organizations that fall along a hybrid spectrum comprising different blended forms of social and financial sustainability: from profit-oriented social businesses including corporate philanthropy, to nonprofits that achieve their social mission only through revenue generation activities, as far as nonprofits with occasionally earned income activities that only partially support the social mission. This broad set of organizational typologies is consistent with how leading business schools and universities broadly understand the phenomenon of the social enterprise (Dees, 1998 b) (see fig. 2).

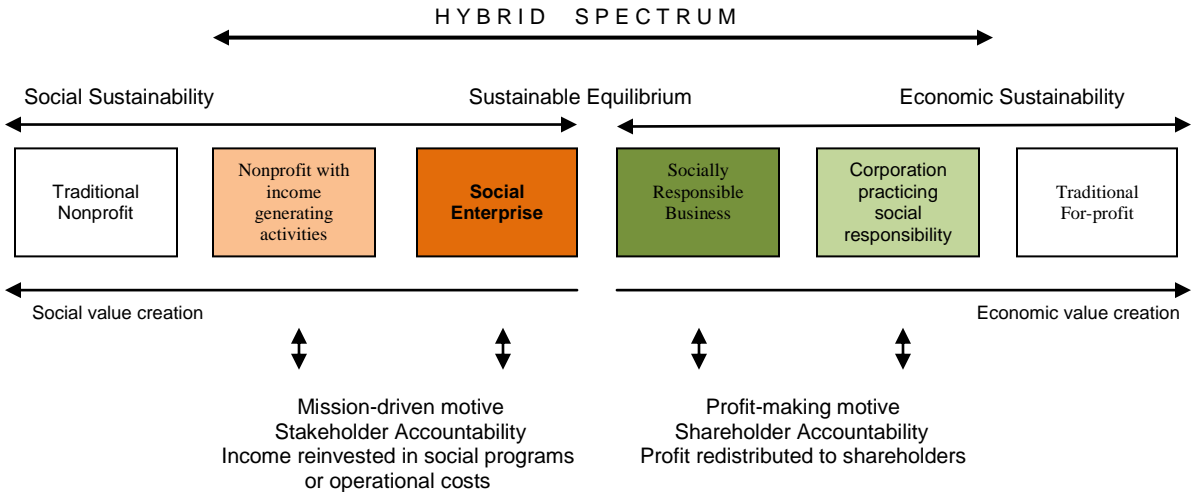


Fig. 2 The hybrid spectrum of organizations for the creation of social and economic value (Alter, 2008)

On the opposite, much of the practice of the consulting firms on the social entrepreneurship remains focused on revenue generation by nonprofit organizations, and specifically by those registered as 501 [c] [3] tax-exempt organizations with the US Internal Revenue Service. For example, the Social Enterprise Magazine Online (2006) defines social enterprise as “mission oriented revenue or job creating projects undertaken by individual social entrepreneurs, nonprofit organizations, or nonprofits in association with for profits.” The Social Enterprise Alliance (2006), a national membership organization, more narrowly defines it as, “any earned income business or strategy undertaken by a nonprofit to

generate revenue in support of its charitable mission”. Furthermore, in some circles, due to the academic use of the phrase that includes ‘all-inclusive business-based charities’, the nonprofit typologies of social enterprise are often distinguished by using such blurring phrases as: nonprofit social enterprise, nonprofit enterprise, nonprofit ventures, or ‘enterprising nonprofit’.

Another US stream of research on the social enterprise is directly linked to the debate on social entrepreneurship, as it refers in a final analysis to a set of initiatives aimed to the creation of social value (Dees, 1998 a). Scholars that support this view claim that the traditional emphasis on revenue generation draws attention away from the ultimate goal of the social impact, and suffers real or potential problems putting civil society at risk, since it focuses exclusively on market-oriented methods of generating financial resources. According to this, the best way to define the social enterprise is to outline what social entrepreneurs really do and define their attributes in terms of stewardship skills, so to try novel ideas to serve people in new ways and contributing to advance social causes for some social-cultural change (Bartlett, 2004). In this sense, one of the Northern American global association for the development of social entrepreneurship leaders, the Ashoka Foundation, clearly defines social entrepreneurs as agents of social change with a social transformative intent “to spread innovative solutions to social problems and persuade the entire societies to take new leaps” (Ashoka Foundation, 2002:10). Social entrepreneurs are intended to play the role of change agents in the social sector by adopting a mission to create and sustain social value, not just private value, as they are engaged in a process of continuous innovation, adaptation and learning, exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created (Dees, 1998). By adopting entrepreneurial strategies, social entrepreneurs are able to (National Centres for Social Entrepreneurs - Ashoka, 2002):

- identify and expand their most needed social programs;
- ‘productively’ dispose of their more peripheral programs;
- selectively identify new programs where there is an identify need and

revenue to support them;

- actually start new business ventures that are rooted in the core competencies of their organizations and become increasingly self-sufficiency and financially less dependent on government and charities.

The emphasis on the concept of social entrepreneurship as centralising heuristic definition for the creation of the 'blended value' is one of the widely accepted approaches suggested by the current US literature on the social enterprise (Emerson, 2002). Unlike the previous hybrid spectrum of organizations grounded on the trade-off between the social and financial values creation, the tensions between social mission, profit orientation and environmental impact are amply neutralized stressing the blended value idea of the social entrepreneurship (Emerson, 2002).

The central argument of this concept is that the value created by the organization is fundamentally indivisible, making it impossible to separate ideas such as 'social value', 'economic value' and 'environmental value' created by social enterprises, since all constitute one single value outcome for social enterprises. The blended value idea, therefore, renounces the previous heuristic of social enterprise grounded on the contraposition between a double or triple bottom line. In the formulation of his "blended value proposition", Jed Emerson writes that "all organizations, whether non-profit or not, create value that consists of economic, social and environmental value components, and that investors (whether market-based, charitable or some mix of the two) simultaneously generate all three forms of value through providing capital to organizations". (www.blendedvalue.org) The outcome of all these activities is value creation and that value in itself is non-divisible, since it is intended to be a unique blend of these three elements. The use of the blended value heuristic assumes that social goal leans the initiative to a specific kind of enterprise outcome that encapsulate and integrate financial, social and environmental values, and that the nature of the enterprise will largely depends on the key areas of activity in which investors, organisations, and

communities work to maximise their blended value.

According to Emerson (2004), the blended value idea has the potential to change the way of thinking about social enterprise by shifting its primary purpose towards the creation of a blended value, and not only the creation of two distinct types of value. The balance of outcomes, that is the observed 'structure' of the social enterprise, will not constitute a dualism between mission and market, since it allows a blended value creation through multiple outcomes integration. Such a way, a broad sphere of organizations may be intended to be 'social enterprises' involved in the creation of a 'blended value'; not only charitable organizations, but at most, for profit enterprises engaged in corporate philanthropy and social investments, up to enterprises usually engaged in social responsible initiatives.

1.2.2 Social enterprise in Western Europe

In Western Europe the modern trend towards the social enterprise has been roughly drawn along the simultaneous development of community-based services and the diversification of revenue generation. Specifically, two principal streams of thought emerge from the various conceptualizations of the term.

One initial school of thought stresses the social entrepreneurship dynamics developed by firms who seeks to enhance the social impact of their productive activities. In this line of reasoning, the literature often highlights innovative approaches to tackle social needs fostering a business, mainly with reference to for-profit enterprises (Nicholls, 2006). However, in the latter case, the idea has to do, generally, with the broader debate on the corporate social responsibility, which lies outside the study of the social enterprise in the third sector economies.

The other European stream of research uses the concept of social enterprise with regards to the emergence of enterprises of social economy that share distinguishing features of co-operatives and voluntary organizations. Specifically, it focuses on those organizational forms emerged during the 1990's mainly in response to the financial and legitimacy crises that affected the welfare state.

The rise of social enterprises as vehicles to the delivery of public services has been influenced by two complementary forces that have transformed European third sector environments. On the one hand, the New Public Management currents with the impetus for the downsizing and retrenchment of the public sector through strategies of privatization and contracting-out of services (Metcalf and Richards, 1990; Hood, 1991), and on the other hand, the influence of new entrepreneurial paths of active citizenship in tackling problems of unemployment and social exclusion in the local communities. (Borzaga and Defourny, 2001)

While for a long time bureaucratic rules has had a strong impact on the welfare markets, in recent years market logics have increased their influence in the public and voluntary sector. (Evers, 2004) The crisis of the hierarchical models of welfare state led to policies aimed to support private providers and make a more planned use of state and non-state resources, in order to assure a universal provision of welfare services to the citizens. Hierarchical welfare systems have been replaced by 'mixed' welfare systems, wherein policy makers coming from distinct societal sectors commit themselves in collective actions for the achievement of 'public good' purposes. Currently, the organizational landscapes of the European social enterprises mostly overlap with the 'welfare mixes', which are examples of modern third sector environments with blurring boundaries between the state, the market and the civil society, wherein multiple objectives, resources, rationales and steering mechanisms intertwine in the shaping of participative forms of governance of the welfare system.

Herein, the concept of 'hybrid' organizations has been mainly developed in a socio-political perspective. Besides advocacy organizations of the civil society, an important contribution is made by co-operatives, associations and numerous small-scale solidarity-based activities strongly embedded in the community. (Evers, 2004) To this end, the French labels of '*économie sociale*' and '*économie des services de proximité*' point very clearly to this intermediate space, and the difficulties in drawing well-defined demarcation lines between the social and the economic rationale. Rather than relying on 'pure' quasi-markets, the governance of

the current 'welfare mixes' seems to refer mainly to changing forms of 'conflicting co-operation' (Evers, 2002) among policy actors, where the policy process is subjected to a continuous reassembled through mutual relationships among local stakeholders. In some way, the involvement of civil society actors by civic networks, associations, volunteers, citizens and third sector providers, seems to play a crucial role in changing the idea on the governance of the welfare systems from rationale policy arenas typified by competition for resources and governed by hierarchical steering mechanisms, to 'trustful forms of socio-political networking' among local stakeholders addressed to the collective action for the 'public good' purpose.

From a theoretical perspective, the European social enterprises can also be seen as tools for building bridges between co-operatives and nonprofit organizations. (Defourny and Nyssens, 2006) This way, the emergence of the social enterprises result from complex organizational adaptations due to conflicting tensions that cross the two existent institutional approaches to the third sector in the European countries: the prevailing social economy approach and the 'nonprofit' approach.

The 'nonprofit sector' emphasises the role of third sector organizations in advocating for and delivering services for public interest purposes. It is mainly constituted by advocacy organizations, voluntary and charitable organizations. Advocacy organizations are civil society-based organizations, more or less professionalized, that advocate for the public interest operating as 'mediating structures' (Berger and Neuhaus, 1977) between the informal sphere of the citizenship and the government. Besides these organizations, there are most voluntary and community organizations that provide services to their beneficiaries on the basis of a 'voluntary status', often in compliance with the regulations dispositions of a national charity law. However, they frequently vest the organizational model of foundation; their activities are usually deemed to have a weak entrepreneurial character, so they are financed mainly or exclusively through non market resources rather than trading income.

On the other hand, co-operatives stress their organizational dualism of enterprises with a member-based ownership, as they trade goods and services in the market for mutual benefits rather than profit-making for investors. As enterprises traditionally rooted in the social movements, they emphasize social attributes such as the prevalence of people and labour over capital in the distribution of incomes. They share an open and democratic membership which is organized around the principles of self-help, mutuality and participation. Co-operatives pursue mutual social benefits offering their entire output for sale on the market, placing a higher value on economic risk taking related to an ongoing productive activity.

Such a novel conceptualization of social enterprise play a unifying role in mitigating two contrasting lines of tension that come from the above mentioned approaches to the third sector, although most part of the social enterprises are organizations that remain clearly embedded in a social economy context. On the hand of the co-operatives, there is an explicit tension towards the adoption of such form of enterprise for the provision of 'merit goods' or 'quasi-public' services, that is a wide range of personal services so much appreciated (and needful) for their ideological content of social utility, that they are traditionally included in the sphere of the public interests. On the hand of the nonprofits, which are organizations traditionally engaged in the provision of 'quasi public' services, there is an explicit tension to enterprising the service delivery through earned income revenue, rather than rely on traditional non-market resources.

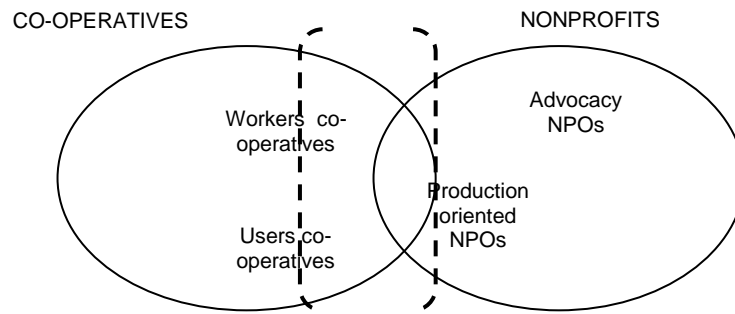


Fig. 3 - Social enterprise at the crossroads of co-operatives and nonprofits
 Source: Adapted from Defourny and Nyssens, 2006, p. 8

Essentially, these lines of tension may be interpreted with reference to the different emphasis put on the “public interest” status (the so-called ‘publicness’) by the ‘nonprofit’ and the social economy approaches, which, in turn, reflect differences in the ownership structure of their respective organizations. (Hansmann, 1996) On the one hand, there are some voluntary and nonprofit organizations so conceived to serve the public interest that legislation often requires the adoption of a ‘charitable status’ with bans to proprietary rights and profit distribution in order to signal this purpose. On the other hand, there are co-operatives that display a democratic membership, make profits in the market for mutual benefit purposes and admit a limited profit distribution, although they operate with concern for the sustainable development of the community, as stated by the international statement on the co-operative identity. (International Co-operative Alliance, 2007)

Like traditional nonprofit organizations, (and in contrast to co-operatives), social enterprises aim explicitly to serve the public interest providing a wide range of ‘quasi-public’ services for the local community. On the other hand, like co-operatives, then in contrast to nonprofit organizations, social enterprises trade goods and services, share a participative governance, and sometimes agreeing with a limited distribution of profit to their members.

This heuristic conceptualization of social enterprise was originated by

academics and researchers cooperating in the EMES Research Network. Their cross-national research efforts has been addressed to set up an empirical 'ideal-type' of European social enterprise, which may enable researchers to establish the boundaries of that set of organizational phenomena that they consider and will consider as that of 'social enterprises'. This ideal-type of social enterprise put forward by this research network is constituted by the following economic and social characteristics: (Borzaga and Defourny, 2001, pp 16-18)

- the specific nature of the activities professionally undertaken in relation to the supply of goods and services;
- the assumption of risk by the entrepreneurs;
- a high degree of organizational autonomy, especially with respect to the public sector;
- a predominance of employment by paid workers;
- an explicit aim of producing benefits for the community at large, or for a specific social category of individual;
- the collective nature of the entrepreneurial initiative;
- democratic governance structures, with a participatory decision-making power not based on capital ownership and mostly involving the persons affected by the activity;
- a partial (or limited) distribution of profit.

This conceptualization of 'social enterprise', therefore, distances itself from the US meaning for two key attributes: the existence of a common (or social) ownership structure, frequently of a co-operative type, and participative forms of governance usually open to those stakeholders who receive benefits from the social programs.

What sets social enterprises apart from traditional nonprofit organizations is the marked entrepreneurial orientation, combined with their democratic decision making processes. These enterprises often emphasize a participative governance extended beyond the role of the managers, since their ownership structures and

governing bodies are often made up of diverse category of stakeholders including workers, volunteers, beneficiaries, donors and public authorities, among the others. Like co-operatives, they place a high value on the interdependence between the economic risk-taking and the ongoing socio-economic activity. Further, they manage their double bottom-line in an entrepreneurial fashion quite distinct from that one of the 'nonprofits', as they accomplished their mission in accordance with the values of self-help, democracy, and solidarity among constituency stakeholders.

Social enterprises are used to mobilize market and non-market resources to sustain their multiple objectives: they trade goods and services in the market and often benefit from some form of redistribution of public resources. Further, they frequently rely on social reciprocity, as they operate as incentive structures to attract volunteers, socially oriented workers and other local constituency stakeholders. These latter resources could be seen as the result of a voluntary mobilization of social capital. According to Laville and Nyssens (2001), social capital is a fully fledged production factor within social enterprises, since it is part of the production process and improves it. It mainly operates to reduce transaction costs, as it increases trust among constituency stakeholders, facilitating coordination and providing social networks for instrumental and expressive returns. With reference to the delivery of welfare services and other services for the regeneration of the local community, social capital may be translated not only as a source of social added value for the consumers, but also as a resource that facilitates coordination and networking co-operation among local stakeholders in supporting existent of novel patterns of social entrepreneurship at a local level.

As the PERSE (2004) and ELEXIES (2007) comparative research projects of the EMES Research Network have shown up by with regards to the European forms of 'work integration social enterprise' (WISE), social enterprises have a complex mixture of goals. (Evers, 2002) They include at least three different categories of goals: social goals, connected to the particular mission to benefit the community; economic goals, connected to the entrepreneurial nature of the

activities; and socio-political goals, which can be considered in a wider perspective 'producing social capital', as networks, trust and social norms are features that facilitate coordination and cooperation among local stakeholders. (Evers, 2002; Nyssens, 2006) Moreover, the existence of multi-stakeholder governance structures, especially with reference to the involvement of volunteers and civil society actors in the governing bodies of the enterprise, seems to operate as incentive not only in the balance of economic and social aims, but also in the promotion of civic virtues among their constituency stakeholders. Indeed, the sustainability of a multi-stakeholder governance should be really achieved when the different sensibilities that affect the constituency stakeholders with regards to the aims of the enterprise are counterbalanced by a strong social cohesion over the vision and the ethical values that inform the social mission. As recently reported by descriptive studies on the Italian 'type A - social co-operatives' (Fazzi, 2007), the higher circle of trust, fairness and justice experienced by constituency stakeholders in the governance of 'multi-stakeholder enterprises' seems to favour the emergence of reciprocal altruism in labour relations and individual attitudes to 'generalized trust' in worker's behaviour, with positive organizational outcomes on the democratization of the decision-making and stakeholder involvement.

These descriptive researches confirm that the relevant economic dimension of the social enterprises does not necessarily mean that they achieve economic sustainability only through resources generated by commercial activities. Indeed, their financial viability depends on member's efforts to secure a hybridization of different economic resources. As mostly co-operatives and voluntary organizations, social enterprises face a 'substantive approach' to the economy (Polanyi, 1947), since they achieve sustainability thanks to the hybridization of market and nonmarket resources, in such a way as combining them together in the same organizational processes rather than one in isolation from each other. To this end, at least six possible sources of income can be identified in social enterprises: income revenue coming from the sales to private and public sectors, differentiated forms of redistribution of public funds, stipulation of 'preferred contracts', donations

or other private contributions, and work carried out by volunteers. Of course, it appears that social enterprises do not rely only on a typical mix of market- and redistribution-based resources; they are the scene of a more complex hybridization, built upon four types of economic relationships: the market and redistribution, but also the socio-political embedded market and the reciprocity. (Evers and Laville, 2004)

'Multi-objectives, multi-stakeholder and multi-resources' social enterprises (Defourny and Nyssens, 2006) share various interdependencies with their institutional environments: they can be heavily embedded in community-based structures or like-minded networks, having more or less market orientation with public contractors or private clients. Complex inter-organizational relationships often exist when they are closely linked with other social enterprises or third sector organizations through governance arrangements such as partnerships, network arrangements, associations or umbrella organizations such as consortia. The same way, they frequently bridge an informal social networking with citizens, civic networks and other community stakeholders at grassroots level. To this end, the old framework of '*gemeinschaft/gesellschaft*' is indicative of the mixed nature of these relationships in terms of resources, types of goals and the degree of ideological homogeneity or heterogeneity of their constituency stakeholders. While some are very commercial, others give great priority to friendly ties of social reciprocity with neighbours. Furthermore, some are strongly linked to promoting a specific target group and thus may have advocacy (for a community or an ethnic minority) goals. The types of goal seem to influence the mix of resources; thus more commercial social enterprises will rely more income revenue, while the extent of their social and environmental goals over the financial ones tends to reinforce social reciprocity. (Spear and Bidet, 2003) Reciprocity are frequently poured into social enterprises by volunteers, citizens and sympathetic networks at a grassroots level, especially when social enterprises share 'multi-stakeholder structures', thanks to their higher openness in bridging social ties and social participation towards community stakeholders.

As stated by Spear and Bidet (2003), the key features emergent from the European social enterprises which favour the creation and utilization of social capital are:

- multi-stakeholder governance, building on community relations and associative networks;
- user linkages;
- organizational form giving worker involvement and participation
- norms of reciprocity and solidarity within the enterprise
- ideology and structures favouring partnership with the community

Multi-stakeholder co-operatives, such as most of the European social co-operatives, are commonly understood as the basic type of social enterprise, and it appears that their inclusion has influenced the overall direction of the definition. The pioneering Italian 'social solidarity co-operatives', the French '*cooperative society of collective interest*' and the 'social purpose company' in Belgium are main examples of social enterprise of this kind. (Borzaga and Defourny, 2001) The reshaping of the co-operative form by means of multi-stakeholder membership operates as an impactful incentive structure in the balance of financial and social objectives, as it allows to keep up close organizational interdependencies between market and community ties, with a positive social impact in terms of social cohesion, accessibility, employability, degree of internal democracy and connectedness with the social citizens.

However, there is nothing to prevent the incorporation of social enterprises within organizational forms other than the co-operative one. In German-speaking countries, for instance, social enterprises are commonly referred to self-help associations involving various categories of stakeholders.

In the pilot field of work integration, a wide spectrum of organizational forms of social enterprise have been developed throughout European countries in the last decades: (Spear and Bidet, 2003)

- social co-ops (Italy, UK, Sweden, Finland and Spain), which are

organizations that tend to be remarkably commercial, offering permanent jobs;

- associative structures (voluntary organizations in UK, *entreprises d'insertion* in France and Belgium, work integration social enterprises in Ireland) that serve specific target groups mainly for labor subsidizing purposes;
- community owned structures with training/employment initiatives and a strong local involvement (*Régie de quartier* in France, community business in the U.K., Sweden and Ireland);
- transitional employment enterprises: in the UK (ILMs), France (*associations intermédiaires*, ETTI), Belgium (*entreprises de formation par le travail*), Portugal (*insercion companies*), Luxembourg (*structures reconnues d'utilité socio-économique et initiatives d'économie solidaire*), wherein the resource mix depends on the levels of disadvantage of the individuals and the communities;
- sheltered workshops for disabled people, that exist in most countries often at the state level initiative. They are of different types: social co-operatives and *Samhall* in Sweden; O.N.C.E., occupational centers and special employment centers in Spain.

Finally, another important subject of debate in Western Europe concerns the contents of a supportive legislation for social enterprises, their fundamental reasons behind, their opportunities, scope and fields of development.

In recent years, the debate surrounding the legal recognition of the social enterprise has stimulated a rich discussion over its place within the third sector environments and potentialities in terms of employability to support the sustainable change of the local communities. Although some laws are very recently emerged at a national level, no specific schemes or guidelines have been currently tailored at a EU level to promote common legal frameworks. This consideration strengthen calls for a more explicit harmonization of the legislations among European countries. Nevertheless, current legislative trends seem to identify a common focus on three

basic organizational 'pillars of an European 'ideal-type' of social enterprise': social ownership, stakeholder governance model, and profit distribution constraint.

However, a common legislative framework on the social enterprise should be mainly addressed to give a clear legitimization of this emergent phenomenon in the society, enlarging the legal concept of "enterprise" to the point to give a full operability to it also in the market economy.

Secondly, some redistributive form of incentives to the proliferation of enterprises operating in the 'market failures' must be necessarily provided. These incentives may be monetary through direct contribution or tax exemption, or non-monetary through reduction of administrative costs such as incorporation costs, registration costs and so on.

Thirdly, legislators may also promote social enterprises by defining organizational models that operate as complex incentive structures to strive for the balance of entrepreneurship and social purposes. In this case, legislation should predominantly be based on default rules concerning, for example, the roles of directors, the system of control monitoring and the overall framing of the governance systems. In the wake of the recent legislative experiences of 'Community Interest Company' (CIC) in United Kingdom and '*impresa sociale*' in Italy, an orientation to organizational models rather than direct monetary support or tax exemptions directly emerge. (OECD, 2009)

Over the last decade, a dissemination of different legal forms has been fostered among academics, scholars and international institutions. Some differences may occur for reasons that are endogenous to such legal systems. Besides the well-consolidated distinction between enterprises exercising economic activities (for-profits) and organizations exercising activities for solidarity purposes (nonprofit or charitable organizations), a lot of normative typologies of social enterprise have emerged throughout the European legal systems.

In a recent in-depth investigation of the OECD (2009) on the existent legal forms of social enterprise in the Western Europe, three typologies of organization have emerged:

- the co-operative model, in which social enterprises are regulated by law as particular co-operative companies characterized by social goals;
- the company model derived from the capitalistic companies, even if characterized by social goals and constraint in the distribution of profit;
- the 'open form model' legally defined with respect to the social goals, but without predefined legal forms.

However, these groups of legal forms do not provide for a rigid organizational taxonomy that overlap the existent organizational forms of social enterprise. Each country examined may present a plurality of organizational models of social enterprise not necessarily associated with a single law, or a single law not necessarily associated with a single organizational form of social enterprise. It is possible that two different laws in the same legal system regulate, respectively, two or more types of enterprise that are consistent with the conceptual framework of a social enterprise; likewise, it may occur that a single law regulates a plurality of organizational forms consistent with the conceptual framework of a social enterprise.

Although regional differences in the legal systems and the plurality of organizational forms across the European countries, a wide convergence of organizational components and functions exists as regards the ideal-type of social enterprise suggested by the EMES research Network. Accordingly, four sets of institutional components, a sort of 'normative pillars', are relevant for a common European framework on the social enterprise. (OECD, 2009)

Firstly, a notion of status quite distinct from that one of the nonprofit organizations. Clearly, the mere statutory identification of the public interest with the profit distribution constraint is insufficient in order to frame the 'uniqueness' of functions that the social enterprises are able to operate with regards to the sustainable change of the local communities in terms economic, social and environmental wealth creation. Although the heterogeneity of organizational balances between the 'sociality' and the entrepreneurship, it is clear that the

emergent trend towards the identification of a legal status of social enterprise rests upon the acknowledgement of a plurality of financial and organizational incentives.

Secondly, the specific assets allocation. The distinction between affirmative and negative assets partitioning has been widely developed as a distinctive subject of analysis within the institutional theories on the nonprofit organizations and the co-operatives. The pursuit of other purposes than profit optimization raises the issue of the allocation of assets according to entrepreneurial methods, certainly in accordance with the social nature of the enterprise. From a legal perspective, this gives rise to questions about the real 'lockage' of the assets: it limits the possibility of distributing profits, and in cases of dissolution, prevents resources from being directed away from social objectives to others. Therefore, these issues lead to a set of questions related to the search of a fair balance between social and economic goals, such as what kind of distribution of concurrent use of the assets to permit, given the need for autonomous sustainability and financing, and the extent to which the assets may prevent social and economic innovation while ensuring stability.

Thirdly, the implementation of models of stakeholder governance pose some questions about the identification of the different interests within the social enterprise. There is a need for a clear understanding of the 'multi-stakeholder' dimension of the social enterprises, which often suggests various forms of legal protection of a plurality of stakeholders' interests: informal forms of participation and engagement by stakeholders in influencing the decision making, more or less rights of voice, or, if any, formal allocation of propriety rights to stakeholders? (Borzaga and Mittone, 1997; Defourny and Nyssens, 2006; Laville and Nyssens, 2001) With regards to the involvement of the stakeholders, a clear distinction between informal engagement and formal allocation of control rights is required, especially for the involvement of volunteers and recipient stakeholders in contrast to the affirmation of exclusive 'single-stakeholder' structures. The legal recognition of 'multi-stakeholder structures' should be operate in order to signal corporate governance systems fitted to compete for resources, especially social capital

resources, and prone to the civic engagement.

Lastly, social enterprises account for specific principles and instruments of accountability and social responsibility in order to balance their multiple objectives. To a greater extent, the recognition of a legal status for social enterprises draw on the sustainability of a stakeholder governance. To this end, a social accountability usable for a wide range of stakeholders require the design of management control systems that support high level of informative disclosure and shared rules of organizational justice among internal stakeholders. When adequately implemented, an social reporting account not only for external stakeholders, but also for members and their staff, making the latter more aware about the multifaceted impacts of their decisions on the local community.

1.2.3 Social enterprise in the United Kingdom

Of a special interest for the ambiguity of meanings and complexity of organizational forms is the debate on the social enterprise currently developing in the British context.

In recent times, social enterprises have taken a high profile by the UK Government as providers of public services and recipients of public sector support as well. (DTI, 2002) Social enterprises have been increasingly engaged to delivery services aimed to promote programs of social innovation and regeneration of the local communities. Since the term became popular in UK policy circles in the 1990s, nowadays there is a call for better mapping and clearer define new dynamics of social entrepreneurship. To this end, a considerable amount of resources has been recently allocated by UK government to ensure a common set of methodologies for national, regional and local mapping exercises of the social enterprises. (DTI, 2002)

There is no one agreed definition of social enterprise in the UK. This conceptual uncertainty means that attempts to measure the size and scale of the sector in any straightforward way have, unsurprisingly, only offered confused outcomes up till

now. (ECOTEC, 2003)

The definition currently used in the well-known report 'Social Enterprise – A strategy for success' (DTI, 2002) by the Social Enterprise Unit (SEU), now part of the Office of the Third Sector established at the Cabinet Office of the Central Government's Department of Trade and Industry (DTI), has highlighted the growing influence that these organizations have on the UK economy, especially their crucial role in supporting a wide range of local public policies. SEU defines them as: "businesses with primary 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". (DTI, 2002:7) This 'governmental' definition has been kept deliberately open to allow to a wide range of third sector organizations that define themselves as social enterprises to be included, encompassing almost all the respective organizations that constitute the two institutional approach to the third sector: voluntary and community organizations, charities, leisure and development trusts on the hand of the 'nonprofit sector', associations, mutuals and co-operatives on the hand of the social economy organizations. (Economic and Social Research Council; Office of the Third Sector, 2007)

Many papers defining social enterprise avoid to use clear criteria but rather they adopt a set of organizational forms and activities as a way of defining the concept. For example, the 'Social Enterprise Action Plan' (2006:3) defines it as "including organizations such as development trusts, community enterprises, housing associations, football supporters' trusts, social firms, leisure trusts and co-operatives". The 'West Midlands Social Economy Partnership' (WMSEP, 2004:4) defines it as "a collective term for an organization that is driven by particular social and community values, whilst aiming to operate effectively and sustainable within a competitive business framework, i.e., helping the community as well as maintaining a viable business".

At first glance, social enterprises are intended as a broad set of organizations that seem to stay 'in the middle' of a blurring institutional environment of third

sector, since they challenge both the conception of 'voluntary organizations' and co-operatives, though the latter are less numerous than the former. (Pearce, 2003) On the one hand, as in United States, there are a wide range of charitable organizations that incorporate 'social enterprises' as 'trading arms' for the sake of revenue generation. On the other hand, like the traditional market co-operatives, there are a range of private organizations that trade goods and services in the market, share a social ownership and a participative governance, and re-invest their surpluses fully or partly for the benefit of the community (Pearce, 2003).

Social enterprises include a wide range of organizations that have given rise to a plethora of initiatives with different origins, characteristics and values. Social enterprises play an active role in the field of work integration, investing different groups of third sector organizations: some worker co-operatives, intermediate labour market (ILM) organizations, some voluntary organizations, social firms and community businesses. (Spears and Aiken, 2005) According to 'Social Enterprise London' (SEL), a leading nonprofit organization that provides consultancy services to UK social enterprises, the wider social enterprise field also includes credit unions and local trading networks. (SEL, 2002) Furthermore, 'Community Business Scotland' (CBS), a Scottish-based network of organizations and individuals supporting social enterprise adds Development Trusts and employee-owned businesses; the trading arms of large charities are often considered to be social enterprises too. (CBS, 2003)

Although its emergence in the past ten years has been closely linked to the growing interest towards social inclusion policies, nowadays the issue of the definition of the social enterprise is of growing importance, as the policy discourse moves into a new phase characterized by the fundamental role outlined for social enterprises in the delivery of a wide and somewhat blurred range of services for the regeneration of the local community. Therefore, a large number of researches and mapping studies with social entrepreneurs have been carried out, both at a national and a regional level. Nevertheless, the lack of a widely accepted definition contributes to the difficulties of obtaining and generating statistical and other data

about social enterprise. (DTI, 2002)

Sepulveda and Lyon (2006) have examined some of the difficulties in operationalizing a definition of social enterprise, and many other commentators have identified the lack of information or a common definition as a key issue. (Patton, 2003). A large number of mapping studies have also been carried out using the Annual Small Business Survey (DTI, 2004) through a 'bottom up' approach process of compiling databases and used by county level umbrella organizations. These mapping exercises have demonstrated the emergence of two distinct approaches to the comprehensiveness of social enterprises as sub-set of the third sector. On the one hand, there is an approach that tends to emphasise the social aspects of the enterprise activity and more less the income threshold, with a special concern for the governance of the enterprise. On the other, emphasis is put on the trading orientation of the organizations and, therefore, this approach tends to be more inclusive of the financial aspects.

Comparing the works of the 'Social Enterprise Coalition' (SEC). one of the most representative institution in UK supporting the social enterprise movement, Shaw and Carter (2006) propose four commonly shared (but not necessarily defining) key characteristics to describe social enterprise:

- multi-agency environments;
- enterprise orientation;
- social (or environmental) aims;
- social ownership

Multi-agency environments means that social enterprises operate in a wide range of contexts but often in complex environments of several stakeholders, clients and target groups, although this is not a distinctive feature of the social enterprise since also primarily-for-profit businesses could exist in an identical stakeholder environment.

The general understanding of the social enterprise in the United Kingdom encompasses a wide range of market opportunities to improve the well-being of

disadvantaged people or the community as a whole. Social enterprises embrace different economic sectors, since they are addressed not only to provide services to tackle poverty and social exclusion, but also to deliver health care, arts, culture, employment, housing, social care, education, environment, recycling services and urban regeneration programs.

While some authors argue that social enterprises defy definitions and others are weary of a somewhat dreary debate, Pearce (2003) provides a categorization of the market opportunities that social enterprise can address:

- local development and regeneration, such as managed workspace, social business incubator, enterprise training programmes, business advice and support, local development and infrastructure regeneration;
- working with the state to provide services which were formally provided by the state (e.g. housing, leisure and recreation, childcare and domiciliary care);
- providing specific services to the community in response to market demand;
- market driven businesses that provide goods and services in direct competition with the private and public sectors.

Authors agree that the enterprise orientation is indicated by the existence of a minimum threshold of income coming from trading activities. The criterion for how much income has to be raised from trading activities in order to classify a third sector organization as social enterprise is open to debate, although a common rule of thumb is 50%. (Spears, Cornforth and Aiken, 2009) Whereas in United States emphasize the financial discipline, in United Kingdom the distinction is more rigorous, and is often made between 'established' social enterprises (50%+ income from trade) and 'emerging' social enterprises (25-49% income from trade). SEC (2004) has used a criterion on minimum of 25% income from trading activities, and democratic legal structures as indicators of social ownership and aims.

Another key issue defining the entrepreneurial attribute of the social enterprise concerns the extent to which the public sector trade in local markets for income

revenues. A widely accepted definition of trade income includes contracts and service level agreements with public bodies but excludes grant, subsidies, fundraising, membership fees from supporters without specific benefits, voluntary contributions and donations. While some social entrepreneurs consider to move to competitive tendering as a shift in to an explicit enterprise orientation that move away from the traditional forms of operating in the third sector, others consider this simply as an issue of semantic. (Lyon and Sepulveda, 2009) As a matter of fact, as the social enterprises expand themselves in different fields of activity, the concept itself is more diluted and the organizational analysis more complex, so that becomes increasingly difficult to distinguish social enterprises on the basis of common elements emerging from the formal organization.

Applying the social aims test to define social enterprise presents a lot of conceptual challenges and dilemmas. (Jones and Keogh, 2006; Shaw and Carter, 2006)

The DTI definition (DTI, 2002) opens up to some degrees of interpretation with regards to different approaches defining the social aims, as it states that a social enterprise has “primary social (including environmental) objectives and it principally reinvests its surplus in the business or in the community, in the pursuit of these objectives”. Social enterprises pursue social aims providing a wide range of social (or environmental) services for the community. They have strong local values and sense of mission, often including a strong commitment to local capacity building, and are accountable to their members and the wider community for their social, environmental and economic impact. Primacy of social aims is seen as a defining characteristic by many scholars with the generation of funds (profit) being the means to further the social mission, while others emphasise the balance between social and economic objectives, or the ‘triple’ bottom line between social, environmental and economic objectives.

A more controversial point concerning the legitimacy of social enterprise has to do with the contesting relationship between the distribution of profit to individuals and the social or environmental mission of the enterprise. Examples of social

enterprises in which this 'tension' coexist are social economy organizations such as mutual aid organizations, credit unions, and co-operatives, which have an accountability to defined constituency and the wider community. They often defend themselves against demutualization attempts claiming that their social mission is that of provide services for the community, rather than paying dividends or disbursing profits to external shareholders. (Jones and Keogh, 2006) At this regard, some authors emphasized the 'charitable' status exhibited by some social enterprises as a constraint to serve the community needs, preferring that profits being reinvested in the business or in new enterprises, rather than being subjected to members, even if for just a limited distribution. (Pearce, 2003) In this case, irrespective of whether or not the profit is distributed, social mission would be deemed to be an issue of both output and process. This is an issue open to debate because social entrepreneurs often claim that their everyday processes and actions are evidence of, and part of the outputs of their social mission.

Another key attribute exhibited by many social enterprises is the social ownership, with a governance of the enterprise founded on the participation of clients, users, local community groups and trustees.

While some authors emphasize the analysis of specific elements of corporate governance as an effective 'blueprint' to discover whether a social enterprise is actually more 'social-led' rather than 'business-led', others challenge this assumption arguing for a holistic view of the social enterprise as necessary collective or particularly democratic in terms of organizational structure, culture and processes (SEC, 2006), in contrast with some authors that assume too many typified business models of corporate governance for social enterprises. (Paton, 2003). To this end, redundancy of claims occurs among social entrepreneurs due to the difficulties experienced in measuring and communicating the social performance of the enterprise, and somewhat soft and inaccurate process indicators available in order to benchmark the 'blended value' they create.

A social ownership is globally defined by the DTI (2002:2) as "an autonomous ownership structure based on stakeholder participation (e.g. employees, users,

clients, local community groups and social investors) or by trustees and directors who control the enterprise on behalf of a wider group of stakeholders. They are accountable to their stakeholders and the wider community for their social, economic and environmental impact. Profits can be distributed as profit sharing to stakeholders or used for the benefit of the community.

Recent regional surveys addressed to social entrepreneurs (CEEDR - Middlesex University, 2004) have shown that the ownership status is generally perceived to be relatively straightforward. The key organizational categories surveyed have included: community interest companies, companies limited by guaranteed, industrial and provident societies, housing associations, and registered charities with trading income. (Lyon and Sepulveda, 2009) These organizations are formally autonomous and institutionally separate from government, although there is debate over assessing their degree of independence or dependence from government when they receive resources from competitive tendering and contracts with public authorities.

The degree of stakeholder involvement in the governance of the social enterprises is a matter of further debate. SEC (2008:11) puts a great emphasis on the nature of social enterprise, since it states that : “[...] a social enterprise is not defined by its legal status but by its nature: its social aims and outcomes, the basis on which its social mission is embedded in its structure and governance, and the way it uses the profits it generates through its trading activities”. SEC stresses that the social enterprises must be accountable to their stakeholders and the wider community, emphasizing the co-operative model rather than other organizations. Furthermore, SEC notes that defining social enterprises focusing on their peculiarities of social ownership and corporate governance is a useful exercise in order to distinguish them from social private businesses, that is businesses that provide a proportion of their profit for social aims as part of their corporate social responsibility strategy, on the one hand, and from traditional charities and nonprofit organizations, on the other hand. Likewise, there is a need for research on social enterprise governance, and especially on the effects of the composition of the

board structure on the performance of the enterprise. If the assumption that is often stated in the managerial literature of the nonprofit, that is the composition of the governance board is critical to the organizational performance, then, that it seems to be a greater opportunity to test in the social enterprises. Furthermore, the governance of the social enterprises is a research area that attracts much attention from those seeking to decide whether an organizations should be eligible for governments contracts or apply for grants.

However, it is becoming widely acknowledged that the notion of social enterprise in the United Kingdom forms a distinct sub-set of nonprofit organization. (Pearce, 2003; Jones and Keogh, 2006; Low, 2006) To this end, social enterprises are conceived to be 'hybrids' because they enact both nonprofit and for-profit activities. (Dart, 2004) This suggest that, at least in theory, an appropriate model of corporate governance for social enterprises may be intended, in turn, as an hybrid itself, as it shares elements from the usual agency models of enterprise, on the one hand, and the democratic models of charity, on the other. (Low, 2006) As the corporate governance theory believes in board members qualifying purely on the basis of expertise in managing and accumulating assets, the nonprofit theory is built on the notion that those managing an organization at the highest level should be on the board because of who they represent rather than on the basis of managerial competences. Even if the social enterprises frequently use the corporate planning and other business-like tools in order to emphasize their financial accountability, lastly they legitimize their social mission using their assets to benefit the community rather than the shareholders, since their assets are held in trust and so are locked-in on purpose. (Dunn and Riley, 2004) This implies that the performance of a social enterprise will be judged in part on the basis of who is on their board rather than exclusively on what they achieve whilst in that role. The heightened sense of managerial conflict that often rise from the duality of the social and financial purposes is intimate to the hybrid nature of the social enterprises, as it represents a management challenge played out at all the organizational levels, though the ultimate responsibility for addressing it rests at a board level. (Fowler,

2000)

Finally, another crucial issue regards the adoption of specific legal forms of social enterprise, from incorporated forms of companies and industrial provident societies, to unincorporated forms of associations and partnerships. (Spear, Cornforth and Aiken, 2009) Indeed, social enterprises may choose to register as charities if they serve charitable purposes or, more broadly, with the specific label of 'Community Interest Company' (CIC).

CICs are limited companies, with special additional features, created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage. This is achieved by a 'community interest test' and 'asset lock', which ensure that the CIC is established for community purposes and the assets and profits are dedicated to these purposes. Registration of a company as a CIC has to be approved by a public regulator who also has a continuing monitoring and enforcement role. CICs can be limited by shares, or by guarantee, with a statutory asset lock to prevent the assets and profits being distributed, except as permitted by legislation. This ensures the assets and profits are retained within the CIC for community purposes, or transferred to another asset-locked organization, such as another CIC or charity. A CIC cannot be formed to support political activities and a company, that is a charity cannot be a CIC, unless it gives up its charitable status, but a charity may apply to register a CIC as a subsidiary company. However, whatever be its legal form, organizations with empirical requisites of social enterprise should ever have a governing document which sets out in broad terms how they have to be governed and run. Hence, it is not possible to identify social enterprises simply by the legal form they adopt, except for the CIC legal form; accordingly, a wide range of regulatory frameworks can influence governance issues, depending mainly on the sectors in which the organizations operate.

CAP 2 COMPARING THE MEANINGS. CONVERGENCES AND DIVERGENCES IN US AND WESTERN EUROPEAN CONCEPTIONS OF

SOCIAL ENTERPRISE

3 *'Voluntary sector' vs 'social economy'. An historical perspective on the emergence of the third sector in Western Europe*

To a greater extent, the divergences in conceptions of social entrepreneurship and social enterprise between US and European countries seems to depend primarily upon historical reasons, especially from those institutional variables that have affected the emergence of distinct environments of third sector in the two regions. Notwithstanding both US and European scholars share a diffuse perception of third sector as socio-economic space that blurs the boundaries between the State, the market economy and the civil society, considerable divergences exist as regards the different role played by the State in the shaping of landscapes in which social enterprises emerge and adapt.

Third sector economies are widely conceptualized as 'socio-economic spaces' for the provision of human services and other public interest services. However, theoretical divergences still now exist among scholars of different disciplines and regions in order to explain the causes of the emergence of organizational actors quite distinct from public organizations and for-profit enterprises.

US social science literatures share a 'rationale' vision of third sector organizations as 'nonprofit' or 'charitable' organizations, that is 'second best' service providers that come to fore because of 'failures' of 'first best' providers, whatever societal sector they come from: trust failures in economic transactions for for-profit enterprises (Hansmann, 1996), political failures in the decisions about service provision for the government (Weisbrod, 2004) or financial failures for 'pure' voluntary organizations. (Salamon, 2002) The popular meaning of 'third sector' in the United States widely agrees with the ideas of voluntarism and civic engagement. As rooted in the philanthropic tradition of the civil society, the voluntary action constitutes the "core" of the genuine nonprofit sector; it may be clearly founded in community organizations, neighbourhood associations,

community churches and other 'commons' displaying voluntary membership, participation, mutuality and indigenous standard of fairness, rather than in giant grant-making foundations or commercial nonprofits.

On the contrary, Western European scholars share a complex view of third sector organizations mainly as 'hybrid' organizations quite distinct from the 'pure' foundations or charitable organizations. According to a Polanyian conceptualization of the market economy as one of the economic rationales of the society (Polanyi, 1947), European scholars share a macro vision of 'third sector' as an intermediate 'socio-economic' space of the welfare systems between the State, the market economy and the civil society. (Evers, 2004; Evers and Laville, 2004) In such configuration, third sector is a mixed space of economic activities and socio-political intermediation of civil society actors and community organizations inside of the public space of the welfare economies, where they play a crucial role, together with the State, in regulating the governance of the system.

Nowadays, despite the numerous transformations occurred to the national welfare economies, the current European third sector environments still now fit well this conception of intermediate area, as well as their organizations that one of 'hybrids'. Therefore, it proves to be useful to synthesize main historical stages that led to such conceptualization of third sector, paving the way to the comprehension of the existent divergences between the US and Western European conception of social enterprise.

In the second half of the 20th century, third sector organizations grew on importance as providers of human services. Nonetheless, the origins of their role of human service providers lie farther, as they go back at least to the community organizational forms of the 19th century. Despite the informal role played by the family and the civic movements at local grassroots level, at least four communitarian traditions of human service delivery have contributed to shape the third sector organizations: (Defourny and Pestoff, 2008)

- the philanthropic tradition of the charitable and nonprofit organizations, with its impetus on the altruism and volunteering, particularly influential in the

AngloSaxon countries;

- the tradition of the social movements, with its commitment in fostering the values of equality and democracy to the entire community, which prevails in the Scandinavian countries;
- the associative tradition of self-help by Church-related groups of citizens, which is prevalent in the German speaking countries;
- the entrepreneurial tradition of the co-operative movements (also known with the French-speaking term '*économie social*'), with a common civic background in fostering participation and democracy among members and local stakeholders, widely diffused in the Francophone and Latin countries.

While many of these community organizations were strongly inspired by a charitable tradition, another stream of inspiration, widely diffuse in the Continental Europe, stressed self-help, mutual aid and participation among constituency stakeholders as basic organizing principles.

Over the 1960s and 1970s, by contrast, the delivery of human services in the Western Europe was heavily influenced by the implementation of the Welfare State, that is rationale systems of redistribution of public funds aimed to insure citizens from social risks and welfare disparities altering the market-based mechanisms of income redistribution. (Esping Andersen, 1990) During this time, European countries experienced a rapid expansion of their national welfare economies that led to the emergence of hierarchical steering mechanisms in governing the offer of a wide range of human services.

According to Esping Andersen conceptualization, at least three distinct typologies of welfare state may be identified on the basis of logics of "welfare de-commodification" in the ordering of the social relations. (1990)

A first model of public intervention, the liberal (or residual) model, favors minimal state intervention under the assumption that the majority of citizens can obtain adequate welfare services by the market. The role of the government is, in part, to nurture rather than replace the market and the other private forms of welfare

delivery. The liberal models, widely diffuse in the United States and other AngloSaxon countries, have heavily encouraged private forms of delivery of human services, i.e., through tax exemption and other fiscal advantages in favor of “charitable” or nonprofit organizations.

The “social democratic” models of welfare state , instead, are normatively committed to equalize living conditions across the citizenry by an universal inclusion of users through the assignment of comprehensive social entitlements. To this end, public policies are deliberately sought to discourage the role of private welfare markets and targeted social assistance. Further, these models often operate for the “de-familiarization” of the welfare responsibilities, mainly promoting active labor market policies with positive effects on income distribution and female employment rates.

Lastly, most of the Western European countries adopted ‘conservative’ models of social justice, with the attribution of a variety of social entitlements to the citizens dependent primarily upon individual employment contribution. In these models, the role of the private welfare was marginal as in the social democratic regimes, primarily because the social insurance system offered generous benefits and broad coverage to the employed population, also due to high fixed labor costs for private delivery. Social policy literature have often split the conservative models of welfare state in two organizational models: the ‘associative-corporatists’ models, typical of the Francophone and German-speaking countries, and the ‘*etatis*’ models of the Southern European countries. While the former were characterized by the historical ‘embeddedness’ of civil society organizations in advocacy for and delivery of local public services with the State, the latter were mostly governed by the State as main financier and provider of services, with a very marginal role played by the civil society.

In these decades, therefore, many Western European countries saw the emergence of third sector environments as intermediate areas of service delivery differently ‘embedded’ inside the welfare system, more or less participated by local civil society actors and providers, according to the model of welfare state adopted.

To this end, the term 'social economy' has been traditionally evoked by European scholars, especially in countries with 'corporatist' and 'associative' welfare state regimes, in order to identify, to a greater extent, intensive and inclusive forms of economic and socio-political relationships between the State and the civil society organizations. Community organizations such as nonprofit organizations, co-operatives and mutual societies, to different degrees, were fixed partners of the State in shaping the national third sector contexts. For instance, in other European countries such as the Scandinavian and the Mediterranean one, social economy organizations practically disappear as a significant force in harmonizing the economic growth with social welfare, where the State occupied almost the entire stage. However, the consolidation of mixed economy systems did not prevent the development of a notable array of companies and organizations, co-operatives, mutual societies and associations, that helped to solve socially important and general interest issues concerning cyclical unemployment, imbalances between geographical areas in the rural world and the skewing of power between retail distribution organizations and consumers, among others.

Unlike the European Continental countries, the historical evolution of the third sector in UK was different, due to regional specificities concerning both the welfare state and the organizational forms of the civil society. In such regional configuration, a lower level of government intervention has been historically associated with a relatively large voluntary sector relying mostly on private resources (Salamon, 2004), so that charitable institutions were typically empowered as those key actors in resolving market and state failures. Nonetheless, the need for an universal protection of the citizens' social rights led national public authorities to develop various social programs with universal coverage, in an unusual framework in which charities were mainly supported through public subsidies. This 'charitable' configuration was challenged in the 1980s due to the proliferation of 'New Public Management' policies for the increase of the efficiency in service provisions through the adoption of quasi-market mechanisms.

Economic literature has ever depicted the modern welfare systems as quasi-markets driven by competition for public funds (Bartlett and Le Grand, 1993). It focused on the theoretical proprieties of the competitive markets as efficient delivery systems for the assurance of adequate quality standards and universal level of service provision for the consumers by the split of the functions of financing and providing. Within a quasi-market, the state still contributes to the financing and regulation of the service, but provision is open to all kinds of organizations that compete on the market: public organizations, third sector and for-profit providers. To this end, the UK community care reform of the early 1990s was emblematic in its attempts to reform the public policies and reduce public sector bureaucracy adopting the discipline and rigor of the market economy. A new role was assigned to local authorities which exercised the purchasing power through the contracting out of the service provision to the 'independent sector'.

On the contrary, in the other Western European countries the rise of the quasi-markets and the "commodification" of the welfare services were not too much emphasized such as in UK. The 'enterprising' of the European welfare economies was driven not only by competition for resources, efficiency pressures and thrust towards the professionalization of the labor force. Rather, much of the emphasis put on the service contracting was heavily grounded on logics of "public service orientation" (Stewart and Clark, 1987) addressed to treat social consumers as users and citizens simultaneously. Nonprofit organizations, co-operatives and mutual organizations was increasingly legitimated as efficient and effective providers of human services, and such an image was reinforced in all fields where they have to compete with other private or municipal providers.

Nevertheless, the 1990s led to other transformations in the governance of the institutional welfare systems, and drastic changes in third sector environments occurred. The persistence of sakes of structural unemployment in many European countries, the need to contain state budget deficits and the need for more active integration policies, raised the question of how far third sector organizations could be suitable to meet these challenges and perhaps take over from public authorities

in some areas. However, social workers, citizens and other stakeholders of the civil society were facing a lack of adequate public policy schemes in tackling the increasing exclusion of groups of marginalized people from the labor market, or more generally, from the society. (Defourny and Nyssens, 2009)

In answer to this pressures, European welfare systems experienced the growth of socio-political networking between local authorities, private providers and community actors, that led to the structuring of public-private partnerships and governance arrangements for the advocacy and delivery of local public services. (Pestoff and Brandsen, 2008) The growth of sometimes close interactions based on trust between local authorities, community organization and civic networks, with a resulting blurring of boundaries between public and private responsibilities, led to transformations in the welfare contexts, paving the way to the emergence of the current 'welfare mixes'. Herein, new entrepreneurial dynamics of an associative and co-operative form were organized by civil society actors in meeting social needs previously left unmet by the market and the State. Spectacular growth in the social economy has taken place in the field of organizations engaged in producing what are known as social or merit goods, mainly work integration and social services of community care. In this field, associations and co-operatives have reencountered a common path of understanding and co-working in many of their projects and activities, as in the case of social enterprises, many of them cooperatives, which are already legally recognized in various European countries as important economic agents. (CECOOP 2006). Most of these social enterprises also subdued to the traditional contracting out discipline with local authorities, but with relevant changes in the forms of public funding rather than in the volume of this funding.

4 'Earned income strategies' vs 'hybrid organizations': conceptions of social enterprise in the United States and Western Europe

It might be noted that there are many frames that govern and constrain the understanding and the definitions of social enterprise in the different regional contexts. Although the trend and the ultimate objectives are similar, distinct differences remain in the conceptualization of the term. While definitions tend to vary within the European regions themselves, even broader divisions exist between the United States and the European countries in terms of meanings, activities, policies and ways of governing social enterprises.

When it looks at the US historical context, what is striking is the diversity of terms which have been used since the early 1980s to describe the entrepreneurial behaviours with social aims , mainly within the nonprofit context: 'nonprofit venture', 'nonprofit entrepreneurship', 'social purpose endeavour', 'social innovation', 'social purpose business', 'community wealth enterprise', 'public entrepreneurship'.

The conception of social enterprise firstly appeared in US has referred to the use of commercial activities by nonprofit organizations to support their social mission.

In the nonprofit sector, social enterprises may be specific enterprises for employment development purposes, all inclusive "fee for social service" strategies only for paying users, or broadly speaking, incorporated or unincorporated charity's "trading arm". In this latter case, social enterprises are depicted as "distinct" organizational units that operate only for the sake of revenue generation. Otherwise, as trading business of scanty synergies with the social programs, they do not involve users or stakeholders, since they operate only for the support of the financial 'bottom line', in absence of adequate level of public subsidies and grants.

Not surprisingly, the current emphasis that the new wave of the US literature put on the social enterprise seems to reflect the terminal stage of a strategic change occurred to the voluntary sector. In the last decade, the trend towards the enterprising of voluntary and charitable organizations has been growingly marked by the definition of commercial strategies. Voluntary and charitable organizations

experienced the first wave of funding cuts, loss of core funding, and increased competition for funds which has since been institutionalized. Most of these organizations continue to leap from project to project with an unpredictable impact on mission, staff, and clients. Elson (2008) have described this elsewhere as the transition from traditional citizenship-based program funding to service-based project funding. The growing adoption of earned income strategies designated not only to cover operative costs but also to increase the profit-making orientation of the nonprofits, to a large extent, have given rise to a growing number of philanthropic initiatives promoted in partnership with large enterprises and private foundations for fund-raising strategies, capabilities and partnership for charitable causes and development of dedicated social funding for the start-up and leveraging of social purpose business.

With time, the new wave of the corporate philanthropy, together with the growing interest for the experimentation of social innovation business in the for-profit sector, paved the way to the emergence of a broader conception of social entrepreneurship also under conditions of shareholder value creation. This new wave of entrepreneurs inspired by the adoption of business models for social innovation purposes have progressively contributed to reverse the initial trend of the social enterprise movements within the third sector, expanding the meanings of the term to any creative project aimed to start a new social business, or reshape an existent one. (Dees, 1998 b) This 'social business purpose' thought put emphasis on social entrepreneurs as Schumpeterian entrepreneurs, defining him or her as a change maker as he or she carries out 'new productive combinations' of service, quality of the service, method of production, production factors, forms of organizations or markets, in order to change the social impact of the service delivery, rather than income levels.

Outwardly, this latter meaning doesn't seem to alter too much the previous one; instead, it reveals a sort of turnabout for the overall sustainability of the third sector. Compared with the previous significance, indeed, the meaning of the term 'social enterprise' shifts resolutely from those autonomous trading businesses developed

by the existing charities to support the financial self-sufficiency of their social programs, to any financial strategies put social business purposes. In this latter sense, these new 'social enterprise' initiatives clearly contribute to overshadow the driving forces of voluntarism and civic engagement traditionally embedded in the voluntary organizations, paving the way to normative and coercive pressures exerted by 'third' private financers, such as larger corporations and big foundations, in making nonprofits eligible to grants. (Dees, 1998 b)

To this end, several tensions and challenges for charities and nonprofit organizations have been identified due to the growth of these new philanthropic and entrepreneurial movements of 'social enterprise', such as the exclusion of specific social groups of recipients, the weakening of the civil society and social capital resources, and the lack of governmental regulation in safeguarding the public interest. (Kerlin, 2006)

With reference to the first problem, the social enterprise as a way of revenue generation by charitable organizations may lead to the exclusion of many poorer beneficiaries. (Salamon, 2004) Another way vulnerable groups may become excluded are when profit-making activities encroach on service delivery that is the focus of the social mission or, worse, whenever the revenue generating activities are preferred over the mission-related programs because they are more profitable. (Dees, 1998 b; Weisbrod, 2004) Moreover, there is evidence that nonprofits engaged in market activities grow increasingly on meeting the needs of individual clients rather than the needs of the neighbourhood or the community. (Kerlin, 2006) In so doing, social enterprise initiatives contribute to exacerbate the competition with the for-profit enterprises that offer similar services. (Young and Salamon, 2002)

Another worry about US social enterprises is the risk to weaken community development, civil society initiatives and social capital resources in favour of a mere profit orientation. (Kerlin, 2006) As with service delivery, a growing focus on the financial bottom line may lead organizations to abandon less efficient practices that strengthen social capital and encourage voluntarism. Nonprofits engaged in

social enterprise may also find they have less need to rely on traditional stakeholders and social networks such as volunteers, private donors and other community organizations, with the result that opportunities to promote social innovation strengthening reciprocity and “bridging” social capital are lost. Further, the growing nonprofits interest in market strategies may lead to a shift from democratic board structures directly connected to the community interests to professional boards mainly focussed to business developments. (Backman and Smith, 2000)

The need for a legal identification of specific organizational typologies of social enterprise quite distinct from those charities and nonprofit organizations that incorporate subsidiary ‘trading arms’, can contribute to remedy the weakens of social ties at grassroots level experienced by big charities and other commercial nonprofits. For instance, as happens in Western European countries, the adoption of legal frameworks for the promotion of new organizational forms of social enterprise tailored on the basis of a mix of organizational incentives for the sustainability of a participative governance and the involvement of recipient stakeholders, could be interesting for the development of new patterns of social entrepreneurship well suited in order to answer to the emergent social needs of the local community.

On the contrary, in Western Europe the term refers to heterogeneous third sector organizations engaged in the provision of local public services, rather than mere earned income strategies for subsidizing purposes. Social enterprises grew systematically in the 1990s as preferred tool for implementing active labour market policies in favour of particular needy groups. In recent years, social enterprises have extended beyond work integration, operating in a variety of fields, including personal social services, urban regeneration, environmental services, and the provision of other local public goods or services.

Even if their ‘ultimate’ recognition frequently depends on the percentage of trade income over the total amount of revenues, a common theoretical conceptualization of social enterprise in the European countries clearly appears when it is taken on

account its 'hybrid' organizational identity and its original entrepreneurial orientation showed in serving community needs.

In Western Europe, the gravitation centre of such 'hybrid' organizations is for sure mostly somewhere between 'state' and 'civil society', though also a certain degree of centrality between 'civil society' and 'market' is addressed and concerned as well.

The idea behind third sector organizations as 'hybrids' is contingent upon the third sector environments depicted as intermediary sphere of the welfare systems (Evers, 2004), where the principles of associating freely for public interest purposes is always associated with the presence and impact of pressures and rationales coming from the other spheres of the society. Indeed, associations and voluntary organizations get guaranteed and regulated by state law; as soon as they offer goods and services, their 'social economy' is exposed to the market economy principles and finally some associations and their organizations are after all not so voluntary at all, being enshrined in religious traditions, ethnicity and the respective communities. (Evers, 2004) This all makes up, as it has been argued, for a special degree of plurality and diversity to be found in this local public space. The social field of the intermediary sphere beyond the core areas of state, market and community is marked by all kind of intertwining and balances between solidarity and associational values, quests for unity and diversity, efficiency and expression, by attempts to cultivate civic virtues and communitarian thinking, but also to break up with them in order to promote managerial orientations or professionalization of the workers.

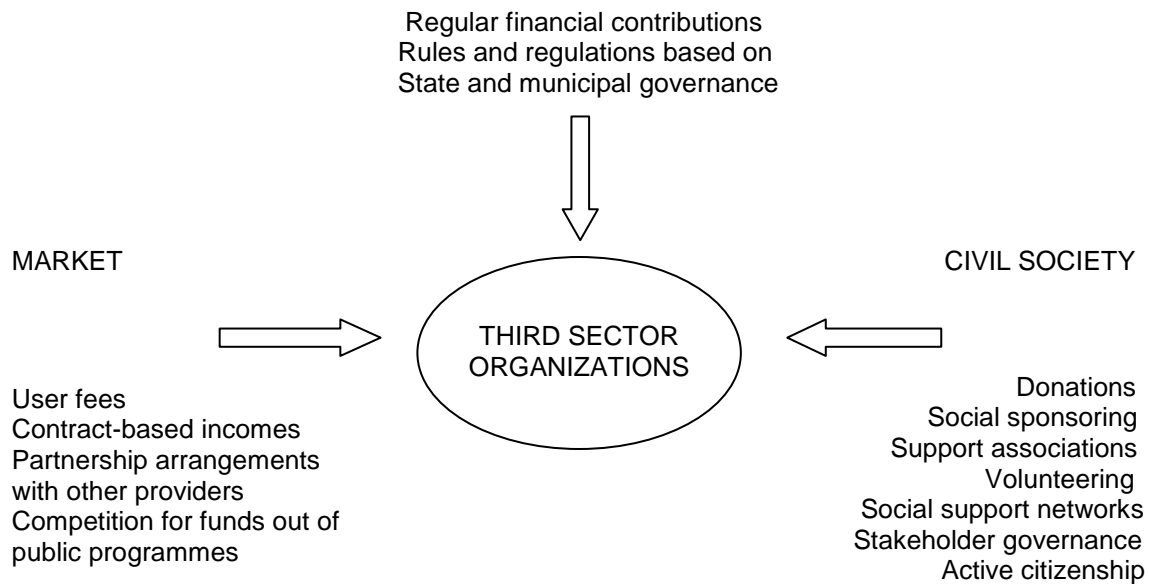


Fig. 4 – Third sector as part of the welfare mix. Third sector as intermediate area between the State, the market and the civil society
 Source: Evers, 2008; p. 285

Following Evers (2004), four different perspectives on the process of hybridization of third sector organizations and social enterprises can be distinguished in terms of resources, goals and forms of governance.

Resources hybridization means to rely on a mix of economic exchanges over a long period balancing rationales and negotiations among multiple stakeholders. (Laville and Nyssens, 2001) For example, if the social or environmental aims of the enterprise consist in the set up of various initiatives for the sustainable change of the local communities, such as managing cultural services, developing environmental protection projects or provide work integration for marginalized people, social enterprises usually try to include a wide range of stakeholders in their organizational processes in order to attract market and nonmarket resources to give self-sufficiency to the social mission.

Besides the contracting out models of public services, which can include different forms of economic exchange that can take shape within them, social enterprises can also make additional revenue trading goods and services in the

market economy, or bring about grants and volunteers for a wide range of community-based initiatives. For instance, social enterprises in the 'welfare mixes' are often supported by various mixes of resources. These may be subsidies by the state, funds raised by supportive associations; social capital from advisory boards that care for publicity, or from multi-stakeholder boards that guaranteed managerial support from various sides of the societies. Volunteering as active social and economic forms of cooperation, as well as participation in public debates cross-cut institutions that belong to the municipalities and to third sector organizations. (Evers, 2004) Furthermore, financial supports such as sponsorship and grants from foundations can play a direct role in the governance of the social enterprises. Voluntary resources, which are historically rooted in the rationale of the civil society actors, to a greater extent, can be assembled under the label of 'social capital'. (Evers, 2002) In such a perspective, it becomes as well apparent that injecting social capital in the public services does not only mean to use and exploit, but as well to challenge and cultivate social trust and civic virtues. This is a contextual form of bridging social capital that exhibit third sector organizations and social enterprises, that can only be upheld and grow only to the degree that it get used and invested in collective forms of action for public interest purposes.

Social co-operatives and welfare associations of the 'welfare mixes' are typical examples of social enterprises that survive thanks to social capital resources, since they compete for resources and negotiate their multiple objectives through an intensive socio-political networking with public authorities, civic networks, local associations and other third sector providers on the basis of a 'subsidiarity' principle.

In the same vein, UK community enterprises that setting up and running an integrated range of services for the sustainable change of the rural or urban areas are other examples of social enterprises that incorporate mixes of economic resources such as donations, volunteers, staff and commercial revenues. They usually involve, and account for, a wide range of stakeholders in managing local development projects, such as growing enterprises, buildings, land and equipment;

further, they trade in local public services and establish commercial partnerships with other enterprises in order to reduce their dependence on grant aid and volunteers. (DTA, Wales, 2009) Examples refer to organizations with a mixed structure of resources, offering in the respective policy sector products and services that may be worshiped differently, but with an explicit commitment to strengthen the social fabric of the community.

Two other dimensions that are constitutive of the 'hybrid' character of the social enterprises are their goals and forms of governance.

Economic literature on third sector often stresses the fact that third sector organizations are more likely to combine several objectives than traditional for-profit firms and public organizations do, which are generally conceived to have one single major goal, i.e. the creation of financial value or public value, dominating over other types of value. (Ben Ner and Van Hoomissen, 1991; Gui, 1991; Hansmann, 1996)

In line with the organizational 'ideal type' provided by the EMES Research Network, Laville and Nyssens (2001) suggest that the concurrent combination of different goals is a distinctive feature of the European social enterprises. In their view, social enterprises pursue simultaneously at least three categories of goals: social goals, economic goals and socio-political (or civic) goals. Social objectives are pursued in two distinct ways. Firstly, producing a wide range of 'merit goods', that is services as much appreciated for the personal and collective social utility they spill over for the benefit of the social fabric of the community as they are often heightened to the rank of public services within local policy frameworks. Secondly, through active forms of 'socialization' of the governance of the enterprise (social ownership) that favor the participation and democratization of the decision making processes by constituency stakeholders. The setting up of a social ownership combined with the adoption of organizational processes and mechanisms addressed to the implementation of a stakeholder governance system appear as two powerful incentives to the creation of social added value for recipient stakeholders and balanced improvement of the multi-dimensional performance of

the social enterprises.

A second category of goals has an economic nature and consist in ensuring the provision of these goods and services under organizational conditions of efficiency and financial self-sufficiency in the long run.

Finally, socio-political (or civic) goals are connected to the fact that social enterprises operate as 'mediating structures' advocating for the social citizens in the sphere of the local public policies. Indeed, social enterprises are frequently engaged in a socio-political networking at a policy level for the negotiation of resources and service standards together with other supporting civil society actors such as advocacy organizations, citizens and umbrella organizations. On the other hand, they frequently trigger social participation and involvement of workers, users, volunteers and local stakeholders in the governance of the enterprise. This way, social enterprises enable civic engagement among organizational stakeholders directly at a corporate level, as they boost democracy practices, stakeholder involvement and voluntary action for innovative patterns of 'co-production' (Brandesen and Pestoff, 2008) of a wide range of local public services.

In traditional voluntary organizations, the coexistence of various categories of goal, especially economic goals, is not so clearly marked than in the European social enterprises. In most traditionally associations and voluntary organizations not involved in the delivery of public services, trading activities and commitment to economic goals are usually significantly lower than in social enterprises; on the other hand, for profit enterprises and market 'co-operatives' do not generally pursue public interest purposes and do not account for the community 'stakes' of in the same ways as social enterprises do.

The debate on the hybrid nature of the social enterprises call attention on the balance of steering mechanisms (governance) that orient these organizations to the pursuit of their multiple objectives. The sustainability of 'mixed' forms of governance for the social enterprises is intended not only a matter of power and dominance, with one rationale being so much stronger than the others. Primarily, it has to do with the fact that the respective guiding principles and rationales that

inform the public, for profit sector and the civil society are constituent for the governance of the social enterprises. This way, to a greater extent, social enterprises are thrown by multiple tensions respecting each other organization in searching for good links and balances.

In social welfare organizations, for instance, governance can take place by market mechanisms, as far as users can choose between different customized services for targeting clients, while hierarchical steering mechanisms can be at work simultaneously in order to comply with state regulation. Further, users and local community stakeholders frequently 'have a say' in the organization, such as through involvement in the decisions, open forms of participation to meetings and other activities, or through formal board membership. For users and stakeholders involved this can mean both 'voice' and 'choice' at a time, and furthermore, thanks to their active commitment in the organizational processes they are co-producers of the services. Within the debate on the governance of the public or 'quasi public' services all this has meanwhile been raised under such titles as systems of 'co-governance' or under the notion of 'mixed governance' systems. (Kooiman, 2001) Unlike for-profit enterprises, state public and voluntary organizations, social enterprises are unable to define a univocal concept of successful performance, since they aren't directed only by the overarching performance criterion. Their broader and less clear-cut defined concepts of success constitute at the same time a chance and a challenge; chances result from the negotiation and definition of an agreed agenda made of multiple and often competing goals, while challenges result from complex tasks of balancing a diversity of goals keeping them compatible in a 'balanced scorecard'.

The concept of hybridization can be conceived as a point of departure and reference for the strengthening and survival of such aims like revitalizing active citizenship, open communities and social solidarity, linking them with market virtues, like opportunities for new patterns of social entrepreneurship. It is in such a perspective that the notion of social enterprises intertwine social aims, some degree of public support, financial discipline and communitarian. The notion of

'multiple objectives, multi-resources and multi-stakeholders' social enterprises (Defourny and Nyssens, 2006) claiming that an amalgam of market economic, social and political principles may make up for an additional tool in strategies that search for new balanced concepts and inclusive third sector strategies for the improvement of the local policy agenda.

In the perspective of 'third sector' as 'social economy' and social enterprises as 'hybrid' organizations, sector bonds and links between guiding rationales are lost and blurring boundaries emerge. Efficiency and competition for resources are by no means confined to the market sector; vice versa, volunteering are not exclusive principles of the informal sphere of the civil society, since it can play an active role also in the public space; finally, citizenship virtues are claimed also for workers and private enterprises. It is not the sector that matters in the first line, but the relative impact of certain values and orientations that cross the sectors, so that the strict adherence to the formal organizational status of 'nonprofit' organizations has no sense. Rather, there may be as many third sector organizations behaving like public service providers as public services subjected to the adoption of entrepreneurial forms of private provision in which efficiency intermesh with volunteering, with a look at the community building and the needs of constituency stakeholders.

The marked hybridization of resources, goals and governance pose some theoretical questions about the organizational identity of the social enterprises. Throughout European countries, the organizational fields of third sector have undergone changes as the result of the evolution in both public policies and civil society. For instance, descriptive researches in the field of the work integration have shown the existence of isomorphic pressures exerted at inter-sectorial level for the WISEs, although there are some positive cross country forces of civil society that protect them, at least in part, from potentially hostile environmental influences of for-profit firms or public administrations. (Defourny and Nyssens, 2006)

Over the time, transformations occurred to the local policy environments have

proved to be quite important for the start-up and the maintenance of the social enterprises, especially in regards to the ways in which public services have been contracted out or, more broadly, to the governance arrangements adopted in order to stabilize third sector providers as 'preferred' contract partners. (Evers, 2004)

With time, public bodies have increasingly devolved economic risks upon private agencies. As widely experienced by some European mixed welfare environments, the practice of competitive tendering has obliged social enterprises to behave more likely their for-profit competitors and to risk neglecting the social mission. Changing in funding rules have also proved crucial, since almost everywhere there have been cuts in public subsidies. Further, the massive adoption of quasi-market schemes and the stabilization of the earned income revenues have boosted the entrepreneurial orientation of the third sector's providers, increasing the level of professionalization of the working class, their consumer orientation in the service delivery and the adoption of short-term return-on-investment logics. Moreover, grant aids and unconditional subsidies have come under scrutiny while social enterprises have been directed to quasi-market schemes, and in many places they have simultaneously been required to fulfill predefined roles in new 'workfare' regimes (Defourny and Nyssens, 2006), with shrinking operational flexibility in the enterprises' business approach as a major result.

In this ambivalent background, civic backing is of critical importance for social enterprises. The transformation of the civic endorsement, with the third sector organizations more exposed to the volatility of markets and public programs constitutes an important convergence in the development of the different national fields of social entrepreneurship. All countries reported by the EMES researches on the work integration social enterprises in Western Europe, have described clearly that social enterprises emerge and persist because of their ability to bridge civic constituencies that sympathize with them supporting aims of communitarian development. These groups of stakeholder constituencies consist of local consumers of goods and services, volunteers, municipal administrators and civic networks of citizens variously concerned with the commitment for the public good

at a grassroots level. Further, civic inputs also rise from the social capital acquired at a level of the local policy through the involvement in the political agency of the service contracting, often with the support of umbrella organizations.

To this end, the combination of social capital resources in and around social enterprises varies throughout the European third sector environments, also in consideration of the different sectors in which operate the social enterprise. There is evidence of social ties with networks of civic stakeholders exerted by the social enterprises at a policy level, but in many cases the existence of tangible voluntary resources in the organizational processes are subject to change. While it seems to remain vivid the active role of volunteers in the management and social networking of the enterprise, voluntarism at the rank and file level is often shrinking due to tendency towards professionalization and the adoption managerial styles of service delivery, although founders, users and civic stakeholders sometimes offer some resistance against these isomorphic pressures. (Defourny and Nyssens, 2006)

Finally, it proves to be interesting to summarize main sources of tension that affect the 'hybrid' identity of the European social enterprises.

First, tensions grow stronger between civil society actors and public regulators. A decrease of social capital resources may prove problematic, especially if these resources are needed to defend 'sheltered markets' or to compensate for the loss of financial resources. If voluntarism as important resource for the start-up of the social enterprise subsequently decreases, or if public policies previously influenced by participation and active networking of social movements decrease pressures towards social accountability, dependence on earned income revenues or contract with administrative bodies under new public management regimes will tend to grow, together with pressures for financial accountability and service standards adoption. Further, a trade-off for the organizational identity of the social enterprises seems to exist between the socio-political networking within the sphere of the public policies and the adaption of a commercial service culture facing competitive markets, with evident recoils in benefiting of social capital resources.

A second source of tension is linked to their dependence on public regulations,

especially those tensions linked to the social welfare policies. More encompassing activities of the social enterprises sustaining social innovation practices or adjunctive social programs could be impeded in cases where public regulation depends upon measured and quantified recorded output of service. Accordingly, the more economic self-sustainability is required, due to the decline of public subsidies or 'protected markets' of social networking contracting, the more the social enterprises risk of neglecting social solidarity and general interest purposes, for instance by raising user fees too high for poor consumers or by creaming off workers and managers on the basis of professional or managerial competences to the detriment of volunteers and community stakeholders. When the welfare markets suffer a certain degrees of volatility of the economic transactions, the use of very flexible and unsteady contracts for third sector providers are frequently exacerbated, financial flows for the promotion of social programs are curbed and the support of the civil society are limited; likewise, when social enterprises face commercial competition with for-profit providers they usually tend to focus on efficiency aims reducing opportunities for the improvement of the social inclusion programs.

A third source of tension comes from the impact of focus on the single organizations compared to a focus on networks of organizations that span across sectors. In many policy areas, as well as in many local communitarian tradition of civil society organizations, it can be easily observed throughout the European countries the proliferation of cross-sectional public-private partnerships, networks of civic actors at local grassroots level, umbrella organizations such as associations of social enterprise or local consortia. In every case, some criticalities come to the light when one single unit is heavily dependent on the balance between the two partners or the multitude of networked organizations. To what degree are organizations in such partnership or association going hybrid and to what degree on the reverse forced to sharpen their respective profiles? Inter-organizational structures such as public private partnerships that unify different actors for projects of local development, networks of civic actors and social

enterprises that advocate for social citizens, or umbrella organizations and local consortia that compete for public service contracts are commonly designed in order to give sustainability to complementary forces between two or more partners. The issue of a right balance of goals and principles and of the right mix of resources, that is at the heart of the concept of hybrid, are also crucial as well, paving the way to the analysis of 'mixes' both on the level of a single organization and the 'mix' of influences and logics on the level of organizational networks.

5 Convergences and divergences between US and European conception of social enterprise

Last years have witnessed a growing mutual influences between the two sides of the Atlantic around the evolving landscapes of the social enterprise. (Nicholls, 2006; Defourny and Nyssens, 2009) New entrepreneurial initiatives for the benefit of the social fabric of the local community and the creation of 'social value' through autonomous business projects are grown constantly throughout the Western countries, so new patterns of collective and individual entrepreneurship aimed to a social or environmental impact have emerged.

Beyond the great diversity of national and regional contexts, it seems that there is a diffuse perception around the social entrepreneurship as a spectrum of innovative initiatives and practices aimed to tackling social and environmental problems. (Dees and Anderson, 2006; Borzaga and Defourny, 2006) As to social entrepreneurs, their profile has been particularly highlighted in the US as individual leaders of the social change, especially in applying business methods, while European traditions have rather emphasized collective dynamics of entrepreneurship by groups of local citizens. However, as previously suggested, the distinctive features of third sector organizations and social enterprises are deeply rooted in the social, economic and political culture in which these organizations emerge and being shaped.

However, important divergences still now remain in the two regional contexts as regards to the organizational identity of the social enterprise, especially in terms of environment for the diffusion of the social innovation, relation between productive activities and social mission, nature of the entrepreneurial risk and structures of governance. Generally, as Young and Salamon (2002:433) stated, 'in Europe the notion of social enterprise focuses more heavily on the way an organization is governed and what its purpose is rather than on whether it strictly adheres to nonprofit distribution constraint of a formal nonprofit organization', or on whether it strictly adheres to the businesslike discipline.

5.1 Environments of diffusion

In the Western Europe, the process of institutionalization of the social enterprises has often been closely linked to the evolution of the public policies. Social cooperatives were pioneering organizations in Italy over the 1970s and 1980s in promoting work integration objectives for excluded people through direct forms of participation and involvement of disadvantaged workers and recipients stakeholders in the governance structures of the enterprise. The successful economic and social performance experienced by these pioneering initiatives was conditional to new public schemes and legal frameworks for the implementation of employment development policies for disadvantaged people throughout the European countries. Such public policies, however, have not been designed and implemented without raising important questions and strong debates between social entrepreneurs and policy makers. (Defourny and Nyssens, 2009) More precisely, the nature of their social mission was a subject of debate from the outset, due to divergences regarding the potential extent of their objectives. On the one hand, promoters and other local stakeholders have often considered too narrow the legitimation and the support given by local authorities to the promotion of the social enterprise as effective instrument for the tackling of the social

exclusion. On the other hand, however, it is somewhat evident the clear role traditionally played by the public policies as preferred institutional environment for the diffusion of various patterns of social entrepreneurship throughout the Western Europe.

In the United States, the scaling up of social innovation by private entrepreneurs was a key assumption of the social entrepreneurship from the outset. Typically, social entrepreneurship in US has been expected to expand through the growth of the enterprise itself, rely on the increase of the earned income and professional skills, often with the support of foundations for start-up funds or leverage effects. Such trajectories of growth are not without risk, as a strong reliance on private actors and financial strategies may lead to focus heavily on the growth of the organizational size and managerial power-dependence, with the risk to underestimate the growing of the social capital and the informal social networking at a grassroots level of the community in solving social issues. Relying on market forces to solve an increasing part of social needs in the modern societies may lead to perverse outcomes, such as the promotion of priority-setting processes and selection processes of social change in terms of earned income rather than social priorities, with the potential risk of the adoption of priceskimming strategies that lead to demotivate or exclude investments in social programs for the poorest. (Kerlin, 2006) This probably account for major fears of an excessive confidence expressed by voluntary organizations and community organizations towards market-oriented social enterprises, as well as corporate philanthropy and corporate social responsibility as preferred strategies to combat social problems, while public policies tend to reduce their allocated budgets for welfare services.

5.2 Nature of the economic risk

In both the regions social enterprises are generally viewed as organizations characterized by a significant level of economic risk.

According to the EMES criteria (Borzaga and Defourny, 2001; Defourny and Nyssens, 2006), European social enterprises share a broad conception of financial viability dependent upon the efforts of their members to secure adequate resources for supporting the enterprise's social mission. European social enterprises sustain their social mission leveraging on the hybridization of economic resources; not only trading income, but also public redistribution of resources and voluntary resources. Although the common conception of enterprise view the economic risk taking as related to the market risk, rigorous definitions in most European legislations outline social enterprises as organizational forms bearing some risk, but not necessarily seeking only market resources. The economic risk of the European social enterprises, therefore, rely heavily on those 'mix' of economic resources brought about by constituency stakeholders in fostering economic objectives of financial self-sufficiency rather than economic objectives of profit-making maximization as in the competitive markets.

By contrast, for the US commercial nonprofits and social purpose businesses, to be a social enterprise means relying on market resources, with an economic risk correlated with the amount or the share of income generated through trade. However, this vision is also common to the UK governmental policies for the development of the social enterprise (DTI, 2004), which refer expressively to social enterprises first and foremost as businesses. Furthermore, the recent 'social business purpose' view, which is the common view of social enterprise among business schools and large foundations, focuses more broadly on business methods for achieving social impact, hence, on the level of profitability generated by the social business.

5.3 Relation between productive activities and social mission

When it comes to the notion of social enterprise in the United States, it is more difficult to identify convergences as regards to the contents of the social mission in

terms of goods and services produced. Indeed, US social entrepreneurs tend to qualify as 'social enterprises' every fully self-financed initiatives with social purposes, regardless of any defining features other than an often vaguely alleged social mission. On the contrary, in the European contexts, even though the persistence of some difficulties in deciding a minimum level of market income to distinguish it from other third sector organizations with collateral earned income, what is really at stakes in the identification is the way in which the primacy of the social mission can be preserved. Essentially, as regarded in most European legislations, the organizational identity of the social enterprises rest upon two basic features: the strict adherence between the social purposes of the enterprise and the social nature of their productive activities, on the one hand, and the adherence between the social nature of their productive activities and the social nature of the governance of the enterprise, on the other hand.

In Western Europe the production of goods and services does itself constitute the way in which the social mission is pursued, that is to say, there is a strict connection between the social programs of the latter and the organizational processes and outcomes of the former. Accordingly, work integration programs for disadvantaged people, the delivery of welfare services and the development of regeneration programs for the local community are often at the core of the activities of the European social enterprises. In other words, the nature of the economic activities is closely connected to the social mission, that is, the goods and services with a high level of ideological contents of 'merit' for the consumers, and social externalities for the benefit of the local community.

To a greater extent, this type of approach is also found in the US social enterprise school of social innovation (Dees and Anderson, 2006), which justify the existence of social enterprises for the implementation of innovative strategies to tackling social needs through the provision of goods and services of social utility. By contrast, the strict adherence of the productive activities to the social programs is next to never tried out for more charities and commercial nonprofits that trade goods and services only for subsidizing purposes. In this perspective, social

enterprises can develop business activities which are only related to the social mission through the financial resources they help to secure.

5.4 Corporate governance

At first sight, one could say that both US and European social enterprises emerge within third sector environments. However, main driving force of the US social enterprises was - and often still is - the search for earned incomes, while the bulk of the European third sector tradition has always been associated with a quest for more participation and democracy in the economy, with the attention to the involvement of stakeholders as active decision-makers for public interest purposes rather than only as sources of competitive advantages. As a result, the corporate governance of the social enterprises has attracted much more attention in Europe than in US, as well evidenced in the public policies schemes for the promotion of enterprises operating in active labor markets and recent national legislations on the social enterprise passed in various European countries.

As the corporate governance can be intended as the set of organizational structures and mechanisms that ensure the pursuit of the enterprise's mission, it can be analyzed along several dimensions.

Firstly, European social enterprises are embedded in the mixed environments of third sector, and more precisely in the associative and cooperative components of social economy, whereas US social enterprises are embedded in the nonprofit or charitable sector. This means social enterprises frequently make use of a common ownership, that is a private ownership structure in which the assets of the enterprise are held indivisibly rather than in the names of the individual members. That allows for voting rights not allocated on the basis of capital shares, so to 'neutralize' capital and vesting control of the enterprise by virtue of the membership or by formal entitlements rather than by injection of capital, as for the individual ownership.

As mostly co-operatives, European social enterprises are member-based organizations funded on an equal share of propriety rights among constituency stakeholders, according to the democratic rule of 'one member vote'. On the US hand, most of the social enterprise as commercial nonprofits are embedded in charitable organizations, such as registered nonprofit corporations or foundations, which are voluntary organizations or trustees that have no owners, since they are run by a board of directors who typically appoint one of their own as CEO.

Further, the power of the prerogative of the constituencies are also limited by restrictions regarding the distribution of profits. To this end, the European fields of the social enterprise are characterized by organizations with a total non distribution constraint and organizations, such as most co-operative forms, which may distribute profits but only to a limited extent. Many recent European legal frameworks on the social enterprise also reduce the power of the constituency shareholders by prohibiting or limiting the distribution of profits. In the US context, by contrast, only the commercial nonprofits that create social enterprises for earned income strategies fully retain their surpluses for the fulfillment of the social mission. On the contrary, as for the enterprises with social business purposes, they may adopt any kind of legal frameworks and may therefore, in some cases, distribute surplus to shareholders.

Secondly, European social enterprises are based on collective dynamics of entrepreneurship involving different stakeholders in the governance of the organization. The various categories of stakeholders may include workers, beneficiaries, volunteers, donors and public authorities, among others. Stakeholders often participate through wide informal channels of involvement in the organizational activities and social meeting, so that they can influence decision-making processes in different ways. Further, they can indirectly participate through representation and participation in committees in the everyday life of the enterprise, in order to foster democracy at a local level through economic activity as rooted in the community development tradition. However, most of the European social enterprises stand out for their 'multi-stakeholder ownership', that is the

formal involvement of different categories of stakeholders in the membership or in the board of the enterprise, thereby creating novel organizational configurations that create a strong incentive for the sustainability of the multidimensional performance of the social enterprises.

This insistence on collective dynamics among constituency stakeholders clearly contrasts with the emphasis put in the US debate on the individual profile of the social entrepreneur and its central role in fostering social change through social business purposes, or the hierarchical governance system that steer the social enterprises contained in the organizational structures of the commercial nonprofits.

VARIABLES	UNITED STATES	WESTERN CONTINENTAL EUROPE	UNITED KINGDOM
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Third sector environment	Voluntary	Social Economy	Quasi-markets
Legislation	None	Underdeveloped but improving	Developed
Strategic development	Market Economy	Public Policy	Public Policy
Entrepreneurship	Individual	Collective	Collective
Stakeholder involvement	None	Common	Underdeveloped
User involvement	None	Common	Underdeveloped
Fields of activity	All nonprofits IRS 501c3	Social welfare services and commercial markets for employment development and work integration	Social welfare and other services for the sustainable regeneration of the local community
Bottom line emphasis	Financial	Social	Financial
Sustainability conditions	Making money to subsidize the social mission	Balancing multiple objectives, resources and stakeholders	Balancing trading income with subsidies and grants
Key indicator of the organizational performance	Trading income (100%)	Financial self-sufficiency	Trading income (at least 50% or 75% of the total amount of the financial resources)
Corporate Governance	Agency	Stakeholder	Democratic
Organizational forms	Charities and Foundations	Associations, Social cooperatives and Social foundations	Voluntary organizations and Community enterprises

Tab. 1 - A comparative overview of the main variables affecting the social enterprise in the third sector environments of United States, Western Continental Europe and United Kingdom

CAP. 3 STAKEHOLDER PERSPECTIVES OF STRATEGIC MANAGEMENT IN THE FIRM: AN ORGANIZATIONAL COMPARISON

6. *Theories of corporate governance: an overview*

The governance of organizations has received much attention in recent years. Useful definitions for this concept is that governance “is the relationships among various participants in determining the direction and performance of corporations” (Monks and Minow, 1995:1), or “a set of relationships between a company’s management, its boards, its shareholders and other stakeholders [...] also (providing) the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined”. (OECD, 2009:11) Beyond for-profit enterprises, these definitions can be adapted to embrace the public and nonprofit sectors by replacing ‘corporations’ with ‘organizations’ more generally. Indeed, while participants within the governance functions of corporations typically include shareholders, senior management and the board of directors with rights and obligations that are enshrined in law, voluntary and nonprofit organizations do not have the same legal entitlements to take part in the governance structures.

Corporate governance research has produced a set of influential theories on the enterprise that provide different explanations on safeguarding both the interests of owners and stakeholders. These theories, which emphasize the capacity and willingness of managers to balance different interests, can be broadly classified according to three general views on the firm: (Parkinson, 2003)

- as propriety;
- as nexus-of-contracts;
- as social institution.

The former two theoretical frameworks focus on the firm’s corporate form. Whichever measures are used their primary aim consist in the maximization of the shareholders’ wealth. This is so because of the primacy of hierarchical coordination in favor of shareholders. In their role as provider of capital and bearers of residual risk, shareholders are the ultimate beneficiaries of the corporate activity.

Managers, as 'agents' of the shareholders, must act in the interest of who provide capital (often in great numbers) and, as a consequence, dilute the control over its use. Consequently, the boards are believed to have a duty to act in the interests of the owners of the corporation and so are responsible for facilitating organizational performance through effective decision-making which is achieved by electing board members on the basis of their individual expertise.

The separation of ownership and control outlines the starting point for the development of different explanations on the models of corporate governance. Classical propriety rights theory outlines the rights of the 'shareholders-owners' as residual claimants of the firm's net profits and attributes both moral and legal rights in order to assure that the corporation is ultimately run for their own sake. Alternatively, the 'nexus-of-contracts' model conceptualizes the firm as a base for contracting. The contractors set and accept terms on which to deliver inputs. Eventually the corporation, as a nexus of contracts, produces outputs that provide residual income for stakeholders' benefit. (Alchian and Demsetz, 1972) The dynamism of these arrangements enacts a change in the nature of the contracts setting over time. For this approach, the aim of the corporate governance is to decide on the externalization of costs as optimal base for contracting shareholders' interests.

Both the theoretical perspectives emphasize an economic view of the power in corporation based on hierarchy. Accordingly, the role of the board is to elaborate strategies that operate in order to improve organizational performance for maximizing shareholders' interests. For this purpose, managerial literature has provided two theoretical models of corporate governance: the agency and stewardship theories.

The former assumes a perspective of conflicting interests between owners and managers, where senior managers and advisors have to monitor and control the managerial compliance of the firm's strategy to superior shareholders' interests.

On the contrary, a stewardship model relies upon collaborative human relations between shareholders and senior managers. (Donaldson and Davis, 1991) The

key assumption of the model is that managers are trustworthy and 'pro-organization'. Crucially, there must be a culture of trust between the principal (or primary stakeholder) and the managers to support this approach. It assumes that managers want to do a good job and will act as effective stewards of the organizational resources. As a result, senior management and shareholders (or their representatives) are better seen as partners of the enterprise, and the main function of the board is not to ensure managerial compliance to the shareholders, but to improve the organizational performance working with the management in order to formulate strategies that add value to the top decisions. In this context it is not surprising that managers ideas and practices should be applied to the governance of the enterprise, so that board members should be usually selected on the basis of their personal expertise and fiduciary contacts.

In third sector organizations a counter view of governance dominates, with the board of advisors and senior managers being modeled primarily as a tool of representation and democratic participation. This way, many difficulties emerge in applying an agency or stewardship model, because these models proceed from the assumption that the control should be in place to ensure that corporate managers meet the interest of shareholders agreeing with hierarchical mechanisms of separation of responsibilities. For example, who can clearly identified 'owner' and manager in third sector organizations and under which mechanism of control?

Under the trust law, trustees of a charity are appointed to look after the funds and resources donated to the organization and to see that it is used to serve the charity's intended beneficiaries, as set out in the trust deed. Indeed, the beneficiaries of a charity may wish to influence the direction of a charity but they cannot have recourse to law if their lobbying is overlooked. Hence, a key role of the trustees of a charity is to see that the staff and the management are carrying out the organizational objectives. It is enshrined in the trust law that the trustees themselves should not benefit financially from the trust, so that the employees cannot normally be trustees. As there is a complete separation of board members from staff and management, it could be argued that the trust law is even more in

line with an agency or compliance model of governance than a company law. Accordingly, Harris (1994) identifies this model of corporate governance as the 'traditional' model for charity boards, since the board advisors represent or reflect those who act as the 'guardians' of the charitable mission.

In the case of voluntary organizations such as associations, mutual and co-operatives, instead, the members are the owners of the firm and have a democratic control over the firm; that is to say that who democratically own the enterprise is often who directly exert the control on it. Therefore, the democratic model of corporate governance contrasts sharply with the basic assumptions of the 'separation' thesis or the agency-based perspective.

On the contrary, a stewardship model seems to align more with the ethos of third sector organizations, as well as the psychological and social profiles of its managers. (Mason, Kirchbride and Bryde, 2007) At a managerial level, there is support for the stewardship approach in third sector organizations because both the managers and the entrepreneurs are members motivated by 'common good' purposes. Furthermore, a stewardship theory is consistent with an evolving and much narrower business-focus on social and community-based goals; however, this narrow focus will result in the presence of a broader set of skills at board level. In turn, this moves away from a perspective of inclusive and democratic representation of members and fiduciary stakeholders in the board regardless of their strategic utility, to a perspective based on the inclusion of a skilful set of stakeholders able to manage more effectively the economic operations.

The third conception of corporation is that one of social institution. This approach differs from the previous perspectives for the absence of a hierarchical or a contractual view on the corporate governance. Rather, it emphasizes the enterprise as a social actor that operates with the purpose of creating a positive impact on the quality of citizens' life; hence, its social and environmental performances account as much as the financial one.

To a greater extent, approaching the enterprise as a social institution lead to converge with the debate on the corporate social responsibility (CSR) and the

stakeholder theory.

The central implication of the debate on the CSR is that the firms must not account primarily for shareholders' financial interests but for the establishment of mutual benefit relationships with those stakeholders that affect, or are affected by, the organizational performance, so that the financial performance accounts as the social and environmental one. In this sense, Davis (1960:211) suggested that social responsibility refers to business "decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest." At about the same time, Eells and Walton (1961:36) argued that CSR concerns with "problems that arise when corporate enterprise casts its shadow on the social scene, and the ethical principles that ought to govern the relationship between the corporation and society".

These definitions emphasize the emerging responsibilities that business should assume to become more actively involved in improving the social environment. Central to this end is the shift from a corporate social responsibility to a narrower instrumental concept of 'social responsiveness'. (Carroll, 1991) The basic argument is that the emphasis on the social responsibility is that the notion of normative obligations and moral claims for the business is overlooked, whereas a social responsive view looks for actions and active forms of implementation of a social role for the organizations. This provides for a necessary reorientation of the debate on the CSR, paving the way to a vision of CSR as metaphor of corporate citizenship.

Moreover, recent years have seen the emergence of the term corporate social performance (CSP) as an inclusive and global concept to embrace corporate social responsibility, responsiveness, and the entire spectrum of socially beneficial activities of the business. The focus on CSP emphasizes the concern for corporate action and accomplishment in the social sphere. With a performance perspective, it is clear that firms must formulate and implement social goals and programs as well as integrate ethical sensitivity into all decision making, policies, and actions. With a results focus, CSP suggests an all-encompassing orientation towards normal

criteria by which we assess business performance to include quantity, quality, effectiveness, and efficiency.

Basically, the central question upon which is currently grounded the debate on the CSR concerns the reconciliation of the firm's economic orientation to make financial profits for shareholders' interests with its social orientation. In this view, a four-part conceptualization of CSR includes the idea that the corporation has not only economic and legal obligations, but ethical and discretionary (or philanthropic) responsibilities as well. (Carroll 1991)

On the basis of this multi-faceted view of the CSR, first of all, a firm has to produce goods and services that consumers needed and wanted in order to achieve acceptable levels of profit from its businesses, given that the profit motive is traditionally perceived as the primary incentive to developing entrepreneurship. In doing so, a firm has to perform in a manner consistent with maximizing earnings per share, has to maintain a strong competitive position and a high level of operating efficiency, as it aims to become consistently profitable with time.

At the same time a firm is expected to comply with the laws and regulations promulgated by federal, state, and local governments as the ground rules under which the business must operate. As a partial fulfillment of the 'social contract' between business and society, firms are expected to pursue their mission within the framework of the law. Legal responsibilities reflect a view of 'codified ethics' in the sense that they embody basic notions of fair operations as established by our lawmakers.

Although legal responsibilities obey to principles of fairness and social justice, ethical responsibilities embrace those set of activities and practices that are expected or prohibited by societal members even though they are not codified into law. Ethical responsibilities embody standards, norms, and expectations that reflect a concern for what the firm' stakeholders (namely, clients, suppliers, employees, shareholders and the community) regard as fair or just with respect to the protection of moral rights. Ethical responsibilities in this sense are often ill-defined or continually under public scrutiny and managers have constantly to align them

with legal responsibilities, making frequently difficult dealing with them.

Philanthropy, instead, encompasses corporate actions in response to the society's expectations on the firm as good corporate citizen. This includes an active engagement of the firm for the promotion of human welfare and goodwill. Examples of philanthropy include donate money or executive time, such as contributions to the arts, education, or for social business aimed to enrich the welfare of the community. The distinguishing feature between philanthropy and ethical responsibilities is that the former are not expected in an ethical or moral sense. Communities desire firms to contribute their money, facilities, and employee time to humanitarian programs or purposes, but they do not regard the firms as unethical if they do not provide the desired level. Therefore, philanthropy is more discretionary or voluntary on the part of businesses, even though there is always the societal expectation that businesses provide it.

Although these components have frequently been treated as separate concepts, they are not mutually exclusive and do not juxtapose firm's economic responsibilities with other responsibilities. Obviously, the ethic and philanthropic components are crucial in connoting the social responsible behavior of the firms, but a need for an integrated vision of the four dimensions is pointed out to orient the strategic management of the firm to the CSR paradigm.

At the same time, a separate consideration of the four components helps the manager to see the dynamic tensions that affect the different types of obligation. (Carroll, 1991) Tensions should occur, of course, between economic and legal, economic and ethical, and economic and philanthropic. The traditionalist might see this as a conflict between a firm's "concern for profits versus its concern for society" but it is suggested here that this is an oversimplification. A CSR or stakeholder perspective would recognize these tensions as organizational realities, but focuses on an organic and unified view of the whole and how the firm might engage in decisions, actions, and programs that substantially fulfill all its component parts.

In summary, a total corporate social responsibility management entails the simultaneous fulfillment of the firm's economic, legal, ethical, and philanthropic

responsibilities. Stated in more pragmatic and managerial terms, the CSR should strive for the adoption of entrepreneurial behaviors simultaneously profitable, obeyed to the law, ethical, and of good corporate citizenship. Furthermore, a CSR perspective would have to offer many theoretical and descriptive insights in reforming the traditional managerial theories of the firm, in line with the urgent needs for the sustainable change of the current models of production and consume. One can consider, for example, the impact of the globalization and the ICT on the development of the modern 'N' forms of enterprise, the promotion of self-managed teams of production in a variety of industrial fields, the growing relevance of the process logics and, in general, the diffusion of horizontal forms of labor coordination strengthening social interactions and social capital. To this end, network theorists (e.g., Jarillo, 1988; Lorenz, 1988) argue that trust, reputation, and mutual dependence dampen opportunistic behavior, and in so doing they make possible more complex inter-firm divisions of labor and interdependences than would be predicted by transaction costs theory. By this view, one can notes how the current market economies and firm's environments are being progressively evolved in networked eco-systems of reciprocal relations of collaboration and competition among organizational stakeholders, where knowledge, human capabilities and social capital resources are frequently developed for mutual benefit advantages.

However, a natural fit between the corporate social responsibility theory and the organizational stakeholders tends to be established when it looks at organizations as social institutions that co-exist and co-evolve in dynamic environments of social relationships for reciprocal benefits. However, normative differences emerge between the two paradigm. Stakeholder theory constitutes at least something of an advance over CSR. Whereas CSR is fundamentally antagonistic to capitalist enterprise and profit-maximization purposes, viewing both firm and manager as social parasites in need of a strong reformative hand, stakeholder theory takes a different tack. (Marcoux, 2000) Rather than offer stakeholder theory as a means of overthrowing the behavioral reductionism of the capitalistic system, stakeholder

theorists arguing that the goals of the theory, essentially, is to maintain the benefits of the market while minimizing the potential ethical problems created by capitalism. (Phillips, 1997)

The term 'social' in the CSR theory has always been vague and lacking in specific direction as to whom the corporation is responsible. The term 'stakeholder', instead, constitutes a play on the word 'stockholder' and is intended to more appropriately describe those groups or persons who have a stake, a claim, or an interest in the operations and decisions of the firm. Sometimes the stake might represent a legal claim, such as that which might be held by an owner, an employee, a customer, a supplier, that is who has an explicit or implicit contract. Other times it might be represented by a moral claim, such as when these groups assert a right to be treated fairly or with due process, or to have their opinions taken into consideration in an important business decision, as frequently occur for members of a given community as a whole.

The concept of stakeholder, therefore, allows to personalizing and 'strategizing' specific groups or persons that should be considered in the adoption of a CSR orientation. The stakeholder nomenclature puts 'names and faces' on the societal members who are most urgent to business, and to whom the enterprise must be responsive. A successful stakeholder governance will depend primarily upon the implementation of an active managerial accountability towards who have a 'stake', 'legitimate expectation' or interest that can affect, or can be affected by, the organization's actions. (Freeman, 1984) Shifting the bulk of the strategic thinking from pure financial logics to a broad set of diversified and partially divergent interests strive the organizations for the optimization of multiple performances adequately integrated by a set of social and environmental measures. By doing so, organizations will open themselves to the principles of social responsibility, whereby their strategic decision making will be necessarily taking into account the multidimensional impacts of their performance on the stakeholders' expectations.

7. A stakeholder perspective of strategic management in the firm

The centrality of the stakeholder concept has been recently affirmed in strategic management literature. Scholars of strategic management in industrial firms have always paid little research attention on how control rights are, or should be, effectively allocated and shared among firm's stakeholders, due to the dominance of a shareholder perspective. (Blair, 1995)

Classical property rights theory defines ownership as residual rights to income (residual claimancy) (Alchian and Demsetz, 1972), while modern propriety rights theory equates ownership with residual control rights due to the contractual incompleteness. (Grossman and Hart, 1986; Hart, 1989) Effectively aligning residual claims mitigates ex-ante contractual problems while an appropriate allocation of residual rights of control mitigates ex post contractual problems. Residual claimancy and control, therefore, lie at the heart of a modern propriety rights theory of the firm.

Hart's theoretical works on propriety rights (1989; 1995), indeed, focus on the boundary and scope of the firm in the market economy and describe incomplete contracting both to explain and predict firm-level vertical integration. The author emphasizes the meaning and the importance of asset ownership and provides an original framework for thinking about the firms and the other kinds of economic institutions. The basic idea of his thought is that firms arise in situations where people cannot write complete contracts and where the allocation of control is therefore important. While the agency theory treats managerial control as irrelevant since the optimal comprehensive contracts are not subjected to renegotiations, propriety rights theory puts a lot of emphasis on the economic costs of writing contracts and contractual incompleteness. (Hart, 1995) However, less attention is paid to the idea that control rights could be efficiently allocated on the basis of the residual interests of stakeholder claimants.

Nevertheless, a stakeholder approach to the strategic management of the firm is still a theoretical framework at a nascent stage of development. (Aguilera and Jackson, 2003; Asher and Mahoney, 2005; Grandori, 2004)

While it maintains the assumption that the allocation of control rights influences the creation of economic value, this perspective enables a fine-grained analysis on control rights as powerful mechanisms of economic coordination and distribution of conflicts in organizations. (Asher and Mahoney, 2005) In the light of these assumptions, propriety rights can be intended as any sanctioned behavioral relations among decision makers in the use of potentially valuable resources. Such sanctioned behaviors allow people the right to use resources within the class of non-prohibited uses, emphasizing the role of the social conventions, the corporate culture and the reputation in affecting firm's behavior. By way of, propriety rights include social institutions that define or delimit the range of privileges regarding specific resources granted to individuals, involving a variety of rights as well as their partitions in single resources. Among the most important propriety rights there are the right to exclude non-owners from access to the resources, the right to appropriate the stream of economic rents from use and investments, and the right to sell or otherwise transfer to others. Accordingly, control rights operate as conduits upon which the economic value of the firm's resources can be channeled to different stakeholders to attenuate rent seeking and inefficient appropriations while improving investments in complementary or co-specialized assets.

Moving 'propriety rights' theory from a stockholder to a stakeholder view requires more investigations into how firm's economic value is created and shared among different stakeholders, be they financial claim-holders (e.g., holders of equity, debt or options issued by the firm) or non-financial ones (e.g., employees, key customers, and suppliers). In other words, a 'revitalization' of the debate on the distributive justice in organizations is claimed in order to allocate the firm's resources among organizational stakeholders. (Barnard, 1938; Greenberg, 1990; Donaldson, 1999) This way, all the organizational stakeholders who are involved in the business policy and contribute directly to create and extract economic value from the firm's activities should participate in the decision making processes and should have the right to 'have a say' in internal goal setting and dispute resolution.

In answering to this challenge, scholars have progressively become to approach

the firm as a nexus of explicit and implicit (or 'firm-specific') contracts. Herein, the firm is no longer intended as the sum of components readily available on the market but rather a unique combination of potentially complementary and co-specialized assets, mainly made up of employees' human capital investments, reputation and social capital resources that can possibly be worth more (or less) than the sum of its parts. However, if such firm-specific investments are indeed nontradeable valuable resources available from explicit contracts, they must be necessarily included among the firm's assets on a whole. Such perspective gains much consensus among organization scholars, as it considers that other contracting parties besides shareholders are not fully safeguarded by explicit contracting, thereby undermining the agency premise. (Blair and Stout, 1999). To this end, Zingales (2000:1632) inquires that "if many members of the nexus are residual claimants, why are shareholders necessarily the ones affected the most by the firm's decision? Even if they are, are they really the party that benefits the most from the additional protection granted by control rights?"

The existence of a plurality of firm-specific contracts makes no clear whether the decision rights should reside exclusively with shareholders. In the modern and global knowledge economy, employees and other stakeholders contribute to make a multitude of firm-specific investments which cannot be adequately managed and controlled under a narrow agency lens, so that unfettered strategies devoted to shareholders' interests lead inevitably to inefficiency and may contribute to breach these investments. These firm-specific assets, therefore, should be better perceived as 'owned' by the corporation itself on a whole rather than by shareholders as a sort of divisible resources.

For this purpose, Blair and Stout's team production theory of corporate law (Blair and Stout, 1999) offers a cogent stakeholder paradigm on the corporate governance of the modern institutions of capitalism through an efficiency lens which rivals both the agency theory and the traditional TCE approach.

The authors assume that under conditions of high assets specificity, where it is impossible to draft complete contingent contracts that deter shrinking and

opportunistic rent seeking, efficiency are met by a 'mediating hierarchy'. (Blair and Stout, 1999) By a 'mediating hierarchy', team members (key employees), managers and other stakeholders who contribute to make non-separable firm-specific investments relinquish important propriety rights – including propriety rights over team's joint output of human capital. This 'mediating hierarchy' has at its peak a board of independent directors who have neither the economic motive nor an easy opportunity to withdraw resources from the corporation. Board advisors control employees' activities, allocates the resulting output and mediates disputes among team members and stakeholders. On the other hand, team members, that is key employees and other relevant stakeholders who make firm-specific investments, may enter voluntarily in the firm's decision making by participating in the goal-setting definition and dispute resolution as replacement for contractual agrees on specific terms and outcomes.

A 'mediating hierarchy' protects the independence of directors from agency influences of co-investors who need mutual lock in making substantial sunk costs investments. In other words, it provides efficiency explanations to protect the independence of the directors by encouraging firm-specific investments. The primary function of the board, therefore, is not to protect shareholders *per se*, but to protect firm-specific investments of all the key corporate stakeholders. Accordingly, a firm as a 'nexus of firm-specific investments' will be managed by an independent board of advisors in accordance with the discharging of certain 'quasi-judicial functions' or 'fiduciary duties' toward corporate stakeholders. (Williamson, 1975)

By statute in every state, the board of directors of a corporation has the power and duty to manage or supervised the business. Indeed, as a matter of statutory law, shareholders decision control rights in a public corporation are quite limited. The assumptions of an extreme contractual viewpoint are effectively substituted by a multitude of legal relationships consist of non-contractual relationships, since most corporate case law deals with alleged breaches of fiduciary duties by managers and these duties are highly unlikely to have been the result of any actual

(explicit and implicit) voluntary consent or understanding between managers and investors.

A multitude of relationships among firm's participants in the modern public corporation are better approached and managed with the law's special concept of the fiduciary rather than the contract. In particular, a lot of firms of the modern knowledge-based industries that face difficulty to specify completely intellectual resources in standardized contracts will find it necessary to develop directly relational contracts between them and these specialized resources. In these industries, firms that are innovators in specialized 'relational contracts' will be able to attract financial capital and will be better positioned to outperform their non-innovator rivals. A unique building and handling of network linkages and stakeholder relationships may represent a firm-specific capability and a powerful source of sustained advantage for modern firms. Therefore, firms may currently be on a learning path towards adopting a broader stakeholder oriented view as stakeholder relations are an important source for sustaining human capital investments and retain knowledge-based advantages.

8. A stakeholder perspective of strategic management in third sector organizations

A quite different order of reasons have to be taken into account as it looks at the adoption of a stakeholder perspective in the corporate governance of third sector organizations (TSOs).

TSOs do not have economic finalities. To this end, it is useful to call to mind the Weberian distinction between 'economic actions' and "economically oriented actions [...] primarily oriented to other ends [but] takes account, in the pursuit of them, of economic considerations". (Weber, 1978:64) A significant share of activities of third sector organizations belong to this category. Most services within the fields of education, health, social services, art and culture, philanthropy, sport and religion do not have the production and consumption of goods and services as

primary purpose. While for-profit firms are efficient providers of profit-making activities, TSOs fit well with economically oriented activities involving axiological objectives. (Enrojals, 2009)

The identification of the 'controlling stakeholders' in TSOs can be interpreted as a consequence of the type of redistributive goals and market failures that affect the production of specific goods and services. TSOs are thus highly complex and diverse and the variety of systems of allocation of control rights simply reflects the existing organizational differentiation of the third sector cross-nationally. Consequently, it is difficult to identify a single organizational model of corporate governance to explain them. However, a stakeholder approach of in TSOs is useful in order to identify those stakeholders who contribute to provide incentives consistent with the organizational goals.

Both the allocation of control rights and the incentive structure of TSOs can be fruitfully explained in the light of two main difficulties that arise from the production of the wide categories of 'trust goods' and community-based services: the need to mobilize resources for redistribution and the presence of market and organizational failures. Indeed, the varying significance of these difficulties in many fields of the third sector is a powerful tool with which to explain the high degree of differentiation of organizational forms existing in this environment.

TSOs present some specific features in terms of formal ends, decision-making procedures, accountability, checks and balances, control procedures, intrinsic and reputational incentives that facilitate 'pooling' mechanisms of resources allocation for mutual interest, public interest and advocacy purposes. (Enrojals, 2009) They operate in mixed economies characterized by several coordination mechanisms and transactions that provide access to resources and enable diversification. In this sense, Weisbrod (2004) views TSOs as multi-product organizations potentially producing three types of goods: a preferred collective good (the organization's mission-related outputs); a preferred private good; and a non-preferred private good (potential sources of revenue for financing mission-related outputs).

However, they lack of clear-cut mechanisms for the identification of the 'residual

claimants'. This can be easily observable when it focuses on the patterns of allocation of control rights in these organizations. The absence of predetermined hierarchical control mechanisms and profit distribution does not necessarily imply inefficient control. Rather, it implies a different and potentially more variable characterization of control rights than for-profit firms. (Bacchiega and Borzaga, 2003) As a consequence, one cannot expect that these organizations will display the same patterns of control observable in the cases of full and formal identification of 'residual claimants'.

The governance of TSOs may be envisaged as a system of 'pooling' mechanisms that operate in order to reduce collective action failures (mostly market failures) while allowing redistribution of resources and reciprocity in favor of members, beneficiaries or other recipient stakeholders. This is the case, for example, of those organizations that serve both people with a paying demand and people unable to pay but not subsidized by public authorities, or organizations which seek to improve service by income distribution from welfare authorities, or at a price level which does not fully cover the production costs. These organizations operate efficiently taking advantage by financial redistribution i.e. grants, donations, subsidies and part of 'social' contracts, as well as social capital assets, i.e., altruistic reciprocity, voluntary work and partial 'labor donations' by workers and managers.

The picture arising from these considerations is quite complex and dynamic, as the history and the recent evolution of the TSOs demonstrate cross-nationally. However, it has to be emphasize that TSOs are designed not only to face market failures but also in order to change income distribution in favor of their beneficiaries and recipient stakeholders. Accordingly, it seems to be functional to evaluate and interpret the presence of some actors and the absence of others in organizations; both stakeholders and the organization decide to participate or ask for participating according to the balance between contributions and incentives.

Major works in this field of investigation are those conducted by Ben Ner and Van Hoomissen (1991) and Hansmann (1996). Analyzing the emergence of

nonprofit organizations, the first authors suggest that such organizations will be owned and controlled by those stakeholders for whom the net expected benefits of ownership are higher than the net benefits they might expect from alternative solutions. Similarly, Hansmann (1996) develops his discussion adopting a TCE framework on analysis in order to identify decisions for the identification of the involved stakeholders comparing 'costs of market' and 'costs of ownership'. Involving a stakeholder in the ownership reduces the costs of market contracting, especially in the delivery of local quasi-public goods, as in the case of delivery of welfare and community-based services. On the other hand, it increases the costs of ownership, in particular as regards the decision-making process, since the interests of the various categories of stakeholders may become more conflicting. The extent to which these costs will vary depends upon the stakeholders involved and the degree of heterogeneity of their interests. Comparing such costs to advantages to be received from being involved can lead each stakeholders to become an owner or not, so that the organizational chosen for running an enterprise should be the one that minimize the costs of market contracting and the costs of ownership for all stakeholders concerned by the firm' s activities.

However, economic literature on third sector organizations has already recognized this theoretical issue, although only for one single category of 'controlling stakeholders' involved. (Hansmann, 1996; Ben Ner and Van Hoomissen, 2001)

US scholars (Hansmann, 1996; Young, 2003), for instance, have stressed the role of donors and volunteers in foundations and charitable institutions, where grants, subsidies are full substantial sources in supporting the organizational mission. Similarly, it has been remarked the role of 'fiduciary trustees' played by self-recruited and self-perpetuating board advisors in 'board-managed' nonprofits such as private foundations and trusts. Indeed, in situations where the donors cannot easily control the use of donations, the allocation of control rights to 'fiduciary trustees' and other local representatives proves to be efficient, and the profit distribution constraint plays a decisive role as incentive structure.

Also co-operatives have no clear-cut mechanisms for the identification of who is formally entitled to exercise the control (Hansmann, 1996; Krashinsky, 1997). Ben Ner and Van Hoomissen (2001) have argued that in business aimed to mutual benefits, control rights are efficiently allocated to entrusted stakeholders. Voluntary organizations such as associations, mutual organizations and co-operatives, on a whole, are settled on the commitment to the internal equity; mutuality demands member democratic control and economic participation. Ben Ner and Van Hoomissen (2001) have argued that in business involving mutual benefits, control rights may be efficiently allocated also to entrusted members. For example, in consumer cooperatives control rights are democratically assigned to entrusted consumers in order that reduce risks of information exploitations by opportunistic consumers, managers and other stakeholders.

On the contrary, voluntary organizations such as community-owned enterprises and most social enterprises use to establish both explicit and trust-based or 'relational' contracts with plurality of local stakeholders in order to achieve their organizational goals. According to this, entrusted workers, volunteers, users, staff, donors, social investors, local authorities, citizens as well as other stakeholders whose interests are affected directly or indirectly by the organizational activities may have a voice in the decision-making to the point that they may be subjected to the internalization in the membership and in the governance structures of the firm, so that control rights may be efficiently distributed among multiple stakeholders for the balance of multiple goals. Although the authors seem to consider that only one category of stakeholder may be entitled to exercise the control rights as 'residual claimants' of the firm, they pave the way for the same kind of analysis in cases when two or more categories of stakeholder do actually share the ownership and/or the control of an organizations as efficient coordination mechanisms in order to balance several organizational goals while minimizing both market contracting and decision costs.

9. Key environmental variables influencing the governance of the social enterprise

Recent years have seen the emergence of collective forms of social entrepreneurship in connection with the establishment of multi-leveled policy guidelines aimed to sustain public-private partnerships, collaborative relationships and a variety of other multi-stakeholder arrangements among local authorities, private organizations, civic networks and community-based organizations for the provision of a wide range of local public services.

The rapid growing of the social enterprise's sector is a relatively new phenomenon that parallels the extension of strongly patterned and networked relationships into more of the traditional public sector spheres, as the rise of complexity of the social needs on the one hand, and the retrenchment of the Welfare State on the other, have urged citizens and local stakeholders to advocate for, and experiment with, innovative forms of local public service delivery. As a matter of fact, 'transition' has become a repeated theme in recent research on the third sector. Social enterprises are emerged not only to provide innovative service solutions in the fields of social welfare (i.e., day-care centers, domiciliary care, mental health, nursing, education), but also for the employment development and work integration of people at risk of social exclusion (i.e., social workshops, work-centers, on-the-job training enterprises, centers for adaptation to working life, sheltered workshops), in the housing, as well as in other initiatives aimed to the sustainable regeneration of the local community (i.e., micro-finance, fair trade, cultural and sport activities, social tourism, recycling, organic farming, renewable energy, environmental and heritage preservation). Although the high differentiation of legal and institutional forms existing both nationally and cross-nationally, social enterprises are started by groups of citizens who seek to regenerate or improve the social and environmental fabrics of the local community by providing or expanding services chronically under-produced in the market or by local authorities.

The term 'social enterprise' is a conceptual construct differently defined, though the definitional debate is beginning to settle around the ground of organizations trading in the marketplace to fulfill social goals. Yet the roles and functions of social

enterprises are contested in the research, it has been argued that small third sector organizations exist as alternative providers of goods and services and bring added value in their capacity to innovate and reach particularly marginalized groups. Other authors, instead, argue that voluntary organizations may make very little contribution in this sphere where they are driven more by notions of solidarity, mutuality, and voluntary altruism than the provision of professionalized services.

Besides definitional problems, recognizing and agreeing what is a social enterprise is difficult for other reasons. The term is relatively recent and has not gained currency in some circles. Generally, one way of thinking about the social enterprise under a unifying organizational approach lead scholars to put it in a middle way between business firms and 'pure' voluntary organizations. Inside this organizational field there is a diverse range of forms including co-operatives, commercial nonprofits, charity' trading arms, social businesses and community owned enterprises, each one expressing different ways of blending entrepreneurship for the fulfillment of social goals. Social enterprises suffer intersections with co-operatives, voluntary organizations and nonprofits. As a result, some organizations that fit well with the social enterprise could also not identify themselves properly with it. Equally, some organizations who don't meet all the criteria to be a social enterprise could identify themselves with it.

Further, social enterprises can be incorporated in a variety of legal forms, from voluntary and nonprofit organizations to business companies such as co-operatives and industrial or provident societies. There has been quite a high level of innovation in institutional forms, with an increasing number of new legal structures for the social enterprise; many bring together co-operative entrepreneurial aspects and non-profit social aspects, thus better fitting them for welfare services and labour market services. Many European countries have designed '*ad hoc*' legal frameworks for running a social enterprise. The introduction of the Community Interest Company (CIC) in United Kingdom, the Italian law on '*impresa sociale*' and other similar initiatives in France, Belgium and Iberian countries are examples of national legislations that have been recently promoted

throughout Western Europe. Whatever the legal form they may adopt, they will have a governing document which sets out in broad terms how they are settled and how they run. However, a wide range of governance issues regulating social enterprises will depend on the extent of the legislative framework provided at a national level as well as the field of service where they work.

Despite the high heterogeneity of policy environments, fields of activity and groups of stakeholder involved, social enterprises are contributing to a deep restyling of the European third sector economies and the ways of delivering local public services. The legislation often embodies hybrid legal forms, blurring boundaries between traditional social economy structures (co-ops and non-profit organizations), for example, with regard to non-profit distribution, market operation, and multi-stakeholder boards.

At a policy level, local multi-stakeholder partnerships and collaborative relationships emerge widely to support social entrepreneurial start-ups and capacity building (i.e., public-private partnerships, organizational development and social capital strengthening).

In many European countries, traditional partnerships between the state and the social economy for the delivery of welfare and local public service are reconfiguring in more market-like arrangements favoring the emergence of social enterprises. Similarly, there have been general trends from grants to contract funding. There is also a trend towards more mixed economies where public, private and social enterprise players compete.

Contracting for social enterprises may be envisaged either in 'quasi-markets' via traditional public procurement or preferential procurement schemes ('relationship markets' for smaller contracts and protected niches via social clauses or registration schemes linked to a specific legal form), or in consumer or user markets via voucher systems, or in 'multi quasi-markets' emerge when the social enterprise provides transversal benefits to other departmental budget areas by negotiating multiple contracts.

On the other hand, the setting up of 'intermediary supporting bodies' that

operate within overall socio-political objectives, but at arm-length to manage contracting out, advocacy activities, lobbying and campaigning have contributed to enhance individual or group capacities for community-based initiatives. Coalition building, local *consortia* and umbrella organizations tie up together social entrepreneurs in associational platforms that operate in order to bridge bargaining gaps with local authorities and strengthening social capital resources at grassroots level with local citizens and civil society organizations. Furthermore, they operate for the pooling of back-office activities, payroll accounts and other supportive services on behalf of their partners. The establishment of such associational governance structures play an important role for the survival of small social economy providers, as public providers frequently support a growing tendency to package public contracts into larger units for the achievement of economies of scale.

At an operational level, social enterprises focus on the implementation of subsidiarity strategies aimed to the achievement of community benefits and social outcomes for marginalized groups. There is considerable debate at a European level about the role of social added value providers played by social economy organizations, since policy makers and local authorities are increasingly being commissioned welfare and community-based services through market mechanisms. There is concern that the rules on competition, state aid and the internal market clash with the concepts of public value, general interest and social cohesion. Specifically, that are certain values and principles that need particular preservation in order to assure effectiveness to these services; the values of equality, solidarity, respect for human dignity on the one hand, and the principles of accessibility, universal service, continuity and proximity to service users on the other, have to be necessarily taken into account by private providers of local public services.

Broadly, it can be said that social enterprises standing out as effective providers of welfare and community-based services for their ability to re-embed economic transactions and professional relationships in solidarity-based networks. Indeed,

they claim to provide various externalities that add social value to market contracts. These added values rely on their typical operating characteristics, such as staff involvement, co-production with user and other recipient stakeholders, support to active citizenship and multi-stakeholder structures for the balance of multiple goals.

As a matter of fact, social enterprises favor co-production processes in order to make the human and community-based services more sustainable and responsive to community needs and less compliant to 'commodification' practices. The co-production critique suggests that the conscious or unconscious maintenance of service users as passive recipients is not just a waste of their skills and time. The central idea in co-production is that people who use services are hidden resources, not drains on the system, and that no service that ignores this resource can be efficient. The people who are currently defined as users, clients or local stakeholders provide those vital ingredients which allow welfare service to be effective. In the same way, welfare and community services dealing with social inclusion, health or education, rely on an underpinning operating system consisting also of reciprocity-based relationships involving families, neighboring, civic networks and civil society organizations. Some authors called this operating system the 'core economy' or 'priceless economy' (Goodwin 1999). The consequences of failing to recognize and support this 'core economy' for service professionalization lead the citizens and the local community to isolation, time poverty, low levels of trust, civic engagement and social infrastructure, depriving social citizens and other local community stakeholder of social and environmental benefits. Co-production shifts the balance of power, responsibility and resources from professionals more to individuals, by involving people in the delivery of their own services. It calls for a more healthy and mutually supportive relationship between the two kinds of economy, the monetary and the non-monetary economy, recognizing that people are not merely repositories of need, clients or recipients of services, but are the very resource that can turn public services around. Co-production is central to the process of growing the 'core economy' and goes well beyond the idea of 'citizen engagement' or 'user involvement' to foster equality and

proximity in the provision of social and community-based services. In this sense social enterprises reveal a strong tendency to join together participation and solidarity with efficiency and social innovation.

Based on an empirical investigation in the UK third sector, Spears, Cornforth and Aiken (2009) have provided a taxonomy of the most diffuse typologies of third sector organization incorporating social enterprise's initiatives, taking in account also their origins and paths of development. (Table 1)

Types of social enterprise	Origins	Examples
<i>Mutuals</i>	Formed to meet the social needs of a particular group of members through an independent trading	Consumer co-operatives Worker co-operatives Credit Unions
<i>Trading charities</i>	Formed to meet the social needs of full or partly paying users	Health and Welfare organizations
<i>Public sector spin-off</i>	Independent voluntary organizations contracting in local 'quasi-markets' that take over services previously provided by public authorities	Health and Welfare organizations, Housing associations
<i>New start social enterprises</i>	Enterprises start up as new community business	Community-owned enterprises, fair trade organizations, 'green' social enterprises, cultural organizations, social firms

Table 1 – A taxonomy of the most diffused social enterprises in UK
Source: [Adapted from] Spear, Cornforth and Aiken, 2009, p. 266

This taxonomy represents a useful starting point for an inquiry into the variety of organizational forms collectively adopted in order to fulfill social purposes in an

entrepreneurial manner. The boundaries between the emerging sub-sector of the social enterprise and the other two well-defined institutional forms of third sector, namely the co-operatives and the voluntary organizations, are so much blurred that social enterprises may adopt a multiplicity of organizational forms. For example, social enterprises may be incorporated within voluntary organizations, registered charities or not, community enterprises, co-operatives, or 'hybrids' embodying structural and operative mechanisms belonging to the previous forms; furthermore, they may present close strategic links with business firms, public organizations, or either.

As noted above, social enterprises may operate more flexibly than the public sector, and they have a trust advantage over private enterprises. They also claim to provide various externalities that add social value to market contracts. These added values are due to their typical operating characteristics, such as participative structures giving user and staff involvement in decision making processes and service co-production. Furthermore, multi-stakeholder governance structures provide cooperative advantages in terms of more social cohesion, support for active citizenships and service proximity. As a matter of fact, a key feature in the governance of social enterprises concerns the involvement of users and other recipient stakeholders in the internal activities and decision-making processes. Of course, the adoption of a stakeholder approach in the governance of social enterprises may facilitate the comprehension of the dynamics that affect the sustainability of these organizations and the balance of their multiple goals.

For this purpose, next chapter reviews main contributions of the stakeholder literature and provides a theoretical framework for the governance of social enterprises. Firstly, attention is focused on the normative dimension of stakeholder theory and the most relevant stakeholder mapping models. Secondly, normative implications of the theory in terms of organizational fairness and justice are discussed. Finally, a 'democratic stakeholder' approach to the governance of the social enterprise is outlined, in the light of the distinguishing multi-stakeholder nature of the governance of these organizations.

*CAP. 4 THE GOVERNANCE OF THE SOCIAL ENTERPRISE: A 'DEMOCRATIC
STAKEHOLDER' APPROACH*

10. Stakeholder theory and its normative justifications

Stakeholder theory has been a popular heuristic for describing the management environment for years, but it has never attained a full theoretical status, due to the still persistent separation between the moral assumptions and the logics of self-fishing in running business affairs. However, the consistent body of stakeholder literature strives to overturn such assumption. As R. E. Freeman (2002) argued, the stakeholder approach can be seen as a set a theory on stakeholders, each one set up on the basis of a normative nucleus of moral claims and ethical criteria treating stakeholders' legitimate expectations towards the organization, which are indissolubly tied to the ways an enterprise must be governed and how managers should be required to operate. (Freeman, 1984; Evan and Freeman, 1993)

Stakeholders are fundamental actors in the construction of an organizational identity and a stakeholder approach is clearly addressed to influence the organizational identity. (Scott and Lane, 2000) Organizational identity construction is not conducted by an abstract organizational actor but by managers and stakeholders who are simultaneously engaged in the construction of their individual identities through processes of self-categorization (Kramer, 1991; Turner, 1987), cognitive identification (Dutton et al., 1994), and self-affirmation (Brown, 1997; Elsbach & Kramer, 1996). Organizational identity is developed over time through contested and negotiated interactions between managers, organizational members and stakeholders. Managers and employees have to be sensitive to their obligations towards stakeholders, whether out of moral or economic concerns, while simultaneously they have to serve the organization and their own needs for self-definition. However, when adequately interiorized for its own total potential, the stakeholder approach set oneself as a paradigm of CSR.

Everyone looking into the large and evolving stakeholder literature with a critical eye will observe that the concept of stakeholder, the stakeholder theory and the stakeholder strategic management are explained and used by various authors in

different ways and supported with diverse and often contradictory evidence and arguments.

Stakeholder theory is essentially a theory of organizational management and ethics founded on the normative propositions that stakeholders are identified for the legitimate interests in the affairs of the corporation, and that such interests have an intrinsic value. (Donaldson and Preston, 1995) All theories of strategic management have some intrinsic values or moral contents. However, they are implicit and may be overcome by other stronger obligations because they are taken for granted or ignored; anyhow, they are always cloistered in separate discourses.

Although the validity of the managerial theory rests upon the evidence of its arguments, stakeholder theory cannot be fully justified by descriptive considerations. Empirical evidence is inadequate and the analytical arguments ultimately rest upon the credence of its normative ground. Stakeholder theory addresses morals and values explicitly as a central feature of managing organizations and it examines critically the ends of the collective action and the means of achieving these ends in ways that are not in other theory of strategic management. (Phillips, Freeman and Wicks, 2003)

The term 'stakeholder' in itself is subject to conceptual ambiguity and conflicts among scholars of organization and strategic management.

One of the most popular definition of stakeholder is that extensive one of R. E. Freeman, who stresses the need for management to be responsive to stakeholders, which are pervasively defined as "any group or individual who can affect or is affected by the achievement of an organization's purpose" (Freeman, 1984:46), since they have "some inalienable rights to participate in decisions that substantially affect their welfare or involve their being used as a means to another's ends". (Evan and Freeman, 1993:82)

Authors supporting this view simply appeal to the intuition that the theory in itself should account for legitimacy requirements as many stakeholders as possible. However, an overly broad definition as such is critical as it often threatens the meaningfulness of the term itself: if everyone is intended to be a stakeholder of

everyone else, little value is added both to the normative and strategic version of the theory. Many empirical analyses do not support effectively the validity of a descriptive and managerial approach to stakeholders, and several failures and contradictions emerge to justify the nexus between stakeholder's management practices and a successful performance. (Donaldson and Preston, 1995)

On the contrary, restrictive definitions of 'stakeholder' identify them with normative justifications and moral obligations. Moral contents are 'explicitly and unabashedly' referred to stakeholders (not only implicit), that is, the subject matters of the theory are inherently moral topics (or not amoral). This is clearly evidenced as it looks at the branch of the literature focused on the philosophical guidelines and moral principles which form the variety of normative foundations upon which the stakeholder theory is grounded. (Jones and Wicks, 1999)

Authors	Normative foundations
Argandoña (1988)	Common good
Burton and Dunn (1996) Wicks, Gilbert and Freeman (1994)	Feminist Ethics
Clarkson (1994)	Risk
Donaldson and Dunfee (1995)	Integrative Social contract theory
Donaldson and Preston (1995)	Propriety Rights
Evan and Freeman (1993)	Kantianism
Freeman (1994)	Doctrine of fair contracts
Phillips (1997; 2003)	Stakeholder Fairness

Table 2 - Normative justification for stakeholder theory
Source: Phillips, Freeman and Wicks, 2003:481

Normative justifications interpret the functions of the corporation, including the identification of moral claims for stakeholder's legitimacy or philosophical guidelines for the operation and management of corporations. Authors embracing this line of reasoning argue that the salience of stakeholder management consists in the creation and support of moral obligations in the relationships with stakeholders (Wicks, Gilbert and Freeman, 1994; Phillips, 1997), or the compliance with fiduciary duties of fair distribution of advantages and disadvantages of the organizational action. (Gioia, 1999; Jones and Wicks, 1999; Marcoux, 2000) According to this, stakeholders can be broadly intended as sources of

organizational survival (Freeman and Reed, 1983), or as 'who have put something on at risk in their relationship with the enterprise' (Clarkson, 1995), or the participants to exchange relationships with the enterprise through fair contracts (Hill and Jones, 1992). For this purpose, Phillips (2007) identifies in the principle of fairness the foundations of the moral obligations due to stakeholders. Stakeholders' obligations, and therefore stakeholders statuses, are created when organizations voluntarily accepts the contributions of some group of stakeholders within mutually beneficial schemes of co-operation (Phillips, 2007). This voluntary acceptance is then likened to consent, contract, or promises in its capacity for generating obligations which are intended to be not imposed or stipulated from outside the relationship, such as duties and rights that are one's due *qua* person. Quite distinct from duties and basic human rights, thus, obligations of stakeholder fairness are intended to be additional moral obligations created at a level of 'private association' rather than at a level of 'basic structure of the society' (Phillips, 1997; Phillips and Margolis, 1999).

On the hand of the managerial theories, Hill and Jones (1992) were responsible for the most ambitious attempt to integrate stakeholders within the agency framework.

The key point of their purpose is the instrumental verification of the linkage between the stakeholder model and the organizational performance. It is assumed that stakeholders are drawn into relationship with managers to accomplish organizational tasks as efficiently as possible, and that there may be no mechanism to gain command over a significant portion of the stakeholders' total resources. Attention to the organizational performance is given to the direction, speed of adaptation and diffusion of the process of control within stakeholder groups, rather than concentration of the control to the managers (Hill and Jones, 1992). Multiple and diverse stakeholders are better assured in the coordination of their interests by monitoring devices that have the effects of reducing information asymmetry (i.e. public reporting requirements), enforcing law mechanisms and 'exit' options rather than balancing contributions and rewards (Hill and

Jones,1992).

A similar theme emerges from Freeman and Evans (1990), which have tried to integrate the stakeholder concept with the 'firm-as-contracts' framework of TCE (Williamson, 1975; Williamson and Winter, 1991).

The authors assert that the management has a duty of safeguarding the welfare of an abstract entity that is the corporation and balance the claims of multiple stakeholders. They emphasize a normative conception of the stakeholder's relationships founded on the notion of 'fair contract', by which each contracting parties accepts equal rights to bargain as a common condition of fairness in the relationships.

A stakeholder theory of the 'firm-as-nexus-of-fair-contracts' will imply the identification of governance rules that ensure that the interests of all parties are at least taken into consideration, so that the success in testing corporate performance will depend on fair bargains by each of the parts. Likewise, the metaphor of organizations as efficient governance structures for minimizing transaction costs is paralleled to the view of organizations as 'nexus-of-fair-contracts' in the 'rawlsian' meaning of the term, that is to say, when "[...] the parties to a bargain agree upon a set of possible outcomes prior to determining which outcome will be received by which party". (Freeman and Evans, 1990:352)

The attempts to absorb the stakeholder approach into economic theories of the firm share a common 'moral obligation' in the mutual and voluntary acceptability of bargains by all contracting stakeholders as necessary constraint for integrating and coordinating multiple interests into managerial relationships. In the same vein, both the approaches rest upon normative assumptions, as they neglect the role of potential stakeholders not involved in implicit or explicit contracts with the firm.

However, Hill and Jones (1992) state that the success of a 'stakeholder-agency theory' would require a fundamental shift in managerial objectives away from shareholders and towards the interest of all stakeholders. On the other hand, the recourse to the 'rawlsian' concept of 'fairness' as an ultimate criterion in stakeholder relationships implies the elevation of the normative approach over the

instrumental. By elevating fairness to a central role, therefore, much of the attention shifts from ordinary contracts governed by efficiency to the importance of heuristic or 'social integrative' contracts (Donaldson, 1999) founded on implicit human conducts. Nevertheless, the stakeholders' interpretation of the firm as nexus of explicit and implicit (or social integrative) contracts has been criticized as being too feeble and vague to support adequately an economic theory of enterprise, because it lacks of effective arguments to justify the predominance of moral obligations over instrumental goals.

Finally, Donaldson and Preston (1995) suggest for a normative foundation of stakeholders based on a modern interpretation on the nature and the functions of propriety rights.

The authors criticize the excessive emphasis put on the conventional model of "management control in the interests of shareowners" and suggest for an opposite view of propriety rights. They call for a normative justification of propriety rights founded on competing theories and respective criteria of justice, rejecting the notion that any single theory of justice might be universally applied to the 'shareholders-managers' relationships. A notion of 'bundle' of propriety rights that account also for the interests of other stakeholders is crucial to affirm the existence of a comprehensive notion of propriety rights. (Donaldson and Preston, 1995) Accordingly, a normative theory of stakeholders would account for all the critical characteristics underlying the theories of justice among stakeholders, so to conceive organizations as a 'bundle' of propriety rights rather than an incomplete and somewhat vague descriptions of nexus of fair contracts or specific investments. This way, the multitude of relationships and, above all, implicit and potential 'legitimate expectations' that employees, customers, citizens and other stakeholders hold towards the corporation's affairs but that are not legally ascribed as contracts or propriety rights, will provide the normative foundations of the stakeholder theory as well.

11. Stakeholder mapping models of the firm: an overview

In stakeholder theory, attention to the interests and the well-being of some non-shareholders is obligatory for more than the purposes of wealth maximization of equity shareholders. However, a theory of stakeholders based only on legitimacy claims and obligations (moral, legal or proprietary) appears to be somewhat generic and unusable in order to identify and operate strategically the principle of 'Who and What really counts'. Moral prescriptions of justice and fairness must be necessarily inferred from instrumental and descriptive researches on the stakeholder approach, in order to provide balanced and dynamic interpretations of the strategic meaning of this principle.

The recognition of specific stakeholders and their legitimate 'stakes' by managers and other stakeholders (normative implications), as well as the role of managers and the management function are intimately intertwined in stakeholder theory. (Donaldson and Preston, 1995) The ultimate managerial implication of the stakeholder theory is that managers should acknowledge the validity of diverse interests and should attempt to respond to them within a mutually supportive framework, because it is a moral requirement for the legitimacy of the managerial function.

A managerial framework for the identification of 'Who and What really counts' recommends attitudes, structures, and practices that, taken together, constitute a comprehensive philosophy of stakeholder management. Some normative justifications assume an excessive breadth in identifying counting stakeholders, adapting definitions such as "anything influencing or influenced by" the firm. (Freeman, 1984) This group of definitions opens the notion of stakeholder to a set of actors that form part of the overall firm's environment, and that, indeed, may have some impact on its activities, but may have no recognizable stakes towards the firm.

A set of too narrow normative definitions, such as the economic ones, identify stakeholders as explicit or implicit firm's contractors for the ultimate sake of shareholders' value maximization. This group of definitions emphasizes an agency-

based perspective of the firm and, of course, the role of managers as agents of the shareholders for profit maximizing aims. Aoki (1984), for instance, recognizes only investors and employees as significant stakeholders and saw managers essentially as crucial 'referees' between these two groups, while Williamson (1987) considers managers as the most important and powerful group of stakeholders. Agency literature often emphasizes the tendency to describes managers as the most important and powerful constituencies within the stakeholder frameworks, focusing on self-categorizing and self-aggrandizing behaviors in their relationships with the shareholders and other stakeholders. (Jones, 1995) However, classic economic theories view stakeholders only as direct input contributors to the organizational goals, whereas much broad social and environmental interests of other individuals or community groups, who are believed to have a sort of quasi-contracts with the firm, are so vague as to pass beyond even the broadest conception of contract, then they are often very badly considered by managers, if not excluded at all.

The measurement of corporate success limited to the ultimate criterion of the shareholders' wealth is self-defeating, as well as the identification of stakeholders among those individuals or groups who contract with the firm. Generally, stakeholders are identified through the actual and potential harms and benefits that they experience or anticipate experiencing as a result of the firm's actions or inactions (Donaldson and Preston, 1995). Furthermore, they are conceptually distinguished from the simple influencers: while some actors in the enterprise (e.g. the large investors) may be both, some recognizable stakeholders (e.g. the job applicants) may have no influence, as well as some influencers (e.g. the media) may have no legitimate stakes towards the enterprise (Phillips, 1997).

For this purpose, Clarkson (1995) has provided a framework of stakeholders' identification by which stakeholders are defined as those persons or groups that have, or claim to have, ownership rights or interests in a corporation and its activities, past, present or future, because these are the results of transactions with, or actions taken by, the corporation. According to this, stakeholders are classified as 'primary' when they are essential to the organizational survival, and

‘secondary’ when they influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival (Clarkson, 1995:106).

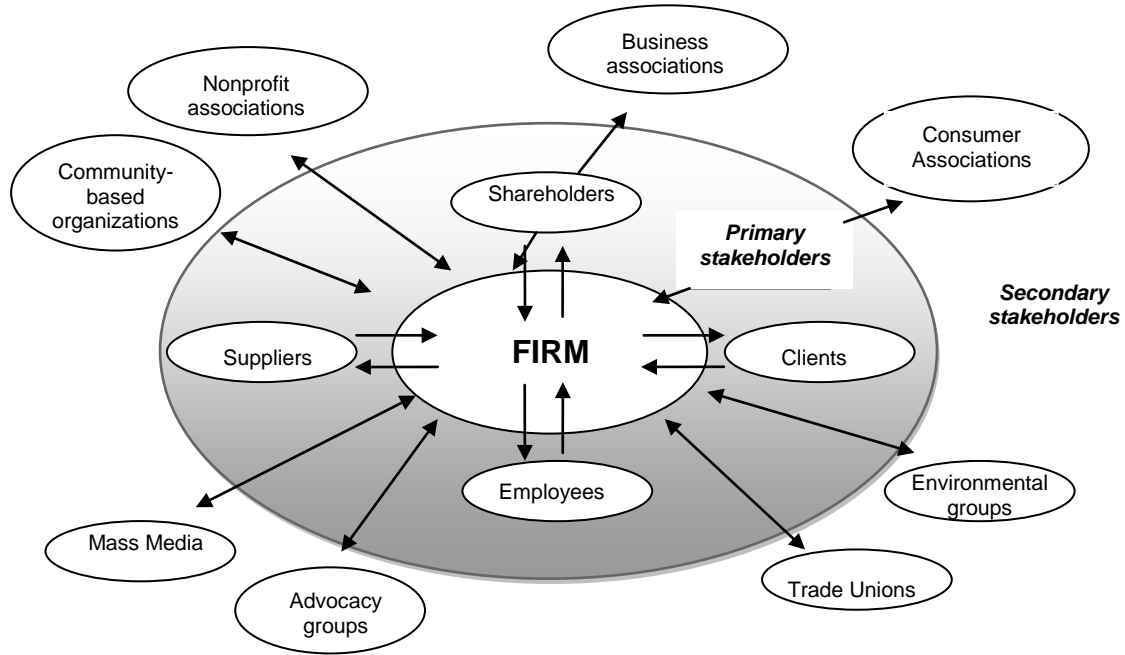


Figure 1 – The stakeholder map of the firm
Source: Clarkson, 1995

Primary stakeholder groups typically are comprised of shareholders and investors, employees, customers, and suppliers, together with what are defined as public stakeholder groups, that is the government and the community that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and other obligations may be due. The media and a wide range of special interest groups, instead, are considered as secondary stakeholders. Any primary stakeholder may become dissatisfied and withdraw from the corporate system, in whole or in part, with the result to prevent, or damage seriously, the firm’s going concern. On the contrary, secondary stakeholders may only oppose to

the policies or programs that the corporation has adopted to fulfill or satisfy the needs and expectations of its primary stakeholder groups, but without threaten organizational survival. Therefore, the economic and social value created by the corporation must be distribute to all its primary stakeholder, and managers must be essentially accountable for fulfilling the firm's responsibility to its primary stakeholders group (Clarkson, 1995).

Phillips (2003) suggests that stakeholders may usefully be separated into normative and derivative stakeholders. Normative stakeholders are those to whom the organization has direct moral obligation to attend their well-being, as they are frequently identified for the benefits directly received from organization. Typically, the most cited normative stakeholders of the enterprise are financiers, employees, suppliers and local communities. Derivative stakeholders are those groups or individuals who can either harm or benefit the organization, but to whom the organization has no direct moral obligation as stakeholders. This latter group might include such groups as competitors, activists, terrorists, and the media (Phillips, 2003). Furthermore, there a set of groups and individuals that are not stakeholders at all and organization has no moral obligations to them. The size and definition of this category of non-stakeholders contains the core of the debate about the extensive and restrictive definitions and models of the stakeholder management, since it is central for the managerial usability of the framework.

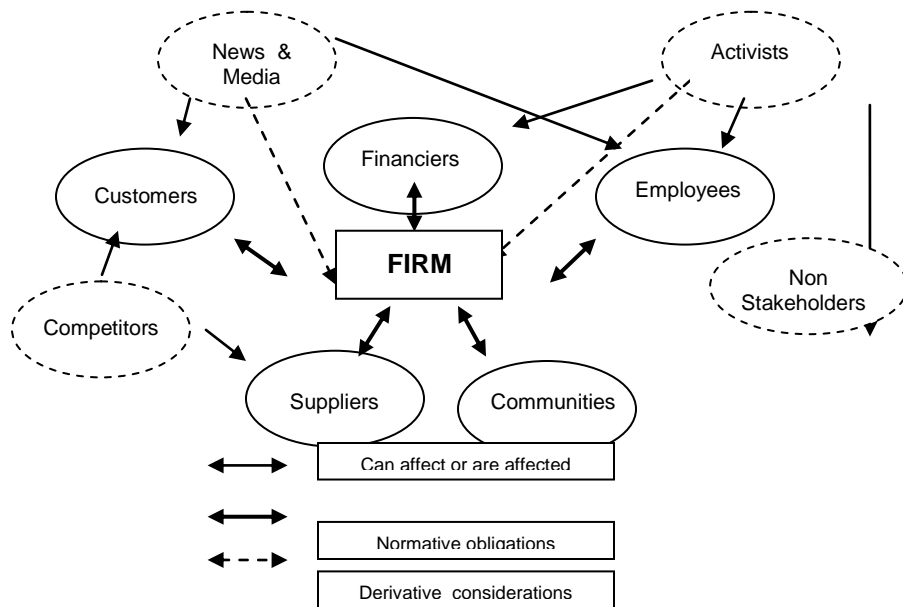


Figure 2 - Stakeholder Map. Legitimate, Derivative, and Non-Stakeholders
 Source: Phillips, 2003, p. 36

One of the most important implication of this categorization of stakeholders is that their status necessarily requires the acknowledgement of legitimacy; therefore, if an organization attends to the demands or well-being of an individual or a group, that individual or group is legitimated to be a stakeholder at all (Phillips, 2003). Managers have distinct ethical obligations to normative stakeholders, based on obligations of stakeholder fairness, that may not be prescribed with regard to derivative or non-stakeholders and these obligations will dictate a different sort of managerial attention and treatment. Attention to derivative stakeholders demands is logically secondary, though these demands may still occupy more managerial attention at any given time. According to this, organizations are not managed for the benefit of derivative stakeholders, but to the extent that they may influence the organization or its normative stakeholders; hence, managers are obliged to account for them in their decision-making, whereas no managerial implications are assumed with regards to non-stakeholders. Furthermore, stakeholder legitimate is sensitive to the dynamic nature of the stakeholder relations. Given the right

circumstances, stakeholders' individuals and groups, as well as non-stakeholders may exchange themselves move among different categorization as organization changes the moral obligations to them: non-stakeholders can become derivative or normative stakeholders; the normative bond between a stakeholder group and an organization may be severed so that former normative stakeholders become derivative stakeholders or non-stakeholders.

In seeking to articulate a powerful stakeholder framework for the strategic purposes of managers, Mitchell, Agle and Wood (1997) call for a redefinition of the normative assumptions of the theory, in order to provide obligations further than moral legitimacy in orienting managerial cognitions about stakeholders' salience. Power and urgency are seen by the authors as two complementary attributes of stakeholders' relationships that contribute to empower a theory of stakeholder. The authors state that "power and urgency in stakeholder-manager relationships are attributes of entities in an organizational environment, and their dynamism over periods of time or variation in issues, will make a critical difference in managers' ability to meet legitimate claims and protect legitimate interests". (Mitchell, Agle and Wood, 1997:882)

What would make this theory more comprehensive and useful than other theories in orienting managers' strategic decisions is the conceptual distinction of the relationship's attributes, and the heuristic mapping exercises that managers may handle for their strategic purposes. Managers may have a static mapping of their relationships with stakeholders, viewing power, legitimacy and urgency as independent variables only if their intents are to raise consciousness about "Who and What really counts", or to specify the stakeholder space at a particular time point. On the contrary, managers are mainly interested to raise knowledge about stakeholders' behavior in order to re-align dynamically the strategy according to the changing patterns of stakeholders' salience. In fact, stakeholders change in salience, requiring different degrees and types of attention depending on their attributed possession of power, legitimacy and/or urgency, and that levels of attributes (and thereby salience) can vary from issue to issue and from time to

time. Stakeholders may be particularly clever or unsuitable at coalition building and political action, so that they can move managers' perceptions increasing or decreasing the level of importance of one or more of their salience attributes.

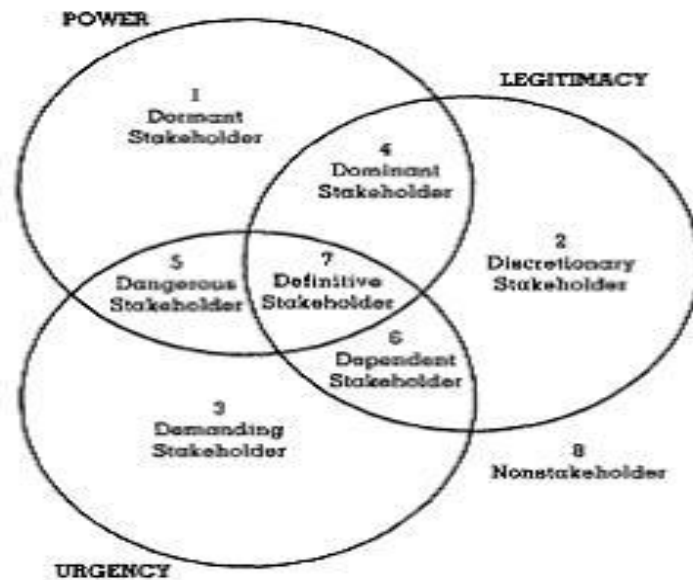


Figure 3 - Stakeholder salience's attributes of power, legitimacy and urgency : one, two or three attributes present
 Source: Mitchell, Agle and Woods, 1997, p. 855

A theory of stakeholders' identification and salience based upon these relationships' attributes should offer an added value to the strategic thinking of managers, as it compares with other organizational theories. While organizational theories, both of economic and sociologic origins, treat stakeholders' power and legitimacy as completely competing explanations of the stakeholder status, the stakeholder approach considers them as complementary in defining stakeholder status (Mitchell, Agle and Woods, 1997). Power alone is seen as not able to fully understand the salience of stakeholder-management relationship, giving the chance to identify and position strategically those stakeholders who have little power and urgency or no power and urgency at all, but who nevertheless matter to

firms and managers at any time. According to the authors, this 'state-of-the-field' provides an opportunity for a strategic theory of stakeholder identification that move forward by showing how power and legitimacy interact and, when combined with urgency, create a wide range of categorizations of dynamic stakeholders with different expectant behavioral patterns regarding the firm.

In light of this brief overview of the main mapping models of stakeholder management, improvement in clarity, consistency, and precision in the concept of legitimacy emerge as priorities for the formulation of prescriptions and managerial actions addressed to improve the research on stakeholders.

Primary, normative or definitive stakeholders are usually conceptualized by different mapping models in answering the question of "Who and What really counts" and "for whose benefit (...) should the firm be managed?" (Freeman, 1984) Many of these answers have taken the form of lists of more or less complex stakeholder categorization schemes (e.g., generic versus specific: Carroll, 1989; primary versus secondary: Clarkson, 1995; normative versus derivatives: Phillips, 1997; Mitchell, Agle and Woods, 1997). Despite all, descriptive research on how managers make decisions involving stakeholders' qualifying attributes remains an essential test bench to ascertain the validity of the stakeholder approach that mutually conjunct ethic and morality perceptions with performance measures.

12. Issues on fairness and social justice in stakeholder theory

It is commonly asserted that stakeholder theory implies that all stakeholders must be treated equally irrespective of the fact that some obviously contribute more than others to the achievement of the organizational goals. (Gioia, 1999; Marcoux, 2000; Jones and Wicks, 1999) Normative prescriptions on justice and fair relationships have been traditionally inferred from discussion about "how balancing" organizational interests with reference to different conceptions of fairness or justice. (Greenberg, 1990) Concepts and observations on fairness and justice in organizations have been extensively developed in terms of extrinsic

rewards, such as wages, monetary benefits, career, but also roles, status and prestige (Nadler and Tushman, 1997).

Since Barnard (1937) pioneer work, there is a common view on the organization as design of efforts and rewards in the balance of conflicting interests and relations, especially employment relationships. Debates frequently focus on problems concerning who, how much and why each individual or group gives and gets and, usually, the answers usually follow meritocracy criteria in the distribution of benefits and outcomes by shareholders, managers and workers in light of their respective organizational efforts, costs and risks. Distributive justice concerns primarily with issues involving a dynamic comparison between individual contributions (inputs) and rewards (outcomes). To this end, researches in employment relationships have increasingly taken into account the role of human resource management in improving and control employees' satisfaction and productivity, especially through the design of dynamic reward systems based on mixes of monetary and nonmonetary compensations (Nadler and Tushman, 1997).

Nevertheless, important contributions to the studies of justice in organizations came from observations on the perceived individual satisfaction about the organizational rules and procedures. Social psychologists have long studied the distinction between distributive and procedural justice (Greenberg, 1990). Not only have people been found to have an interest in fair distributive process, but evidence also suggests that people are concerned about the 'justness' of the process of distribution in itself. Among the major findings of procedural justice research is that people are more accepting of outcomes when the procedures of distribution is perceived as fair, even in situation where the outcome itself is poor in a material sense (Lind and Tyler, 1998).

Contrary to the main suggestions developed in the earlier works on organizational justice (e.g., Barnard, 1937), outcomes are not the only thing that matters in the individual and group perception of justice. Fair contracts, rules and procedures in employment relationships are determinants of the good functioning of the organization as a whole. Among the most important determinants of

procedural justice in organizations there is the degree of information disclosure on the goal setting definition and the control procedures. People find norms and procedures that allow information transparency and accountability for greater participation in decision-making to be fairer. Broadly, as the perceived justice on the outcomes is substantially determined by the perceived fairness of the distributive processes, it follows that a greater participation in the decision-making processes leads to an increase of the perception of fairness in the distribution of outcomes. A number of studies bear out this hypothesis and verify also correlations between measures of reciprocity on the one hand, and individual perception of procedural and distributive justice in employment relationships on the other hand. (Sheppard and Lewicki, 1987)

Since the pioneering contribution of Freeman (1984), the importance of the procedural justice has been recognized as a central focus of the stakeholder management. Procedures and norms governing the organizational behavior are important for the stakeholders as the final distribution of its outcomes. Besides decisions about 'who gets how much of the organizational outcomes pie', equally important are the decisions about 'who have a say in how the pie is baked' (Phillips, Freeman and Wicks, 2003), that is, who is allowed to take part in decisions over organizational objectives and strategies. For either instrumental or normative reasons, the stakeholder literature argues that organizations have to be run in accordance with the moral duties of their stakeholders. The theory, therefore, achieves full reliability as theory of strategic management only when managers and organizational members are fully cognizant on the mutual advantages that can be raised when the organizations are committed to account for stakeholders' moral claims and legitimate expectations.

The question of what proportion of organizational outputs should go to a given stakeholder group or how much procedural input may be assigned to each constituency in a given decision presupposes an agreement on appropriated distributive schemes. Are all stakeholders equal (all deserving an equal proportion of organizational outputs and equal voice in decision making) or do some

stakeholder groups deserve a greater proportion of outputs and more consideration in the decision-making due to some notion of unequal input and merit?

In this sense, Marcoux (2000) has outlined three ethical interpretations of the principle of social justice and related equity criteria that differentiate from the traditional principle of hierarchical meritocracy in organizations:

- egalitarianism (equality of outputs), that is the principle of distribution based on something like the 'rawlsian' principle of difference;
- equalitarianism (equality of conditions), that is the principle of equal shares for all stakeholders;
- consequentialism (equality of results), that is the 'Pareto' principle of socially efficient output making at least one better without diminishing anyone.

Prescriptions of organizational fairness and justice in balancing stakeholders interests may lead to conflict with the advices of experts on reward systems, who set distributive schemes mainly on the basis of criteria of meritocratic hierarchy. (Nadler and Tushman, 1997) However, hierarchical meritocracy is not the only principle by which stakeholders can be treated within organizations. Psychological studies on justice have also considered the instrumental effects of different distributive values on the achievement of the organizational goals. For example, Leventhal (1980) has separately shown that differences in the perception of fairness and related methods of distribution have instrumental effects on the members of the group among which the benefits are distributed.

A stakeholder approach asks primarily for observations on the reasons and the values that underpin the organizational ends. (Phillips, Freeman and Wicks, 2003) If the stakeholder notion is explicitly employed to improve the financial performance in a standard business sense, as usually conceived in for-profit enterprises, then hierarchy presumably account for the most appropriate criteria of distributive justice. On the contrary, if the accountability upon values and ethical duties are perceived as part of the organizational purposes, then distributive criteria will likely make the room for procedural concerns of equality among organizational members

involving democracy, participation and stakeholder involvement. Anyhow, managers will pay attention to key stakeholder relationships because they intentionally conceive that the outcomes of their decisions will affect, or be affected, by stakeholders' moral claims and legitimate expectations over the organization objectives, decision making processes and activities. Accordingly, these relationships will require to be justified primarily on the basis of normative and moral assumptions towards organizational stakeholders' benefits rather than shareholders' financial interests. In short, the adoption of an intrinsic commitment towards organizational stakeholders needs for the definition of moral principles addressed to the management of stakeholders in firm's decision. In this line of reasoning, the interests of the stakeholders have an intrinsic value, enter a firm's decision making prior to strategic considerations, and form a moral foundation for corporate strategy itself. (Berman, Wicks, Kotha and Jones, 1999)

Donaldson and Preston (1995) capture the normative implications of a stakeholder management stating that stakeholder interests have an intrinsic worth. That is, certain claims of stakeholders are based on fundamental moral principles unrelated to the stakeholders instrumental value for the corporation. A firm cannot ignore or abridge these claims simply because honoring them does not serve its strategic interests. In one sense, these claims are independent of, and should be addressed prior to, corporate strategic considerations. Normative assumptions on stakeholders interests are then thought to form the foundations of corporate strategy itself, as it answers to the basic questions of 'what we are' and 'what we stand for' as a company (Wicks, Gilbert and Freeman, 1994).

On the other hand, making a strategic commitment to morality is not only conceptually flawed but it is also ineffective to the adoption of a normative stakeholder approach (Jones, 1995). First, strategically applying ethical principles, that is, acting according to moral principles only for self-interested advantages is, by definition, not following ethical principles at all. In addition, Jones (1995) argued that if the purpose of acting ethically is to acquire a good reputation that, in turn, will provide a firm with economic benefits, why not pursue the good reputation

directly without intellectual incursions into moral philosophy?

A fundamental assumption of this type of model is that the ultimate objective of corporate decisions is marketplace success. Firms view their stakeholders as part of an environment that must be managed in order to assure revenues, profits, and ultimately, returns to shareholders. This possibility arises because of the stakeholder who controls resources that can facilitate or enhance the implementation of the corporate decisions; in short, stakeholder management is seen as a means to an end. The end, or the ultimate result, may have nothing to do with the welfare of stakeholders in general. Instead, the firm's goal is the advancement of the interests of only one stakeholder group – its shareholders – referring to the firm's interest in stakeholder relationships as instrumental and contingent on the values of those relationships to corporate financial success. As Jones (1995:25) made clear “[...] instrumental strategic ethics enters the picture as an addendum to the rule of wealth maximization for the managers-agents to follow”. In this formulation, stakeholder management is part of a company's strategy but in no way drives the strategy. Implicit in this perspective is the assumption that modes of dealing with stakeholders that prove upon adoption to be unproductive will be discontinued, as will those that involve resources that are no longer needed. The concerns of stakeholders that enter a firm's decision making processes only if they have strategic value to the firm lead to two distinct strategic models for the ‘entrance’ of the stakeholder orientation in the firm strategy; the ‘direct effects model’, where managers' attitudes and actions towards stakeholders (the stakeholder orientation) are perceived as having a direct effect on firm financial performance, independently from the firm strategy, and the ‘moderation model’, for which the managerial stakeholder orientation does impact firm strategy by moderating relationships between strategy and financial performance.

Hence, what difference does ethics make if the organizations can act instrumentally towards their stakeholders without reference to ethics? When organizational behavior coincides with that dictated by ethics, managers ought to pay attention to key stakeholder relationships on the basis of normative and moral

commitments. In other cases, managers pay attention to key stakeholder relationships only if they are part of a good corporate strategy for maximizing shareholder value over an uncertain time frame.

For this purpose, Jones (1995) argues that the instrumental benefits of stakeholder management paradoxically results only from a genuine commitment to ethical principles. He argues that only those firms that create and sustain stakeholder relationships based on mutual trust and cooperation will have a competitive advantage over those that do not. If a firm's commitment to trust and cooperation is purely strategic rather than intrinsic, it will be difficult for the firm to maintain a sincere manner and reputation towards stakeholders, due to a differential desirability as economic partners. In other words, fairness, trustworthiness, honesty, and integrity are difficult to fake. Thus, in order to reap the instrumental benefits of stakeholder management, a firm must be intrinsically committed to ethical relationships with its stakeholders, regardless of expected benefits they may receive from these relationships.

13. The governance of the social enterprise: a 'democratic stakeholder approach'

The notion that the social enterprise sector in its own right is progressively forming a distinct sub-sector within the third sector economies of the European countries has become an acknowledged fact. (Pearce, 2003; Dunn and Riley, 2004; Defourny and Nyssens, 2006; Jones and Keogh, 2006) Social enterprises, as defined by the UK law on the 'Community Interest Company' (CIC), or by the Italian law on the '*Impresa Sociale*', are limited companies created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage. This is achieved by an 'asset lock', which ensure that the firm is established for community purposes and the assets and profits are dedicated to these purposes. Their governance structure is similar to the one of entrepreneurial non-profit organizations, as analyzed by the specialized literature. (Weisbrod, 2004; Hansmann, 1996; Borzaga and Defourny, 2001). Despite existing

differences, co-operatives may be acknowledged as the organizational 'prius' of social enterprises, as they share a social ownership and do not have as main objective the maximization of private returns (net surpluses or profits) accruing to the investment of capital. While co-operatives are mutual benefit organizations created to protect first of all their members, though a concern for the sustainable development of the community, social enterprises are better suited to pursue public-benefit purposes. Indeed, the latter operate to a great extent on mutual basis and exploit co-operative advantages in order to balance productive and redistribute aims to serve the needs of a wide range of local beneficiaries and recipient stakeholders, if not the local community as a whole.

In pursuance of a cooperative advantage, Bratman (1999) identifies three general principles orienting the organizational behavior: mutual responsiveness, commitment to the joint activity and mutual support for the common action.

Spears (2000) argues that the co-operative advantage comes from the high potential of trustworthy and social capital exhibited in the economic transactions with producers and consumers in a variety of fields of service with an added social value. The author states that co-operatives have an important role in overcoming informational asymmetries on the behalf of consumers. Built on the spirit of self-help, they are better suited to empower people by participation and extension of strong social ties within the local community for the improvement of their economic performance (Spears, 2000). On the other hand, co-operatives espouse also ethical values: equality, equity, democracy and solidarity, together with principles of openness, autonomy, independence, education, cooperation among co-operatives, and concern for the community (ICA, 2007). Its emphasis on the 'voice' in the organizational decision making processes gives to its members much greater potential influence than other stakeholders which along with a sense of ownership contribute to enhance social participation and the individual identification with the social values expressed by these organizations.

Although many studies on cooperatives and social enterprises have been based on too descriptive and ideological approaches stressing solidarity, altruism and

reciprocity as values informing the work of these organizations, it has to be said that these values are at the root of the equality principle, and of the socialized nature of added value they generate when addressed to the development of entrepreneurship. However, values and ideology alone do not have the potential to explain the increasing economic and social role of social enterprises, or their efficiency and long-term sustainability. Therefore, a unifying analysis of those basic institutional arrangements that characterize the governance of both co-operatives and social enterprises may be a useful starting point to the understanding of those organizational dynamics that give rise to circular processes of trust and reciprocity among members, as well as members and stakeholders for the sustainability of collective forms of social entrepreneurship.

Firstly, co-operatives and social enterprises are based on a social ownership.

A social ownership is a private ownership structure regulated in order to prevent or limit greatly the exploitation of corporate assets by its members or constituencies. A social ownership is adopted by a large number of associations and many, but not all, voluntary organizations. Also co-operatives share a social ownership, though a limited part of their capital may be exploited by their members. It is governed according to the general rule for which the assets of the enterprise are held indivisibly rather than in the name of their members; further, it is characterized by the principle of 'altruistic dissolution' of the residual assets, whereby if the enterprise is wound up, remaining assets exceeding liabilities shall not be divided among their members but shall be necessary transferred to another similar enterprise, or otherwise devolved for the public benefit. The net assets belong to the corporation for as long as it operates, and subsequently become a social dividend passed from generation to generation.

A social ownership may include a total constraint in the distribution of the net surplus (profit), as in charitable institutions, nonprofits and most of social enterprises, or a very limited distribution of profit, as frequently happens in mutuals and co-operatives. A social ownership can be intended as an effective way of 'neutralizing' capital for benefits other than profit, vesting the control of the

enterprise by virtue of participation and allocation of control rights to their members or constituency stakeholders. According to this, it prevents that the control may be obtained through the purchase of the company's share capital, ensuring that the founders' aims are being pursued in perpetuity; rather than shareholders of the firm, therefore, its members and constituencies may be better held as 'trustees' of its assets for future generations.

Secondly, democracy is an essential rule to the fair functioning of co-operatives and social enterprises.

As historically rooted in different regional traditions of civil society, member-based organizations are submitted to the principle of democratic government of their governing bodies: open elections on the basis of the 'one member one vote' rule; pluralism, i.e., that is the possibility to represent the main community actors on the basis of an open and voluntary membership; accountability to the electorate; separation of elected representatives, who make policy, from the executive, who implement policy decisions (Cornforth, 2008).

Democratic member control implies that each member bearing on vote and has the right to elect a representative in the board of directors. The 'one member one vote' rule is not a guarantee of democracy in itself, but it satisfies the basic condition of equal propriety rights, contrary to the private firms in which voting rights are based on propriety holdings. Implicit to the democratic model, instead, is the notion that individual expertise is secondary to the claim to be representatives of a particular stakeholder group. Accordingly, social enterprises frequently enshrine in the statute that the governing body is being elected by their members (the AGM), in some way as a tool of democratic participation to vest the ultimate control on the board. As far as organizations are democratically controlled, they rely on credible sources of trust and accountability to the board. Board advisors, indeed, serve the membership and do not operate as residual claimants of the firm, since they do not benefit of financial emoluments or other monetary compensations as usually occur in private organizations usually do. In sum, democracy provides for a different division of labor within organizations; it reduces opportunism inherent

to the principal-agent model strengthening membership accountability of advisors and senior managers.

Board advisors have the primary function to resolve or choose between the interests of different groups and set the overall policy of the organization, which can then be implemented by staff (Cornforth, 2008). Central to this view is that any member of the electorate (the membership), can put himself or herself forward for election as a board member, whereas expertise is not typically intended as a requirement to be eligible as board advisor. In general, a democratic board is widely underpinned by a stakeholder perspective, as it has at its hearth the idea that “the major role of the governing boards is to represent the interests of those various constituencies and groups that influence, or are influenced by, the organizational mission”. (Iecovich, 2005:162)

Thirdly, workplace democracy also performs as a powerful coordination mechanism in supporting social participation.

With time, several empirical studies have tested the positive impact of employees participation on the organizational performance. (Backus and Jones, 1977; Jones and Svejnar, 1987; Bellas, 1990) Empirical researches have demonstrated that employees participation influences positively the organizational performance because of the support of an increasing mutuality and reciprocity between managers and employees in hierarchical employment relationships. (Dabos and Rousseau, 2004) Although workers and employers often differ in their perceptions and interpretations regarding the terms of employment, some degree of shared understandings and reciprocal contributions for mutual benefit is essential between the parties for the achievement of interdependent goals. Workers and managers typically strive to maintain an overall fair balance in the reciprocal inducements and contributions each has offered the other. (Blau, 1964) For instance, when one party’s contributions generate an imbalance in the relationship, the indebted party experiences feelings and obligation to the other and seeks to reciprocate as means of restoring the balance (Eisenberger, Armeli, Rexwinkel, Lynch, and Rhoades, 2001; Greenberg, 1990).

Studies on psychological contract theory states that much of the mutual value of the employment contracts lies in the capacity of the parts to reduce insecurities and anticipate future exchanges, helping both individuals and organizations to meet their needs (Dabos and Rousseau, 2004). When the parties develop shared understandings and reliance on the reciprocal commitments, they construct psychological contract with self-fulfilling prophecies that reflects anticipated future exchange agreements, making both individuals and organizations more productive and their interactions more mutually supportive and constructive (Dabos and Rousseau, 2004). Furthermore, research found that when the parties endorsed similar set of obligations, managers focused more on intangible employment terms, such as humanity and recognition, whereas workers focused more on fair pay, safe conditions and job security (Herriot, Manning and Kidd, 1997). On the part of the employees, the favorableness of job conditions (or fairness) are widely conditioned by employees' perception of organizational support in terms of participation and freedom of action rather than in terms of hierarchical coordination. (Eisenberg, Cummings, Armeli and Lynch, 1997)

On the hand of third sector organizations, qualitative studies on social co-operatives have revealed the existence of strong positive correlations between worker participation in democratic decision-making processes and accessibility and informational disclosure in the goal setting definition and job organization. (Fazzi, 2007) Similarly, comparative studies as regard to members of 'mutual organizations' and co-operatives on the one hand, and constituency stakeholders of 'donative' and 'commercial' nonprofit on the other hand, have revealed the former's higher work satisfaction and importance attributed to the sharing of democratic decision making processes. (Quarter, Sousa, Richmond and Carmichael, 2001; Borzaga, 2000; Solari, 1999)

Although the social ownership, democracy and social participation are the 'building blocks' of the governance of voluntary organizations and co-operatives, stakeholder involvement in the organizational activities and decision-making processes is the distinguishing feature in the governance of social enterprises.

In analyzing the concrete functioning of stakeholder participation in social enterprises, it seems important to consider informal elements of participation and informal networks 'governing' the organizations. However, it is not unusual in social enterprises to find groups of members and stakeholders interacting outside meetings to discuss board business without the participation of those stakeholders formally involved in the decision-making processes. Indeed, multiple forms of stakeholder's informal participation are performed; participation to internal social meetings, social activities, coalition buildings, multi-stakeholder boards and other institutional arrangements for the contracting out of local public services, as well as local multi-stakeholder partnerships for sustainable development projects.

In for-profit firms, instead, stakeholder involvement is better perceived as a managerial issue and draws to process distinctions between stakeholder engagement, which commonly refers to each phase of stakeholder involvement, and stakeholder participation, which has to do with real processes of stakeholder inclusion in the firm's decisions. In other words, stakeholder engagement refers to the different ways in which stakeholders' role develops and strengthens in the goal setting definition of firm's sustainability strategies. A firm can decide to start-up processes of stakeholder engagement for different reasons, among the most important there are business reputation and strategies of resource attainment. In short, stakeholder engagement ranges from the formalization of engagement principles, the statement of goals, the identification of stakeholders and the matters at stake, the choice of the method, to the implementation process (stakeholder involvement), and the outcome measuring and auditing. Furthermore, the different types of interaction that can be termed 'engagement' can be identified in listening activities (one way communication) and consultation and dialogue, to more inclusive forms of involvement in which the managers agree on sharing power over specific decisions with the stakeholders in a structured and organic way, and more stringent collaboration in the form of partnership, advisory organs, multi-stakeholder committees and other informal types of collaboration between the firm and some particular stakeholders on common projects.

On the contrary, a quite clear idea of stakeholder participation exists in third sector organizations and social enterprises, especially with regard to the structural innovation put forward by the multi-stakeholder approach. This innovation consists in the development of multi-stakeholder governance structures, that is a shift from a traditional view of stakeholders as external subjects involved in the decision-making processes in a structural and organic way, to a new one in which they are formally included in the membership and/or in the board. (Pestoff, 1995) For this purpose, organizational and managerial literature on third sector organizations have coined the phrase 'multi-stakeholder organizations' to stress the variety of practical aspects of stakeholder participation in social enterprises and, above all, the meanings of stakeholder's role into the board and multi-stakeholder membership composition. (Borzaga and Mittone, 1997; Spears, 2000; Bacchiega and Borzaga, 2003; Cornforth, 2008)

For this purpose, two distinct approaches may be found in the third sector literature to approach the study of multi-stakeholder organizations.

On the one hand, Pestoff (1995) have stressed, above all, the importance of the stakeholder involvement in the organizational decision-making processes. The absence of reference to the membership means that the multi-stakeholder feature is connected to the possibility for stakeholders to have a right to take part in the firm's decisions, be they as formal members of the organization or as stakeholders who are not necessarily members but are formally involved in the board. On the other hand, Borzaga and Mittone (1997) as well as Laville and Nyssens (2001), explicitly define multi-stakeholder social enterprises as enterprises in which various stakeholders are supposed to be members and therefore co-owners of the organization. In such a perspective the stakeholder-based composition of the membership is the key indicator to be analyzed in order to identify the various categories of stakeholder.

However, various categories of stakeholder are frequently involved in the decision-making processes of social enterprises, though they are not all necessarily 'internalized' in the membership and the board: workers, managers,

volunteers, users, donors, public authorities, local community representatives, unions and third sector organizations, private firms and other category of stakeholders who have legitimate interests in the organizational affairs.

The participation of a category of stakeholders implies costs and benefits, both for the organization and for the stakeholder considered. From an organizational perspective, it is thus possible to consider the issue of the balance between contributions and incentives for all the subjects participating in the organization. This perspective, in fact, seems useful in trying to interpret the emergence of multi-stakeholder structures as an organizational answer to the needs of involvement of a multiplicity of actors that are necessary to the survival of social enterprises.

Extending to social enterprises a line of reasoning developed by Tirole (1994) in government institutions, Bacchiega and Borzaga (2003) note that the presence of multiple and potentially conflicting objectives is more likely when control rights are shared among different categories of stakeholder. And this is often true for third sector organizations, especially community-owned enterprises that aim to produce community-based services for a wide range of local citizens. In such a perspective, a multiplicity of organizational goals and the involvement in the decision making processes of multiple stakeholders may be regarded as being tightly connected. Going a step further, Evers (2004) suggests that involving different stakeholders in the decision-making process is a valid instrument to manage the balance between multiple goals as well as to safeguard commitments to multiple goals that would be unlikely to achieve in homogenous boards and memberships because of the low diversity of opinions and interests expressed. While in for-profit firms conflicting interests may easily identified in the relationships involving shareholders, managers, workers, unions and other stakeholders, in voluntary organizations and social enterprises members and internal constituencies are ethically oriented to commit to the CSR. These organizations, indeed, are clearly founded on the basis of a vision and a social mission widely shared by a cohesive membership. However, this should not be understood as meaning that conflicting interests do not exist in social enterprises, but it suggests that those categories which are the

most likely to have conflicting goals are most often represented in the board and in the membership. As far as other categories of stakeholder are frequently engaged in the decision-making processes, it seems likely that there are more awareness of the need to balance multiple goals and to consider them as intrinsically connected, so to give legitimation to processes of formal representation of the most influential stakeholders in the governing structures.

Such a line of thought does not lead easily to testable hypotheses, as the outcomes of multi-stakeholder structures appear to be, like any other social phenomenon, very complex and multifaceted. General considerations include, for instance, the fact that the multiplicity of opinions and interests represented in a heterogeneous board or membership, under certain conditions, can be interpreted as a positive element, because it stimulates innovation and 'bridging' links both in social and economic patterns, as well as cooperative advantages due to trust generation effects and reciprocity emerging among organizational stakeholders in a multifaceted social environment where conflict is replaced by fruitful discussions and social capital creation (Laville and Nyssens, 2001). On the other hand, negative effects may occur when multi-stakeholder boards actually make decision processes longer and more complex (Borzaga and Mittone, 1997), sometimes leading to the phenomenon of 'noisy boards', which has consequences not only on efficiency but also on the ability to deal with crucial business and to support operational management activities.

14 Framework of analysis

The goal of this chapter is to present, describe and analyze findings from a study that compares the CSR performance of social enterprises with single-stakeholder and multi-stakeholder structures, in order to gain evidence on the potential role of incentive played by the 'multi-stakeholder' structures in supporting workers' motivations to the stakeholder involvement in the governance of the firm.

In recent years, the study of the social enterprises has progressively gained the spotlight in the recent European research, due to their concurrent role of innovative service providers and attractors of social capital in the current process of restructuring of the local welfare systems. Social enterprises have received much attention through most of the European countries as specialized providers of a wide range of local public services with a merit nature and 'proximity services' at a subsidiarity level, as well as for their role of autonomous contractors of welfare services in local quasi-markets. Furthermore, a special focus has been attributed also to the emergence of collective forms of social entrepreneurship to tackling problems of unemployment of people at high risk of social exclusion by providing them opportunities for employment development and work integration in various industries. In many circumstances, social enterprises have shown the ability to satisfy the need for services from the third sector, where a major growth in demand is forecast, and to create employment, particularly for those normally excluded from the labor market. That is because they appear to be better suited to interact genuine with the local socio-economic framework when compared to public organizations and commercial nonprofits. Before developing their plans for expanded services, social enterprises consider both social and economic issues at the grassroots. They are developed proposing regularly new and innovative solutions to problems, and in so doing they contribute to creating social or civil capital (Evers, 2001). By virtue of the greater social trust and reciprocity these

organizations inspire, they are now penetrating the gaps left by an ineffective delivery of public and private sector providers of essential welfare services or, to a large extent, 'community-based services', that is "ones which in response to individual demand are still socially useful yet they are neither public nor private" (Borzaga and Solari, 2001:296).

This study focuses on one specific type of Italian social enterprise, the social cooperative, because of its recent emergence and rapid growth, from 650 in 1985 to about 7400 in 2003, and, approximately, more than 10000 in 2008 by forecasts (CGM, 2007), and its ability to have an impact on the market, since its average survival rate after five years has been around 89 percent (GESCO, 2002). This new type of co-op was codified in the Italian law n. 381/1991 in order to specifically help volunteer organizations engaged in placing human resources in suitable positions and integrating disadvantaged citizens (minors, disabled, drug addicts, the elderly, former prison inmates, immigrants) into society.

Italian social cooperatives have some specific characteristics that make it difficult for them to be classified as either commercial nonprofit or for profit. For example, the pursuit of a corporate mission for the benefit of all or part of the community, significant levels of economic risk and salaried workers, a high degree of managerial autonomy, active participation in business activities and decision making by citizens and organizational stakeholders, managerial roles not confined to the capital-owning proprietor but based on wider democratic participation by all members, and limited distribution of profits. Nevertheless, they strictly to the Italian rules for standard co-ops in terms of number of members, amount of paid-in capital allowed that cannot be remunerated above a clearly defined percentage, and the appropriation of 3% of net annual profit to a fund for the promotion and development of cooperative system. Furthermore, Italian social co-operatives have to respect the eight founding cooperative principles included in the 'Statement on the co-operative identity' (ICA, 2007): internal mutuality, external mutuality, nonprofit distribution, participation, democracy, accessibility, intergenerational solidarity, and inter-cooperative solidarity.

As a result, the main aim for social co-operatives is not so much to achieve the highest return on capital investment, as to satisfy a common preexisting requirement, or need in order to give members or stakeholders a greater advantage or saving than would otherwise have been possible separately. Members are the statutory but not exclusive beneficiaries of goods and services produced. Unlike other types of co-operatives in Italy, social co-operatives follow the managerial patterns of private enterprises that compete, at least in part, in the open market, but their aim is to go beyond profit generation purposes. As a result, they focus on satisfying a widespread demand for community-based services that neither the state nor private firms can efficiently meet. Law n. 381/1991, specifically created to support social co-operatives start-ups, gave rise to a unique structure with a dual feature: publicly oriented with regard to the aims and supply of essential goods and services (merit goods) and, at the same time, privately oriented insofar as organizational and financial requirements are concerned. In this sense, social co-operatives point out a sort of inversion of the profit-making firm. While the main aim for the latter is medium- and long-term economic growth with optimal profitability, and satisfying the social aspects of workers, the local community, the environment, and so on is one way of enabling the primary aim to be achieved, the opposite can be said for social co-operatives, whose primary goal is to pursue the common good for society according to an efficient use of the resources. (Mancino and Thomas, 2005) For this purpose, the mission of social inclusion of the social co-operatives may be intended to benefit a wide range of 'recipient stakeholders' through their productive activity; specifically:

- worker members, that is those stakeholders who receive some type of economic benefit in return for the service they provide as ordinary workers;
- volunteers, that is ethically and socially individuals who give their services freely for altruism, collective purposes, or other intrinsic motivations;
- users (or beneficiaries), who account for a variety of social citizens: child, elderly people, minors at risk, or disabled people, but also drug addicts, mentally ill, or disadvantaged adults;

- other community stakeholders who are interested in developing solidarity and non-profit-making initiatives, honorary and technical and administrative staff, donors, representative members of third sector and civil society organizations, as well as other various categories of 'supporter' stakeholders;
- local authorities and public bodies, which constitute a further stakeholder category, since they are keen to delegate more and more public services by stipulating agreements or contracts with social co-operatives as 'third' financiers.

Unlike other nonprofit organizations, often confined to narrow and exclusive niches in the markets, social co-operatives benefit from their aim of satisfying a public purpose at the grassroots, according to the typical criteria found in for-profit firms (Travaglini, 1997). An operative area in which the relative advantages of the social co-operatives appear clearer is the establishment of social networks with other actors in the same local territories and regions, especially 'trust and solidarity-based' networks based on mutual trust and reciprocity, which have lower bureaucratization, and benefit of the participation of local stakeholders with higher intrinsic motivations, including empathy and altruism; strong social ties with volunteers and citizens, as well as greater end-user involvement. Moreover, they are keen to develop social attitude towards the informal exchange of news and information at local, so that support a trust-based climate that can lead to lower transaction costs and underscore relational and network economies with high social and environmental impact.

Of greater importance for the sustainability of social co-operatives is the role of volunteers, who are the second most diffuse category of stakeholders in the governance of these firms. The numerous forms of voluntary service provide a rich reservoir for collaboration and opportunities to strengthen the expertise and professionalism of the social co-operatives. Often they are professionals who have specialized in medicine or education, for example, and are already employed. Furthermore, at the root of the volunteer choice, there are various reasons for sharing ethical values and social aims, considering the co-operative as an opportunity to enter the job market, and believing that these organizations provide

valid opportunities to complete and verify their knowledge acquired through study and experience. Thus, being a volunteer in a social co-operatives implies combining altruism and ethically inspired motivations with concrete practical experiences, which may lead to the development and growth of professional skills and possibly to smoother entry into the job market.

Social co-operatives benefit from volunteers by drawing on the availability of low-cost labor and labor donations, the possibility of appointing future personnel, the contribution of new ideas and fresh energies, a mix of participants of different ages and educational backgrounds, humanization of the service, professional skills, material, socio-emotional and relational support. Perceiving volunteers in the co-operative as essential components of human capital makes for increasingly complex human resource management and assigns a central role to motivational aspects, such as greater responsibility. Indeed, volunteers who are not paid are forced to look for more stimulating conditions than other workers, obtain greater satisfaction for their actions, and see the importance of their contributions. Furthermore, volunteers are usually more inclined than employees to follow the rules and agree to formal supervision if they are convinced that in this way they will contribute to achieving the goals of the organization. However, intrinsic motivations, the emergence of altruism and 'other-regarding' preferences, organizational fairness, as well as higher mutuality perceptions and reciprocity in organizing employment relationships and, generally, in pursuing organizational goals, are basic characteristics that are easy to find in analyzing the behavior of worker members in social co-operatives.

Over the years, economic scholars have posed some questions on the empirical validity of the neoclassical assumptions on agents' self-fishing motivations. On the theoretical hand, Akerlof (1982), Akerlof and Yellen (1990) and Preston (1990) demonstrated that workers' utility functions can be positively influenced by intrinsic motivations, especially those generated by the employers' external benefits. Handy and Katz (1998) showed that problems of effort control can be limited or avoided by selecting motivated managers and workers, or by incentives to the workers'

auto-selection that rely less on monetary compensation and more on intrinsic rewards. Moreover, arguing on the role of the intrinsic motivations in the modern economy, Frey (1997) tested that external motivations frequently crowd out intrinsic motivations and cause losses of efficiency.

On the experimental hand, behavioral analysis and evolutionary games have produced a growing number of studies that show how the fundamental characteristics of the individual behavior can be better conceived as guided by mixes of self-regarding and 'other-regarding' motivations (Levine, 1998; Fehr and Gächter, 2000; Rabin, 2003; Falk and Fischbaker, 2006; Gui and Sugden, 2005). People with pro-social orientations weigh the moral implications of their decisions more and see cooperation as the most preferable choice in a collective action. In conditions of scarcity, pro-socials harvest less from a common resource, so that intrinsic motivations such as reciprocal altruism, intrinsic reciprocity and inequity aversion frequently come to the fore in orienting workers' 'other-regarding' behavior.

Voluntary organizations and social enterprises fit very well with contexts involving salient fairness considerations, strong fiduciary relationships and opportunities for co-operation. Empirical studies on labor relations in the field of human service have shown that workers' performance in voluntary organizations and social enterprises often denies standard economic predictions on wage differentials. (Mirvis and Hackett, 1983; Almond and Kendall, 2001; Borzaga, 2000). Workers in voluntary organizations and social enterprises have higher labor productivity and work satisfaction compared with employees in private (for-profit) and public organizations, despite the former lower wages. Moreover, comparative analysis on wage differentials have demonstrated that differences in monetary compensations tend to diminish or disappear in industries with a substantial concentration of third sector organizations and social enterprises (Borzaga, 2000), where lower salaries are paid than elsewhere, asking for more labor donations. The demand of labor expressed by these organizations will have necessarily to match a supply with 'socially-oriented' workers or volunteers, that is labor suppliers

willing to exchange extrinsic (or wage related) rewards in favor of intrinsic (or social) rewards. Workers and managers of third sector organizations and social enterprises, therefore, will be more favorably disposed to accept a partial redistribution of resources from labor suppliers to consumers and other community stakeholder, as often happens when they work together with volunteers, users and community-based stakeholders sharing firm's organizational activities and decisions. In both the cases, researches in labor relations have revealed that worker differentials do not significantly affect job satisfaction (Borzaga and Solari, 2001). Of course, workers and managers have necessarily to receive higher satisfaction from intrinsic rewards than monetary compensations.

However, recent studies on social co-operatives (Fazzi 2007; Sacconi and Faillo, 2007) have demonstrated that fairness in employment relationships, together with the implementation of operative mechanisms and internal procedures committed to the social equity, such as the case of participative control mechanisms, social accountability procedures, democracy and stakeholder involvement practices in the organizational goal setting (Quarter, Sousa, Richmond and Carmichael, 2001; Borzaga, 2000; Solari, 1999), positively affects workers' satisfaction as well as the organizational productivity on the whole.

Nevertheless, the institutional dynamics of the social co-operatives go beyond the implementation of social accountability instruments and internal procedures for improving the CSR performance, since these organizations usually foster formal multi-stakeholder dynamics inside their governance structures as an integral part of the social entrepreneurial project they have themselves proposed. Accordingly, they frequently use to include or 'internalize' democratically their primary stakeholders in the governance structures. (Travaglini, 1997). The emerging topic of the multi-stakeholder governance structures implies a special attention for the organizational survival of social enterprises. Unlike private firms and most nonprofits, one of the characterizing feature in the management of social enterprises consists in the strong overlap of economic and social goals, which tend to converge in the main stakes of both owners and organizational stakeholders.

This give frequently rise to distinct modes of co-participating and sharing organizational goals, resources and activities in the governance of the social enterprise which are simply unworkable when applied to the strategic management of other organizational forms and perceived as sources of higher conflicting interests, ambiguity and uncertainty for managers and shareholders.

The multiple nature of the social enterprise's goals, to a greater extent, need for the promotion and the support of evolutionary dynamics of the membership's associative relationship which allow to those categories of stakeholder who affect, or are affected by, the activities of the organization, to turn simultaneously into firm's owners and controllers by extending internal mutuality rules and solidarity principles towards them. In this sense, the difference with the stakeholder approach in the private firms, both at a normative and at a strategic level, appears to be impressive. In fact, the sustainability of a multi-stakeholder governance cannot rely solely upon the social participation and the adoption of practices of social accountability, for example by implementing social reporting processes towards the environmental stakeholders. In the final analysis, the process of organizational change and development of a multi-stakeholder strategic governance proves itself to be a somewhat challenging because it will depend mainly upon the internal social cohesion emergence and the tenure of a genuine organizational commitment that allow to turn effectively stakeholders into 'co-principals' (or 'shareholder stakeholders') of the firm, in the same way as happens in the governance of the social relationships among members of 'inclusive partnerships'.

However, in light of the dearth of empirical research in this sphere, the current study aims to shed a light on the role of incentive of the multi-stakeholder governance structures to the support of the CSR performance of social enterprises. For this purpose, two measurements of CSR performance in social enterprises with single-stakeholder and multi-stakeholder structures have been developed. For the first measurement, twenty-eight indexes were identified to investigate four dimensions of stakeholder governance in social enterprises, that is, worker

participation, user involvement, inter-organizational relationships and advocacy activities. The second measurement was addressed to reveal potential differentials in workers' intrinsic motivations related to the involvement of primary stakeholders in the firm's governance. To meet this goal, five dependent measures, each one addressed to a specific category of primary stakeholder, were developed.

The proposed conceptual framework, as well as the explanation derived from prior research findings, provided the basis for testing the following comparative research hypotheses of the two measurements:

Hypothesis 1: Multi-stakeholder social co-operatives have higher worker participation than single-stakeholder social co-operatives

Hypothesis 2: Multi-stakeholder social co-operatives have higher user involvement than single-stakeholder social co-operatives

Hypothesis 3: Multi-stakeholder social co-operatives have higher inter-organizational coordination than single-stakeholder social co-operatives

Hypothesis 4: Multi-stakeholder social co-operatives have higher advocacy activities than single-stakeholder social co-operatives

Hypothesis 1: Worker members in multi-stakeholder social co-operatives have higher motivations to the involvement of worker members in the governance of the firm than worker members in single-stakeholder social co-operatives

Hypothesis 2: Worker members in multi-stakeholder social co-operatives have higher motivations to the involvement of volunteers in the governance of the firm than worker members in single-stakeholder social co-operatives

Hypothesis 3: Worker members in multi-stakeholder social co-operatives have higher motivations to the involvement of users in the governance of the firm than worker members in single-stakeholder social co-operatives

Hypothesis 4: Worker members in multi-stakeholder social co-operatives have higher motivations to the involvement of members of other third sector organizations in the governance of the firm than worker members in single-stakeholder social co-operatives

Hypothesis 5: Worker members in multi-stakeholder social co-operatives have higher motivations to the civic engagement (community involvement) than worker members in single-stakeholder social co-operatives

15 Sampling procedure and data

To conduct the study, 194 small social co-operatives in the field of social welfare services and work integration for disadvantaged people, respectively A-type and B-type social co-operatives, were drawn from the regional directories of the two most representative Italian associations of co-operatives. The directory '*LegaCoop Veneto*' (*LegaCoop Veneto*, 2006) contained listings of 88 social co-operatives and the directory '*FederSolidarietà Veneto*' (*ConfCooperative Veneto*, 2006) for 106. These two directories may be intended representative of the population frame, in that they contained most of the social co-operatives operative in the region during the years 2006 and 2007.

Given that it was not possible to know in advance what proportion of organizations would agree to participate, and especially the proportion of organizations with single and multi-stakeholder structures, it was decided to establish direct phone contacts with presidents and directors of each of the listed social co-operatives. Upon the whole listed organizations, 134 of them have positively responded to the research invitation. This gave the chance to collect preliminary information for clustering the respondents in mutually exclusive groups of organizations with single-stakeholder and multi-stakeholder structures for the comparative research purpose. On the whole respondent social co-operatives, 58 came from the *LegaCoop* directory, while the remaining 76 came from the *ConfCooperative* directory.

Data have been collected by submitting two postal questionnaires. One questionnaire was addressed to the president and an amount of questionnaires at least for 30% of the total worker members per each co-operative were addressed to worker members. Questionnaires were sent during three periods of time; June

2008 for the respondent co-operatives of the *Legacoop* directory; October and November 2008 from the respondents of the *ConfCooperative* directory. Moreover, phone and e-mail instructions and assistance for the survey administration was offered to presidents, directors and worker members during the overall surveying period in order to facilitate the interpretation and the drawing up of questionnaires.

On the whole respondent social co-operatives, 78 returned both the types of questionnaire (58,21%), 8 social co-operatives returned only the questionnaire for the president, while the remaining didn't return anything. In brief, a total amount of 86 questionnaires for the president and 447 questionnaires for worker members were returned. Because of errors and incompleteness, 22 questionnaires for the president and 73 questionnaires for worker members was rejected. The final sampling distribution, therefore, was based on data collected from 64 social co-operatives (47,76%); specifically, 64 questionnaires for the president and 374 questionnaires for worker members. Comparison of the final sampling distribution with that initial revealed that the former was representative with respect to size, age and typology.

Besides the formal membership in local representative associations, the 64 social co-operatives in the final sampling distribution were consistent with respect to the following organizational features:

- a size lower than 30 worker members;
- a balance between A-type and B-type, respectively 34 and 30;
- the involvement in inter-cooperative co-operation via membership in local consortia;
- the involvement in local quasi-markets for public service contracting. During the years 2006 and 2007, 85% of the organizations received the 100% of their own annual gross-profit from the contracting out in local quasi-markets, while the remaining 15% received at least the 80%.

The surveyed A-type social co-operatives showed high level of service and user differentiation. Main activities concerned educational and leisure services for the

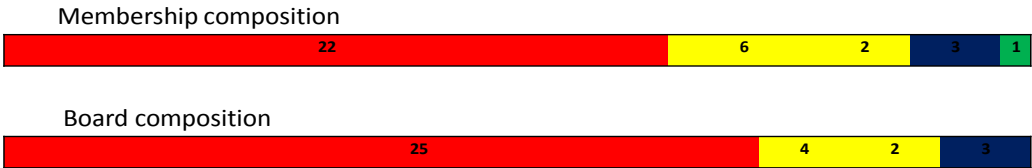
childhood (35%), such as kindergarten and day care centers, with a focus on the support and improvement of recreational services, while a small number of other social co-operatives were operative in the delivery of residential and domiciliary services for elderly people (respectively 21% and 10%). Finally, remaining A-type organizations were involved in arts and culture (20%), and professional services tailored to the personal needs of specific groups of disabled users, especially in the field of psychiatry (14%). Also B-type social co-operatives showed a high level of service and user differentiation to tackle problems of social disadvantage, such as psychiatric and corporal disabilities (50%), drug addiction and integration for prisoners and ex-prisoners (40%) and, generally, integration and employment development for individuals at high risk of chronic unemployment (10%). Main productive activities concerned the contracting out of administrative services (33%), cleaning and custody services (25%), maintenance services for public parks (22%), as well as agriculture and hand-crafted manufactures (20%).

Analyzing the single-stakeholder and multi-stakeholder composition of membership and board, it was easy to find that a majority of co-operatives with single-stakeholder structures (both membership and board) were A-type organizations, whereas B-types were predominantly multi-stakeholders'. Further, 27 B-types out of 30 showed a multi-stakeholder membership and 17 out of 30 showed a multi-stakeholder board, with a higher formal involvement of workers and volunteers. On the other hand, 22 A-types out of 34 showed a single-stakeholder membership and 25 out of 34 showed a single-stakeholder board, with a balance in the formal involvement of users and volunteers. (see Table 1)

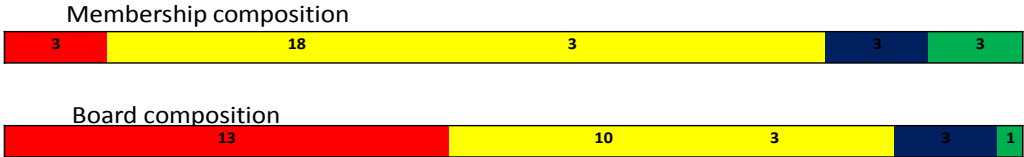
Accordingly, four groups of organizations were identified with regard to the different single-stakeholder and multi-stakeholder composition of membership and board (*independent variables*). Upon the whole organizations in the final sampling distribution, 18 organizations were grouped as 'single-stakeholder' (S) because of the unique involvement of workers in the membership and board. They were all A-type social co-operatives. The other three groups were labeled as 'multi-stakeholder' due to the inclusion of one or more stakeholder groups than workers

in the organizational structures. Specifically, 20 social co-operatives (7 A-type and 13 B-type) showed multi-stakeholder membership and single-stakeholder board (M_M); 7 social co-operatives (4 A-type and 3 B-type) single-stakeholder membership and multi-stakeholder board (M_B), while the remaining 19 organizations (5A and 14 B) showed both multi-stakeholder structures (M_M&B). Besides workers, who were the dominant category of stakeholders involved in both the typologies (86,28%), there were also volunteers (10,86%) and users (2,39%) as the most frequently ‘formally included’ (or internalized’) stakeholders, whereas other residual stakeholder such as ‘supporters’ and ‘donors’, accounted only 0.45% on the whole.

A TYPE SOCIAL CO-OPERATIVES (N=34)



B TYPE SOCIAL CO-OPERATIVES (N=30)



- Only workers
- Workers and Volunteers; Workers and Users
- Workers, Volunteers and Users
- Workers, Volunteers, Users and Others; Workers and Others

Table 1. Number of social co-operatives per stakeholder composition of the ownership and the board in final sampling distribution*
 * Disadvantaged workers in B-type social co-operatives were not considered an autonomous stakeholder group and are included among the workers

The number of worker members interviewed was selective as compared to their

total amount (28,03%), with a weak prevalence in single-stakeholder A-type social co-operatives. The other two categories of ‘formally included’ stakeholder, that is volunteers and users, accounted respectively 168 e 37 units, with a higher formal involvement in the membership than in the board. The average number of volunteers in B-types social co-operatives (3,89%) was almost triple than in A-types (1,7%), while the latter were indicative of higher user involvement (0,70% vs 0,41%). Finally, volunteers and users were predominant in ‘multi-stakeholder membership and board’ organizations (54,16% of volunteers, 56,76% of users) than in ‘multi-stakeholder membership’ group (39,88% of volunteers, 32,43% of users) and the ‘multi-stakeholder board’ group (5,95% of volunteers, 10,81% of users). (see Table 2)

Final sampling distribution	Single stakeholder	Multi stakeholder membership	Multi stakeholder board	Multi stakeholder membership and board	Type A	Type B	Total
N of social co-operatives	18 (18A)	20 (7A;13B)	7 (4A;3B)	19 (5A;14B)	34	30	64
Worker members interviewed on the total amount of worker members*	126/389 32.39%	112/426 26.29%	33/125 26.4%	103/394 26.14%	222/696 31.89%	152/638 23.82%	374/1334 28.03%
Average size of worker members	21.61	21.3	17.85	20.73	20.47	23.84	20.84
Average size of the worker members interviewed	7	5.6	4.71	6.43	6.53	5.06	5.84
Volunteers internalized in the organizational structures	0	67	10	91	63	105	168
Average size of volunteers internalized in the organizational structures	0	3.35	1.42	4.79	1.7	3.89	3.65
Users internalized in the organizational structures	0	12	4	21	26	11	37
Average size of users internalized in the organizational structures	0	0.6	0.57	1.10	0.70	0.41	0.80

Table 2. Descriptive statistics of the three ‘formally involved’ stakeholder categories in final sampling distribution * Disadvantaged workers in B-type social co-operatives were not interviewed. On the contrary, B-types include disadvantaged workers among the worker members.

16 *Research instruments*

Data to conduct the measurements on the two CSR performance in single-stakeholder and multi-stakeholder social enterprises have been collected from two questionnaires.

Data for the first measurement have been collected from a semi-structured questionnaire addressed to the president of the co-operative and constituted of 48 questions subdivided in three sections. The first section counted 12 items and was designed in order to elicit background variables on the organization, such as size, age, gross profit, typology, service activities, user profiles, as well as quantitative and qualitative information on the stakeholder composition of the membership and board. Questions were seized with closed ended items, multiple choice and 'yes/no' structures.

The second section was focused on 28 indexes (dependent variables) grouped in 4 dimensions of stakeholder governance: worker participation (7 indexes), user involvement (7 indexes), inter-organizational relationships (7 indexes) and advocacy activities (7 indexes). All the indexes were autonomously developed by the researcher according to the most frequently cited modes of stakeholder participation and involvement drew from specialized third sector literature.

The dimension 'worker participation' was constituted by the following 7 variables: 'board meetings', 'support to the management', 'group activities inside the organization', 'group activities outside the organization', 'dialogues and meetings to make aware on service issues', 'dialogues and meetings to make aware on the organizational mission', and 'dialogues and meetings to make aware on policy issues'. The dimension 'user involvement' was constituted of the same topics used for the previous dimension, though referred to the users. The 7 indexes of 'inter-organizational relationships' were as follows: 'coordination with local consortia', 'involvement in service activities with social co-operatives and TSOs', 'involvement in public-private partnership for social projects and change', 'involvement in local policy networks for service contracting', 'relationships with social financiers', 'relationships with volunteering organizations', and 'relationships

with other CSOs and associations at the grassroots'. Finally, 'advocacy activities' was based on the following 7 indexes: 'ensuring the social rights of the citizens', 'campaigning for attitude change, education and public awareness', 'fund raising', 'promoting and developing relationships with churches and religious organizations', 'promoting and developing relationships with sport, community and cultural organizations', and 'promoting and developing relationships with universities and research centers'. Every single index was drawn from one single closed ended question measured with a 5 point Likert scale ranging from 1 (not at all) to 5 (to a great extent).

The third section was aimed to provide descriptive information on the existing level of inter-organizational relationships developed by the social enterprise. The 9 questions which formed this section were mainly seized with structured items such as matrix and multiple choice. Attention was focused on the whole set of formal and informal relationships established with:

- local consortium and other social co-operatives to support networks of inter-cooperative co-operation;
- third sector organizations, private enterprises and local authorities to develop local partnerships, collaborative relationships and joined projects for the sustainable development of the local communities;
- volunteering organizations and other CSOs to collect information on the degree of embeddedness in social networks of collaborative relations and informal ties at the grassroots;
- local authorities on the involvement in public service contracting.

The 14 closed ended questions that formed the questionnaire for the worker members, instead, were aimed to provide a measure on the worker's degree of intrinsic commitment towards the following primary stakeholders of the social enterprise: workers, volunteers, users, third sector organizations and the community. To meet this goal, five dependent measures were autonomously developed by the researcher. The first dependent variable was based on three

questions seizing worker's degree of altruism and social cohesion towards the other worker members. The variables 'volunteers' and 'users', instead, were addressed to measure workers' degree of importance in involving these stakeholders in the internal activities and decision making processes of the firm. The variable 'third sector organizations' was aimed to measure worker's degree of importance in establishing collaborative relationships and joining activities with third sector and civil society organizations for improving service quality and strengthening social capital at the grassroots. Finally, the variable 'community', which was set up of three questions, was aimed to provide a measurement of worker's civic engagement.

Each of the questions used to define the five variables were measured with a 5 point Likert scale ranging from 1 (not at all) to 5 (to a great extent). By scale, the reliabilities for each dependent measure were as follows: 0,77 for 'workers', 0,81 for 'volunteers', 0,59 for 'users', relatively low alpha but sufficient to proceed, 0,88 for the 'TSOs', and 0,84 for 'community'.

17. Statistical analysis

One-way analysis of variance (ANOVA) was conducted for the 28 indexes of the 4 dimensions of stakeholder governance to test the null hypothesis that there will be no mean differences between each dependent measure and the groups of organizations and types. Post-hoc tests were based on Tukey's standardized range test. In the same manner, multivariate analysis of variance (MANOVA) was conducted to test the null hypothesis that there will be no mean differences between the five dependent measures of 'intrinsic stakeholder commitment' and the four groups of organizations. To meet this goal, ANOVA F tests for each dependent variable and Tukey's standardized range tests were undertaken to determine the sources of significance. Finally, because of high significant difference for the first three dependent measures compared to to the last two, it was decided to run a Principal Components Analysis (PCA) to verify alternative

data patterns for improving the analysis.

18 Results

The following tables present the ANOVA tests for the 28 indexes of the 4 dimensions of stakeholder governance.

Table 3 presents means and standard deviations of the main organizational topics referred to the worker participation area. The average level of the 7 indexes were relatively moderate in all the organizational groups. The higher indexes were generally concentrated in organizations with both multi-stakeholder structures. They were 'support to the management' (3,79) and 'group activities outside the organization' (4,05). The lowest indexes were mainly concentrated in single-stakeholder organizations. They were 'dialogues and meetings to make aware on the social policy' (2,11), and 'dialogues and meetings on the organizational mission' (2,33). In these organizations the most salient topics, instead, were 'board meetings' (3,11), 'dialogues and meetings to make aware on service issues' (3,6), and 'support to the management' (3,05). In organizations with multi-stakeholder membership and single-stakeholder board, the topics involving worker participation they highlighted most were 'support to the management' (3,75), 'dialogues and meetings to make aware on service issues' (3,44), and 'group activities outside the organization' (3,35), whereas the less involved was 'dialogues and meetings to make aware on the social policy' (2,55). In organizations with multi-stakeholder board and single-stakeholder membership the most salient topics were 'group activities outside the organization' (3,85), and 'dialogues and meetings to make aware on service issues' (3,85), whereas the less supported were 'dialogues and meetings to make aware on the social policy' (2,85). Regarding the indexes with significant mean differences, ANOVA F tests have revealed the topics 'support to the management' ($p < .05$) for the pairs 'single-stakeholder' - 'multi-stakeholder membership' and 'single-stakeholder' - 'multi-stakeholder membership & board' and 'group activities outside the organization' ($p < .01$) for the pairs

Table 3
Means and Standard Deviations of Worker Participation and Organizational Type

	SINGLE (N=18)		MULTI_M (N=20)		MULTI_B (N=7)		MULTI_M&B (N=19)		ALL (N=64)	
	M	SD	M	SD	M	SD	M	SD	M	SD
Board meetings	3,11	0,67	3,30	0,86	3,42	0,53	3,36	0,49	3,30	0,64
Support to the management *	3,05	0,72	3,75	1,18	3,00	0,81	3,79	0,42	3,40	0,78
Group activities inside the organization	2,40	1,04	3,10	0,71	3,28	0,95	3,47	0,77	3,06	0,87
Group activities outside the organization **	3,00	1,03	3,35	0,67	3,85	1,21	4,05	0,78	3,56	0,92
Dialogues and meetings to make aware on service issues	3,06	1,16	3,44	0,27	3,85	1,46	3,42	1,17	3,44	1,37
Dialogues and meetings to make aware on the organizational mission	2,33	1,32	3,05	1,09	3,28	1,49	3,47	1,34	3,03	1,31
Dialogues and meetings to make aware on the social policy	2,11	0,47	2,55	0,68	2,85	0,90	2,63	0,76	2,54	0,70

* ANOVA F TEST $p < .05$ ** ANOVA F TEST $p < .01$

Table 4
Means and Standard Deviations of User Involvement and Organizational Type

	SINGLE		MULTI_M		MULTI_B		MULTI_M&B		ALL	
	(N=18)		(N=20)		(N=7)		(N=19)		(N=64)	
	M	SD	M	SD	M	SD	M	SD	M	SD
Board meetings	2,11	0,75	2,70	0,65	2,85	0,69	2,47	1,30	2,53	0,84
Support to the management	2,05	0,41	2,55	0,51	2,85	1,07	2,42	1,21	2,46	0,80
Group activities inside the organization	2,11	1,13	2,30	0,86	2,85	0,90	2,94	1,43	2,55	1,08
Group activities outside the organization	1,87	0,84	2,35	0,87	2,57	1,39	2,31	0,74	2,22	0,96
Dialogues and meetings to make aware on service issues *	2,33	0,48	3,60	0,59	3,85	1,07	3,57	0,50	3,33	0,66
Dialogues and meetings to make aware on the organizational mission	2,11	1,07	2,55	1,14	2,57	1,39	3,00	1,24	2,55	1,21
Dialogues and meetings to make aware on social policy issues	2,27	1,44	2,35	1,49	2,42	1,39	2,26	1,24	2,33	1,39

* ANOVA FTEST $p < .001$

Table 5
Means and Standard Deviations of Inter-organizational coordination and Organizational Type

	SINGLE (N=18)		MULTI_M (N=20)		MULTI_B (N=7)		MULTI_M&B (N=19)		ALL (N=64)	
	M	SD	M	SD	M	SD	M	SD	M	SD
Coordination within local consortia	4,05	0,80	3,85	1,35	3,85	1,07	4,15	1,12	3,97	1,08
Involvement in service activities with social co-operatives and TSOs	2,11	0,67	2,55	0,67	2,85	1,46	3,05	1,17	2,71	0,99
Involvement in private-public partnership for social projects and change	2,27	1,12	2,55	1,35	2,85	1,46	2,63	0,83	2,57	1,19
Involvement in local policy networks for service contracting	4,61	1,14	4,50	0,76	4,42	1,13	4,68	0,94	4,55	0,99
Relationships with social financiers (ethic banks, social intermediaries, donors)	1,11	0,32	1,65	0,81	1,42	0,53	1,68	0,67	1,46	0,58
Relationships with volunteering organizations **	2,12	0,58	2,70	0,86	3,28	0,95	3,10	0,65	2,80	0,76
Relationships with other CSO and associations at the grassroots *	2,44	0,70	3,11	0,64	3,42	1,39	3,57	0,69	3,13	0,85

* ANOVA F TEST $p < .01$. ** ANOVA F TEST $p < .001$

Table 6
Means and Standard Deviations of Advocacy Activities and Organizational Type

	SINGLE (N=18)		MULTI_M (N=20)		MULTI_B (N=7)		MULTI_M&B (N=19)		ALL (N=64)	
	M	SD	M	SD	M	SD	M	SD	M	SD
	Ensuring the rights of social citizens	2,27	1,32	2,15	1,66	2,57	1,39	2,36	1,06	2,33
Campaigning for attitude change, education and public awareness	1,44	0,70	1,85	0,49	1,57	0,78	1,47	0,84	1,58	0,70
Fund raising *	1,35	0,48	1,55	0,60	1,71	0,65	2,21	0,92	1,70	0,66
Promoting and developing relationships with family associations **	2,27	1,01	2,80	0,69	2,28	0,75	2,89	0,65	2,56	0,77
Promoting and developing relationships with churches and religious organizations	2,22	0,87	2,35	0,74	2,71	0,48	3,00	1,05	2,57	0,78
Promoting and developing relationships with sport, community and cultural organizations	1,94	0,72	2,45	0,99	2,57	0,53	2,57	0,60	2,38	0,71
Promoting and developing relationships with universities and research centers	1,11	0,32	1,25	0,55	1,14	0,37	1,31	0,58	1,20	0,45

* ANOVA F TEST $p < .01$ ** ANOVA F TEST (type) $p < .05$

‘single-stakeholder’ – ‘multi-stakeholder membership & board’.

Table 4 presents the distribution of the most frequent modes of operate user participation and involvement in the organizational activities and decision-making processes of third sector organizations and social enterprises. Because of high similarity with the modes of worker participation, it was decided to select the same indexes used for the development of the dimension ‘worker participation’. ANOVA F tests revealed that the average extent of all the topics were moderately low, expect for the issue ‘dialogues and meetings to make aware on services issues’ (3,33), which showed significant differences in means scores between the single-stakeholder group and each of the three multi-stakeholder groups ($p < .001$). Moreover, the two groups involving organizations with multi-stakeholder boards revealed a higher general attitude to the user involvement, with a peak for the user involvement in issues such as planning, co-production and evaluation of the service.

Table 5 presents the distribution of the dependent measures regarding the area ‘organizational relationships’. The average indexes for all the organizations showed a high variability among the variables. The higher index for all the organizations was ‘involvement in local policy networks for service contracting’ (4,55), which verify the high importance attributed to the consolidation of contractual relationships with local authorities in the ‘quasi-markets’ for the organizational survival. In line with this result, it has to register also the high level of the index ‘coordination within local consortia’ (3,97) and the very low attention paid to the diversification of financial providers (1,46) such as donors, foundations and specialized ‘social bankers’ at the grassroots, such as ethical banks and credit unions. The comparative analysis of each single variable between the organizational groups put in spotlight the existence of significant mean differences between the single-stakeholders (2,12) and the multi-stakeholders’ board (3,28) and membership & board (3,10) with regard to the relationships with volunteering organizations ($p < .001$), and the pair groups ‘single-stakeholder’ - ‘multi-stakeholder membership & board’ for the topic ‘relationships with CSOs and

associations at the grassroots' ($p < .01$).

Table 6 presents means and the standard deviation of the governance area 'advocacy activities'. The data revealed that the extent of the indexes for all the organizations was very low. Most of the activities presented in the table take place occasionally in every-day life of the social co-operatives. However, multi-stakeholders' generally presented higher means than single-stakeholders', especially for the topics 'promoting and developing relationships with churches and religious organizations', respectively (2,22) vs (2,35), (2,71), and (3,00), and 'promoting and developing relationships with sport, community and cultural organizations' at the grassroots, respectively (1,94) vs (2,45), (2,57), and (2,57). Further, traditional advocacy activities put forward by third sector organizations, such as political activities for 'ensuring the social rights of the citizens' vis-a-vis the public authorities and the 'campaigning for attitude change, education and public awareness' towards the local citizenship, showed very low means in all the organizations. However, the ANOVA tests have revealed significant mean differences in the topic 'fund raising' between the 'single-stakeholder' group and the 'multi-stakeholder membership & board' group, and in the topic 'promoting and developing relationships with family associations' with regard to the A-type and the B-type.

Table 7 summarizes the results of the significant Tukey-paired group comparisons for related indexes. Only differences that were at 0.5 level or less were considered as significantly reliable and are reported below.

In the next stage, the study focused on examining the relationships between the five measures of workers' intrinsic commitment in four organization groups.

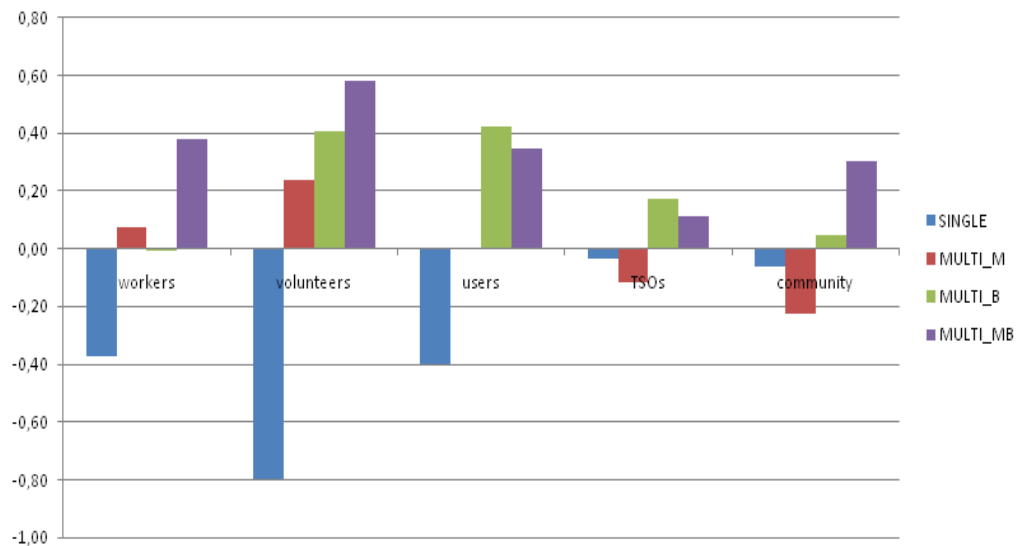
Table 8 presents mean scores and standard deviations for the five scaled measures in the organization groups and portrays mean scores of the organization groups on each of the five scales.

	MULTI STAKEHOLDER MEMBERSHIP	MULTI STAKEHOLDER BOARD	MULTI STAKEHOLDER M&B
SINGLE STAKEHOLDER	<p>WORKER PARTICIPATION</p> <p>Support to the management</p> <p>(q= -2,579)</p>		<p>WORKER PARTICIPATION</p> <p>Support to the management</p> <p>(q= -2,627)</p> <p>Group activities outside the organization</p> <p>(q= -3,124)</p>
	<p>USER INVOLVEMENT</p> <p>Dialogues and meetings to make aware on service issues</p> <p>(q= -5,491)</p>	<p>USER INVOLVEMENT</p> <p>Dialogues and meetings to make aware on service issues</p> <p>(q= -5,398)</p>	<p>USER INVOLVEMENT</p> <p>Dialogues and meetings to make aware on service issues</p> <p>(q= -5,168)</p>
	<p>INTER-ORGANIZATIONAL COORDINATION</p> <p>Relationships with volunteering organizations</p> <p>(q= -2,869)</p>	<p>INTER-ORGANIZATIONAL COORDINATION</p> <p>Relationships with volunteering organizations</p> <p>(q= -3,855)</p> <p>Relationships with CSOs and other associations at the grassroots</p> <p>(q= -2,947)</p>	<p>INTER-ORGANIZATIONAL COORDINATION</p> <p>Relationships with volunteering organizations</p> <p>(q= -4,200)</p> <p>Relationships with CSOs and other associations at the grassroots</p> <p>(q= -3,499)</p>
			<p>ADVOCACY ACTIVITIES</p> <p>Fund raising</p> <p>(q= -3,136)</p>

Table 7. Summary of the significant means difference on indexes of stakeholder governance in paired group comparisons

Table 8
Means and Standard Deviations for Five Dependent Measures and Organizational Type

	SINGLE (N=126)		MULTI_M (N=112)		MULTI_B (N=33)		MULTI_M&B (N=103)	
	M	SD	M	SD	M	SD	M	SD
Workers	-0,37	0,55	0,07	0,48	-0,00	0,46	0,38	0,45
Volunteers	-0,80	0,62	0,24	0,75	0,40	0,60	0,58	0,74
Users	-0,40	0,62	0,00	0,69	0,42	0,66	0,34	0,65
ThirdSector Organizations	-0,03	0,61	-0,12	0,68	0,17	0,59	0,11	0,60
Community	-0,06	0,57	-0,22	0,60	0,04	0,58	0,30	0,61



The MANOVA analyzed the effects of each organizational group on the five dependent measures, where the stakeholders were identified respectively as workers, volunteers, users, third sector organizations, and the community. The analysis included 126 worker members in 'single-stakeholder' organizations, 112 worker members in 'multi-stakeholder membership' organizations, 33 worker members in 'multi-stakeholder board' organizations, and 103 worker members in 'multi-stakeholder membership & board' organizations.

As Table 9 shows, the multivariate results were significant ($F= 16,640$;

df= 15; and $p < .005$). The table also indicate that the ANOVA F ratios were very significant for the scale ‘workers’, users, and especially ‘volunteers’ ($F= 63,82$; $p < .001$), whereas less significance was found for the scale ‘community’ ($p < .01$). No significant mean difference was found for the scale ‘third sector organizations’. On the first three scales there was a significant mean difference between the single-stakeholder group and the two groups of organizations with multi-stakeholder board. By comparison, ‘multi-stakeholder membership and board ’ organizations were higher different from ‘single-stakeholder’ organizations with respect to the first three scales than the other two multi-stakeholder form. In other words, the four groups of organizations displayed in continuum revealed a strong pattern of significant mean differences in the two organization group extremes for first three scales, with a higher significance marked for the two groups of organizations with multi-stakeholder boards with respect to the scale of ‘users’ and ‘volunteers’.

Table 9
MANOVA and ANOVA For Five Dependent Measures and Organizational Type

<i>Multivariate</i>		<i>Univariate</i>									
		<i>Workers</i>		<i>Volunteers</i>		<i>Users</i>		<i>TSOs</i>		<i>Community</i>	
<i>df</i>	<i>F</i>	<i>df</i>	<i>F</i>	<i>df</i>	<i>F</i>	<i>df</i>	<i>F</i>	<i>df</i>	<i>F</i>	<i>df</i>	<i>F</i>
15	16,640*	3	11,95**	3	63,82**	3	14,12**	3	1,35	3	5,38*

Note: Multivariate F ratios was generated from Wilks’ Lambda statistics=0,5437

* $p < .01$;

** $p < .001$

Table 10 summarizes the results of the significant Tukey-paired group comparisons for the related scales. Only differences that were at 0.5 level or less were considered as significantly reliable and are reported below.

	MULTISTAKEHOLDER MEMBERSHIP	MULTISTAKEHOLDER BOARD	MULTISTAKEHOLDER M&B
			WORKERS (q= -5.910)
SINGLE STAKEHOLDER	VOLUNTEERS (q= -9.76)	VOLUNTEERS (q= -7.55)	VOLUNTEERS (q= -12.78)
		USERS (q= -4.43)	USERS (q= -5.897)

Table 10. Summary of the significant paired group comparisons for the five dependent measures

19. Discussion

The study highlights a clear tendency towards volunteers and users involvement in the governance of the multi-stakeholder groups. The analysis conducted on the area ‘user involvement’ showed a marked difference between single-stakeholders’ and multi-stakeholders’ in developing activities that make users more aware on service issues. Interviews with presidents of A type and B-type multi-stakeholder social co-operatives have stressed the higher frequency of social meetings and discussions involving workers, staff, volunteers, users and their relatives (or carers) on issues concerning service planning, organizing and delivery compared to single-stakeholder organizations. Specifically, multi-stakeholder’s A-type social co-operatives showed higher service integration, due seemingly to the frequent collaborations and inclusive relationships they embrace with associations, local citizens and other civil society-based organizations. Moreover, evidence has shown that managers in multi-stakeholder organizations consider user involvement as a managerial priority for assessing service quality.

With reference to the governance area ‘inter-organizational coordination’, the

study stressed the relevance of the embeddedness of the multi-stakeholders' in social networks of informal ties with volunteering organizations, citizens, and other civil society organizations at the grassroots. Organizations with at least multi-stakeholder boards (M_B and M_M&B) stressed a differentiation of typologies of collaborative and inclusive relationships with third sector organizations and local authorities which were mainly addressed to the development of partnerships and social projects for the sustainable re generation of the local communities. Another sphere of activities in which multi-stakeholder organizations stand out compared to the single-stakeholders' concerns the participation in organizing formal meetings related to the coordination of local policy networks for the provision of public services. In this sense, managers and volunteers of multi-stakeholder organizations have proved themselves to be mostly operative in discussing and lobbying with local authorities for public contracting issues. Furthermore, together with higher engagement to the social accountability, such as for user charters and social reports, they came to the fore also for the managerial dynamism and the centrality of informal social ties they liaised with associations and other community-based stakeholders, due mainly to the managerial role played by volunteers and the support by other community-oriented stakeholders in governing the firm.

The analysis conducted on the sample of 374 worker members supports the hypothesis that the multi-stakeholder groups include worker members with significant motivations to the involvement of volunteers than worker members in the single-stakeholder group. Moreover, worker members in social enterprises with at least multi-stakeholder board structures (M_B and M_M&B) show significant attitudes also towards user involvement, whereas the group of organizations with both multi-stakeholder structures (M_M&B) shows higher 'workers-regarding' motivations, in addition to the higher attitudes towards volunteer and user involvement. However, as the MANOVA stated, the motivational pattern emerging from the comparison between the single-stakeholder group and the two groups with at least multi-stakeholder board structures stressed a marked variability between the first three scales and the remaining two.

A possible interpretation of this result may be sought by observing the stakeholder configuration of the membership and the board in the multi-stakeholders'. Workers' motivational pattern emerging from those organizations with at least multi-stakeholder board structures was heavily addressed to the so-called 'shareholder stakeholders', that is those categories of stakeholder as much involved in the governance of the firm that they are frequently subjected to the 'internalization' in the membership and/or the board structure. Such an interpretation seems to align with the initial hypothesis on the specific role of incentive to the social enterprise's CSR performance played by the multi-stakeholder structures through the pursuit of the informal 'day-by-day' stakeholder involvement in the firm's activities and decision-making processes. In other words, the sustainability of the multi-stakeholder structures, that is the opportunity to share firm's control rights and democratic decision making processes by internalizing two or more categories of organizational stakeholders in the governance structures, seems to be in line with sustained workers' trust and relational attitudes specifically addressed towards those groups of stakeholder that are usually subjected to the involvement in the governance structure of the firm.

Are these motivational patterns really subjected to discrepancy when compared between workers of single-stakeholder and multi-stakeholder organizations?

For this purpose, two synthetic measures have been extracted from the original five dependent variables by running Principal Component Analysis (PCA). This multivariate statistical method is independent from any data probability assumptions, in that it assumes that large variances have important dynamics. It offers the theoretically optimal linear scheme, in terms of least mean square error, for compressing a set of high dimensional vectors into a set of lower dimensional vectors, and then reconstructing the original set in such a way to highlight most of the similarities and differences with the previous dataset.

PC 1		PC 2	
workers	0,580	workers	0,104
volunteers	0,586	volunteers	0,344
users	0,551	users	-0,265
TSOs	0,099	TSOs	-0,719
community	0,084	community	-0,633

Table 11. Eigenvalues for the two components (47% of cumulative variance)

The two components have been settled as data transformation of the related eigenvectors drew from the covariance matrix of the normalized data. The eigenvector with the highest eigenvalue turns out to be the principle component of the data set, and it appears as inclusive of the most significant relationship between the data dimensions in order to provide information about the new data patterns. But, more importantly, as table 11 shows, the column matrixes of the vector feature in the two aggregate measures are mainly explained, respectively, in terms of the first three dependent measures (workers, volunteers, and users) for the first component, and of the remaining two measures (TSOs and community) for the second component. (Table 11) Accordingly, the previously hypothesized pattern of aggregation of the five dependent measures based on the distinction between 'shareholder' stakeholders and 'external' (non shareholder) stakeholders seems to fit very well with the new data pattern.

Furthermore, it was possible to express the original data set solely in terms of vector features, that is in terms of the two selected eigenvectors in the orthogonal axes. This way, it has provided a new data set with a reduced dimensionality (two aggregate measures from the original five), which is the final transformation of the original data set for each of the two feature vectors. Finally, it has plotted the final points inclusive of the information about the organizational configuration to show how they relate to the two components. (see Fig. 1) The scatter plot in Figure 1 is basically the original data, rotated so that the eigenvectors are the axes, so to lose lesser information of the original data set.

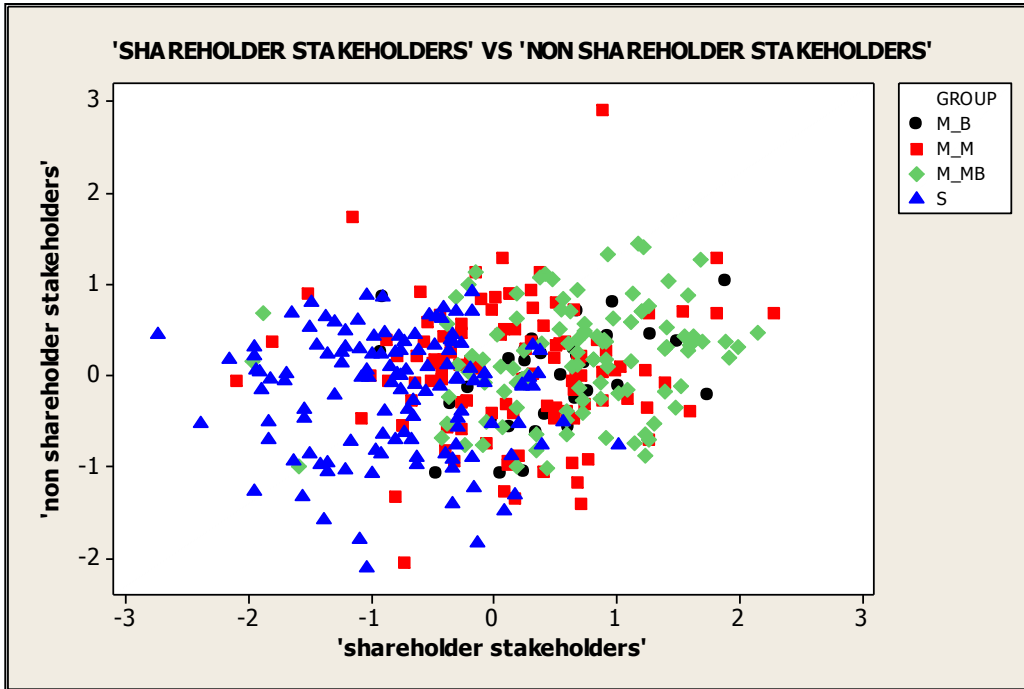


Figure 1. Scatter plot of the final points expressed in the two aggregate measures

A quite similar data pattern of workers' motivations emerges when comparing the two statistical methods. PCA ran for two components shows a data pattern consistent with the previous dichotomy 'shareholder stakeholders' vs 'non shareholder stakeholders' for the two aggregate measures. The analysis proves to be consistent in terms of discrepancy between single-stakeholder and multi-stakeholder groups. (Figure 1)

As shown in Figure 2, a maximum gradient of approximately more than 1.25 by scale for the synthetic measure 'shareholder stakeholders' (the X-axis) originates when comparing single-stakeholder and multi-stakeholder organizations (M_M&B). Also the gradient regarding workers' motivations for 'shareholder stakeholders' in single-stakeholder and multi-stakeholder board organizations (M_B) proves to be heightened (approximately 1.25 by scale). A minor gradient define instead the relationships between the means of workers' motivations in single-stakeholder and

multi-stakeholder membership organizations (M_M), although a more scattered distribution of final points characterizes the latter group compared with the distribution of the other two multi-stakeholder groups. These paired mean group comparisons substantially confirm the organizational hierarchy arose from the previous paired group comparisons calculated with the ANOVA. Social enterprises with at least multi-stakeholder board structures (M_B and M_M&B) demonstrate a higher influence of workers' motivations towards the 'shareholder stakeholders'. With reference to the second component, which is mostly expression of workers' motivations towards 'non shareholder' stakeholders, the group mean differences show less significant gradients in comparing single-stakeholder organizations with multi-stakeholder forms (the Y-axis). 'Non shareholder' or 'external' stakeholders refer primarily to those stakeholder categories who can affect or be affected by the business of the social enterprise, but anyhow, they are not subjected to any type of informal participation or formal involvement in the organizational activities, service delivery and decision-making processes. Nevertheless, a clear opposition between single-stakeholder workers' motivations and multi-stakeholder workers' motivations tends to be put forward again (approximately 0.4 by scale), whereas less evidence has been proved for the gradients of the other paired group comparisons. By scale, the evidence arising from the paired group comparisons is very similar to that resulting from the paired group comparisons in the two corresponding scales analyzed with the ANOVA .

In short, the PCA on the two synthetic measures of the degree of workers' social trust and attitudes towards the primary organizational stakeholders confirm the interpretation of the data pattern resulting from the previous statistical analysis on the five dependent measures. Furthermore, it adds significant evidence about the higher positive influence that multi-stakeholder organizations, and especially those with at least multi-stakeholder board structures that allow to gain decisional centrality to the role of volunteers and users, exercise in improving stakeholder involvement in different areas of governance. In this sense, the sustainability of multi-stakeholder structures seems to be justified not only as an efficient

managerial response to the conflicts of the balance of multiple goals (Bacchiega and Borzaga, 2003), but mainly as CSR instruments for improving the organizational capital trust on the whole.

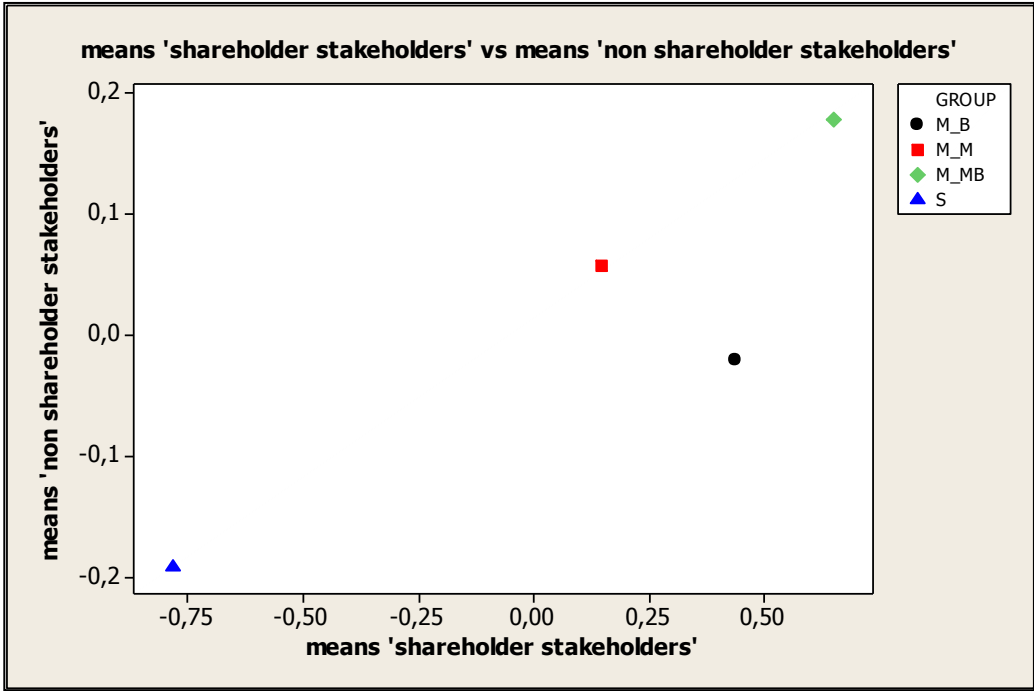


Figure 2. Scatter plot of the means of the final points expressed in the two aggregate measures

20. Conclusion

One of the main issue concerning the modern theory of the firm has to do with the critical relationships between control systems and entrepreneurial behavior. (Thomas, 1997) As noted in the previous chapters, stakeholder theory includes moral assumptions on the forms of governing the firms according to the eco-system of actors with which they operate and co-evolve. However, the need for broaden the relationships between the enterprise and its stakeholders for improving the CSR performance was focused mainly on issues involving information disclosure and the implementation of internal procedures aimed to

develop social accountability processes towards the external environment. Another possible configuration of the relationships between the firm and its stakeholders, that is the normative stakeholder approach and issues involving the 'social contract theory' and the re-allocation of control rights between shareholders and organizational stakeholders, was mainly closeted to philosophical and ethical discussions. This is mainly due to the strong and mainly exclusive nature of the firm's propriety rights, and the typification of the role assigned to the management in governing big market firms for profit-making purposes.

On the other hand, recent transformation in the welfare systems of the European countries led to a dramatic change in voluntary organizations, favoring processes of organizational change that deeply transformed their ownership and board structures on multi-stakeholder bases. Unlike private firms, therefore, the stakeholder and CSR approaches to the management of the firm are called to confront themselves not only with social accountability practices, but also with the nascent issue of the multi-stakeholder governance structures. What are the appropriate governance models for multi-stakeholder organizations? What are the entrepreneurial advantages they can give birth? What the advantages for the beneficiaries?

Future research policies will have to gain further knowledge from explorative researches on multi-stakeholder social enterprises, especially from comparative studies on the CSR and economic performance of single-stakeholders' multi-stakeholders'. This empirical indication will prove to be purposeful for the organizational survival of the multi-stakeholders'. In fact, the most important criticism moved to multi-stakeholder governance structures by the economic theory of the organizations concerns the insufficient flexibility to the environmental changes, due to the conflicts that would emerge among different stakeholders, in terms of goal setting ambiguity, uncertainties and decisional slowness, with subsequent increase of 'costs of the ownership' (Tirol, 1994).

On the contrary, a comparative qualitative study on Italian multi-stakeholder and single-stakeholder social co-operatives (Fazzi, 2007) hardly denied these

assumptions. This empirical analysis demonstrated higher positive correlations between multi-stakeholder governance structures, cost efficiency, and net revenues when compared to single-stakeholders'. The research revealed that organizations with multi-stakeholder structures tend to disseminate more information in and around the organization than single-stakeholders do, so to decrease information asymmetries among members and between members and the primary stakeholders. The research revealed that the higher the number of stakeholder categories involved in the organizational activities and their centrality in the social networks of the organization, the higher the probability of an effective and accurate organizational disclosure of information. On the contrary, organizations managed only by workers showed poor information systems and lack of strong social ties towards the environmental stakeholders (Fazzi, 2007). Furthermore, it demonstrated that the higher the involvement of different categories of stakeholders in the governance structures, the higher the degree of disclosure, and the lesser the opportunities for a single group to monopolize strategic information for its own way. And this was clearly appeared from data comparison on the higher quantity and quality of information exhibited by the multi-stakeholders', the higher degree of information available by users and parents on service quality requirements and goal-setting, with opportunities to exert pressures for bridging information deficits and re-balancing the power compared with worker members. Again, the network's centrality of those stakeholders with representative members that sit on the board seems to mark the difference in terms of user involvement performance and level of informal social ties with community stakeholders, especially when volunteers are also formally involved. Finally, another important comparative finding concerns the overall degree of reliability and clearness of the organizational information. In multi-stakeholder organizations, contacts and organizational languages used by workers and staff to communicate with users and their parents were found more plain and intelligible than in single-stakeholders'. In this sense, exchanges of information among peers have proved to be a decisive factor to disseminate reliable information among different categories

of stakeholders, reducing information asymmetries for trust and social capital advantages. Consequently, social cohesion in exercising control rights among 'shareholder stakeholders' turns highly facilitated because of higher transparency and trustworthiness in contacts and communications between worker members, users and other organizational stakeholders.

Shortly, these overall findings emerging from different comparative analyses between different stakeholder configurations of governance structures aim to encourage to make progress in the research on the organizational dynamics that affect the current corporate governance models of nonprofits and social enterprises. At the same time, a lot of limits and constraints affect the strategic patterns of stakeholder involvement for the introduction and the survival of the multi-stakeholder governance structures. Although multi-stakeholders structures prove themselves to be better suited to motivate and involve worker members and the organizational stakeholders in sharing organizational control and attracting heterogeneous resources for improving the social capital and the volunteering at the grassroots, organizations with less social capital and strong social ties with community stakeholders suffer higher constraints to advance stakeholder involvement practices and to balance efficiently the organizational multiple objectives. In order to promote strategies of stakeholder involvement, managers and worker members should be primarily question themselves about the real reasons that lead to the adoption of an open model of corporate governance oriented to the stakeholders. As a matter of fact, issues on the stakeholder involvement need for the support of an adequate mix of organizational incentives which should be previously tested in accordance with the strategic thinking adopted to put into action the stakeholder mapping model of the firm.

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QUESTIONARIO PER IL PRESIDENTE (SINTESI)

A. STRUTTURA ORGANIZZATIVA

A. 1 A quale tipologia istituzionale appartiene la cooperativa? [Scegliere l'opzione corrispondente]

A	B
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A. 2 In quale periodo è stata formalmente istituita la cooperativa?

nel 1991	tra il 1992 e il 1996	tra il 1997 e il 2001	tra il 2002 e il 2006	nel 2007
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A. 3 Come è nata la cooperativa? [Scegliere UNA SOLA opzione di risposta]

A	grazie ad un contributo rilevante di un ente pubblico (ASL, Comune ...)
B	per trasformazione di un'associazione già esistente
C	per "gemmazione" da un'altra cooperativa
D	per iniziativa di un ente del privato sociale/nonprofit
E	per iniziativa di un gruppo informale di cittadini promotori (es: un gruppo di amici/conoscenti di utenti e/o loro familiari ...)
F	per iniziativa di un singolo individuo promotore
G	altro (specificare)

A. 4 Di quali categorie di soci si costituisce la base sociale della vostra cooperativa? [barrare la rispettiva opzione anche se in cooperativa è presente un solo socio appartenente ad una categoria]

A	lavoratori (soci ordinari)
B	collaboratori retribuiti
C	volontari
D	utenti/fruitori
E	svantaggiati (per le coop. B e miste)
F	soventori (finanziatori a vario titolo)
G	persone giuridiche – associazioni
H	persona giuridiche – imprese lucrative
I	altri (specificare)

A. 5 Di quante persone si compone il totale della forza lavoro remunerata impiegata nella sua cooperativa (soci lavoratori + collaboratori retribuiti non soci + soci svantaggiati se di tipo B)? [Barrare la casella corrispondente]

Da 3 a 15	da 16 a 50	da 51 a 100	da 101 a 250	oltre 250
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A. 6 Quanti volontari (soci e/o convenzionati) operano abitualmente in cooperativa? [Scrivere nei riquadri sottostanti]

numero di soci volontari	
numero di volontari convenzionati (non soci)	

A. 7 Quale tra le seguenti attività svolgono abitualmente i volontari (soci e non)?

[Se necessario scegliere anche più di un'opzione]

A	servizi professionale agli utenti
B	funzioni amministrative
C	funzioni di supporto agli operatori
D	accompagnamento di utenti
E	animazione sociale e/o culturale
F	contrattazione dei servizi ai tavoli delle politiche sociali
G	altro (specificare)

A. 8 [Per la cooperativa di tipo A] Quanti sono, in via approssimativa, gli utenti complessivi serviti nell'anno 2007 dalla cooperativa? [Scegliere una sola opzione]

da 1 a 50	da 51 a 200	da 201 a 500	da 501 a 800	da 801 a 1200	da 1200 ai 1500	da 1500 a 2000	oltre 2000
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A. 9 [Per la cooperativa di tipo A] Quanti tra gli utenti complessivamente serviti dalla cooperativa nell'anno 2007, in percentuale, sono utenti senza specifici disagi (senza considerare tra questi ultimi i minori e gli anziani autosufficienti)? [Scrivere la percentuale nell'apposito riquadro]

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A. 10 [Per la cooperativa di tipo A] Quanti sono gli utenti e/o familiari degli utenti che sono anche soci e a quanto ammontano in percentuale sul totale dei soci della cooperativa? [Scrivere la percentuale nell'apposito riquadro]

numero di utenti e/o familiari di utenti soci della cooperativa	
% utenti e/o familiari di utenti soci sul totale dei soci della cooperativa	

A. 11 [Per la cooperativa di tipo B] Quanti sono i soci svantaggiati in inserimento lavorativo e a quanto ammontano in percentuale sul totale dei soci della cooperativa? [Scrivere la percentuale nell'apposito riquadro]

numero di soci svantaggiati	
% di soci svantaggiati sul totale dei soci della cooperativa	

A. 12 In quale settore di intervento opera in via prevalente la cooperativa?
[Scegliere UNA SOLA casella]

socio-assistenziale	sanitario-riabilitativo	educativo-formativo	inserimento lavorativo
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Indicare qui sotto ulteriori settori di intervento in cui opera la cooperativa (scelti tra quelli sopraelencati)

B. STAKEHOLDER GOVERNANCE

PARTECIPAZIONE DEL LAVORATORE

Riunioni del board					
Supporto alle decisioni manageriali					
Attività di gruppo interne					
Attività di gruppo esterne					
Discussioni e incontri su problematiche dei servizi					
Discussioni e incontri sulla mission d'impresa					
Discussioni e incontri sulle politiche sociali					

COINVOLGIMENTO DELL'UTENTE

Riunioni del board					
Supporto alle decisioni manageriali					
Attività di gruppo interne					
Attività di gruppo esterne					
Discussioni e incontri su problematiche dei servizi					
Discussioni e incontri sulla mission d'impresa					
Discussioni e incontri sulle politiche sociali					

COORDINAMENTO INTER-ORGANIZZATIVO

Coordinamento con consorzi locali					
Coinvolgimento in attività di servizio con altre cooperative sociali					
Coinvolgimento in partnership pubblico-privato					
Coinvolgimento in politiche sociali per contrattazione di servizi					
Relazioni con finanziatori etici/sociali					
Relazioni con organizzazioni di volontariato					
Relazioni con altre OTS e associazioni locali					

ATTIVITA' DI ADVOCACY

Assicurare i diritti sociali dei cittadini					
Campagne per sensibilizzare ed educare la collettività su problematiche di natura sociale					
Raccolta fondi					
Promozione e sviluppo di collaborazioni con associazioni sportive, culturali e di comunità					
Promozione e sviluppo di collaborazioni con parrocchie e associazioni religiose					
Promozione e sviluppo di collaborazioni con associazioni familiari					
Promozione e sviluppo di collaborazioni con università e centri di ricerca					

C. INFORMAZIONI AGGIUNTIVE

C. 1 Nel corso dell'anno 2007, quante volte si è effettivamente riunito il consiglio/organo direttivo? [Scrivere il numero delle riunioni, anche approssimativo, nell'apposito riquadro]

C. 2 Da quali categorie di soggetti è composto, in numeri, il consiglio/organo direttivo della cooperativa?

CATEGORIA	NUMERO	INTENSITA' DI PARTECIPAZIONE ALLE RIUNIONI PER CATEGORIA			
		Nulla	Scarsa	Media	Alta
lavoratori remunerati (soci e non, esclusi i soci svantaggiati nelle cooperative di tipo B)					
volontari (soci e/o convenzionati)					
utenti e/o loro familiari					
soci svantaggiati (solo nelle cooperative B)					
finanziatori (soci e non)					
persone giuridiche (es: rappresentanti di associazioni, imprese ...)					

altro (specificare)		
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C. 3 Agli utenti e/o loro familiari eventualmente inseriti nel consiglio/organo direttivo della cooperativa sono affidati incarichi di responsabilità particolare?

 SI

 NO

Se si, può sinteticamente indicarmi quali ?

C. 4 A parte gli incontri previsti dall'organizzazione (assemblea e consiglio), si realizzano altri incontri non istituzionali per discutere aspetti legati alle attività e/o alle strategie dell'organizzazione (ad esempio, riunioni per discutere particolari tematiche sull'oggetto dei servizi della cooperativa)? [Se no, passare a B. 8]

 SI

 NO

C. 5 Quali soggetti partecipano a questo tipo di incontri e con che frequenza?

		mai	di rado	talvolta	spesso
A	i soci lavoratori				
B	i volontari				
C	utenti (o soci svantaggiati) e/o loro familiari				
D	i lavoratori dipendenti/collaboratori della cooperativa non soci				
E	gli esponenti della comunità locale a vario titolo coinvolti nell'attività della cooperativa				
F	altri soggetti esterni alla cooperativa e non riconducibili in modo diretto alla comunità locale				

C. 6 In particolare, indichi quale tra le precedenti categorie vi risulta essere quella maggiormente coinvolta nell'organizzazione e nella partecipazione a questo tipo di incontri

C. 7 Indichi brevemente contenuti e modalità di svolgimento di una o due tipologie di questi incontri

1. _____

2. _____

C. 8 Nelle attività di gruppo dedicate all'organizzazione sono coinvolti anche gli utenti e/o i familiari (o utenti/soci svantaggiati e/o loro familiari per cooperative di tipo B) ? [Se no, passare a B. 11]

A	no
B	si, solo utenti
C	si, solo familiari
D	si, sia utenti che familiari

C. 9 Con che frequenza avvengono queste attività di gruppo dedicate all'organizzazione?

A	mai
B	raramente
C	talvolta
D	spesso

QUESTIONARIO PER IL LAVORATORE

VARIABILE LAVORATORI

Quanto ritieni importante il coinvolgimento dei tuoi colleghi soci lavoratori nella definizione degli obiettivi organizzativi?					
Quanto ritieni importante il coinvolgimento dei tuoi colleghi soci lavoratori nelle decisioni d'impresa?					
A quanti colleghi soci lavoratori chiederesti aiuto per cercare un nuovo lavoro?					

VARIABILE VOLONTARI

Quanto importante è il coinvolgimento dei volontari per consolidare relazioni di fiducia con gli utenti della cooperativa?					
Quanto importante è il coinvolgimento dei volontari nelle decisioni d'impresa per rendere più consapevoli i soci lavoratori sulle implicazioni etiche e sociali dell'agire d'impresa?					
Quanto importante è il coinvolgimento dei volontari nella definizione degli obiettivi d'impresa?					

VARIABILE UTENTI

Quanto importante è il coinvolgimento degli utenti della cooperativa nelle fasi di progettazione ed erogazione del servizio?					
Quanti contatti hai stabilito (anche saltuariamente) con gli utenti della cooperativa al di fuori degli orari di servizio per interessarti delle loro condizioni generali di salute?					
Quanti contatti hai stabilito (anche saltuariamente) con gli utenti della cooperativa al di fuori degli orari di servizio per continuare attività legate ai servizi?					

VARIABILE OTS

Quanto importante stabilire collaborazioni e svolgere attività congiunte con altre cooperative e organizzazioni di terzo settore per il miglioramento della qualità dei servizi?					
Quanto importante stabilire collaborazioni e svolgere attività congiunte con altre cooperative e organizzazioni di terzo settore per il miglioramento delle relazioni sociali dell'impresa con gli attori della comunità?					

VARIABILE COMUNITA' (IMPEGNO CIVICO)

Letture su tematiche civiche e sociali					
Interesse ai dibattiti sulle politiche sociali					
Livello di partecipazione ad incontri e convegni riguardanti tematiche civiche e sociali					