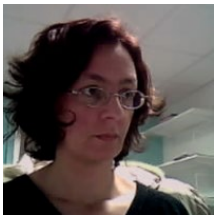


# THE DIVERSITY OF SOCIAL ENTERPRISES IN PORTUGAL: FROM INSTITUTIONAL TRAJECTORIES TO ORGANISATIONAL CHARACTERISTICS

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## INTRODUCTION

Among the range of concepts that populate the third sector of organisations and practices between the State and the market economy, this paper focuses on social enterprises, addressing meanings, organisations and practices for an understanding of the panorama of social enterprises in Portugal. It is a concept initially used on both sides of the Atlantic in the late 1980s (Defourny and Nyssens 2010) and gained increasing popularity in academia, politics and organisations around the world.

One of the most important contributions within the Anglo-Saxon School of social enterprises is that of Gregory Dees(1996), which placed this type of organisation within the scope of two extremes – a “purely philanthropic” and a “purely commercial” pole. Social enterprises have been described as “hybrid”, choosing from a range of business models, combining commercial and philanthropic elements. Emerson and Twersky (1996) discussed the adoption of business methods to achieve organisational effectiveness of social sector organisations, paving the way for other authors who, in the late 2000s, forwarded concepts such as double bottom line and blended value.

The European School focused less on the issue of resources, identifying a new type of organisation emerging from social economy, innovative in organisational forms and activities. To identify social enterprises, this School proposed an approach consisting of a set of economic, social and governance criteria, pointing to an “ideal type” of social enterprise.(Defourny and Nyssens 2010). Taking stock of the distinctive characteristics of social enterprises in Europe, Borgaza and Santuari (2003) highlighted that they differed from other organisations in social economy in that they demonstrate productive and entrepreneurial behaviour; finance their activities with a wider range of resources; tend to innovate in the provision of services, aiming at empowering the most marginalised groups; give more emphasis to the aims of benefiting a community and are participatory and democratic in nature.

While it is clear that one of the differences between the European and the Anglo-Saxon Schools lies in the importance given to the participatory and democratic dimension, absent in the Anglo-Saxon School, another, more subtle difference, is found in the very concept of economics. The European perspective is based on the concept of substantive economics – currently dependent on the conceptualisation of Karl Polanyi (2012), but traditionally rooted in the concept of social economy – and the entrenchment of economy of society. The Anglo-Saxon perspective perceives economy only as market economy, which leads to the conception of a tension between social and economic (mercantile).

Currently, the concept of social enterprise asserts itself as a field of research and training and has become relevant in policies, giving rise to legal statutes and legal forms or dedicated policies (European Commission 2020), as has been the case with several European Commission initiatives, such as the Social Business Initiative, with an impact on countries where the concept was hardly used, such as Portugal.

In the relatively recent structuring of a third sector of social economy in Portugal, we note the discussion of the Basic Law of Social Economy, where the concept of social enterprise took on a contested connotation (Ferreira 2015), which marks debates in Portugal to this day. Concerns about the use and meaning of the concept are mirrored in the

Recommendations of the 2017 National Congress of Social Economy, which has led to some paralysis regarding the definition of a legal statute or legal form.

This text stems from the work developed within the scope of the TIMES research project – Institutional Trajectories and Models of Social Enterprise in Portugal, at the Centre for Social Studies<sup>1</sup>, the main aim of which is to deepen knowledge about the meanings, organisational characteristics, institutional frameworks and roles of social enterprises in Portugal.

The project fits into the European perspective of social enterprises, relating to the international study ICSEM – International Comparative Social Enterprise Models, coordinated by Jacques Defourny and Marthe Nyssens. In this context, it is believed that social enterprises are shaped either by specific national contexts or more general trends that place these organisations in relation to the welfare state. It is also thought that, regardless of the use or otherwise of the social enterprise label, or the existence or otherwise of a legal status or legal form, one may, based on a set of organisational characteristics, approach the concept as an ideal type, that is, in relation to which reality can be analysed.

Therefore, this paper is divided into three parts. The following is based on a review of studies carried out on social enterprises in Portugal, demonstrating that, over time, the concept has been applied to different types of organisations from different academic traditions. Secondly, in line with the European tradition of studies on social enterprises and given that social enterprises are shaped by trajectories in specific historical-institutional contexts, we have identified five models of social enterprises in Portugal. Thirdly, we highlight the specific organisational characteristics in the multidimensional dimensions of the different models of social enterprise.

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## STUDIES ON SOCIAL ENTERPRISES IN PORTUGAL

The first mention to social enterprises in Portugal was by Eloisa Perista (2001), within the scope of international projects of the EMES network. The author describes CERCIC (Cooperatives for the Rehabilitation of People with Disabilities) as an example of social enterprise in Portugal. This work had an impact on the inclusion of Portuguese social cooperatives in international literature. Defourny and Nyssens (2010) identified a specific trajectory for southern European countries, with the emergence of social cooperatives seen in the context of the presence of a strong welfare-based society and a cooperative tradition in the post-April 25<sup>th</sup> period, playing an important role in the dissemination of democratic and participatory values in the social sector.

Also within the scope of their involvement in the EMES network, Eloisa Perista and Susana Nogueira (2007; 2002) studied work integration social enterprises, or WISE, identifying Integration Enterprises, Protected Employment Centres and Enclaves. The authors contextualised the emergence of WISE in Portugal from a set of socioeconomic conditions that required more effective intervention in terms of labour integration. Roger Spear and Eric Bidet (2005) compared WISE in twelve European countries, framing the Portuguese case together with France, Ireland and Belgium, where social enterprises do not enjoy specific and exclusive legal acknowledgment and may operate under multiple legal forms and be created by non-profit organisations.

In 2007, another group of organisations was studied as social enterprise – IPSSs (Private Social Solidarity Institutions). In the European study, Study on Practices and Policies in the Social Enterprise Sector in Europe, Heckl et al. (2007) focused on the best European practices and public policies that fostered the development of social enterprises. The study provided a broad view of social enterprises in Portugal, which it defined as: “non-profit, private organisation, aimed at some local, social or solidarity development objective” (Heckl et al. 2007, 2). Also, the national report (European Commission, 2014) of the European study Map of social enterprises and their eco-systems in Europe argued that both IPSSs and social solidarity cooperatives fit the following criteria: i) development of continuous economic activity producing goods and/or services; ii) explicit and main social

object that benefits society; iii) limits on the distribution of profits and/or assets to privilege the social object; iv) organisational autonomy vis-à-vis the State and for-profit organisations; v) inclusive governance, characterised by democratic participation in decision-making processes (European Commission, 2015).

More recently, the concept of social enterprise has been applied to a wide range of legal forms and legal statutes, including both forms of social economy and commercial companies in the SEFORIS (“Social Entrepreneurship as a Force for More Inclusive and Innovative Societies”) project. This approach tends to invoke the concept of social entrepreneurship as the basis for social enterprises. The SEFORIS project provided as a definition of social enterprise: organisations that use market-based activities to meet social needs” (Stephan 2017, 1). In general, the concept of social business appears in economic literature and in management indiscriminate from that of social enterprise. Cat (Cat 2010, 119) describes social business as “one of the most powerful instruments of the social entrepreneur” and as “a new way of doing things” that contributes to the process of social innovation.

In 2019, the national report of the study Social Enterprises and Their Ecosystems in Europe (European Commission, 2019) included, in addition to the organisations that we discussed so far, social economy organisations working in the area of local development and housing, as they meet the criteria of the operational definition proposed by the European Commission for this study.

In short, as this brief review suggests, empirical references to social enterprises have varied over time, referring to different types of organisations and objectives, different contexts and definitions. Currently, different traditions coexist, none of them self-identifying primarily with the concept of social enterprise, preferring other concepts such as social economy, solidarity economy, cooperatives, impact business, etc.

## HISTORICAL TRAJECTORIES AND SOCIAL ENTERPRISE MODELS

In this section we identify models of social enterprise in Portugal from their institutional trajectories. Defourny and Nyssens (2017) proposed a typology based on the idea that social enterprises emerge from a set of trajectories away from organisations that typically fit or approach the general interest (typical of the State and philanthropic organisations), mutual interest (typical of cooperatives and mutuals) and capital interest (typical of for-profit companies). The authors hence propose four trajectories that give rise to the emergence of social enterprises: 1) social cooperatives are the result of a trajectory of mutual interest towards the general interest; 2) entrepreneurial non-profit organisations, resulting from a trajectory closer to the general interest towards the interest of capital; 3) public sector social enterprises, resulting from the privatisation of public services to forms of social economy and 4) social business, combining the aim of profit with the pursuit of aims of general interest, follows the trajectory of capitalist interest towards the general interest.

Bearing in mind the institutional frameworks, one may sketch the contours of different models of social enterprise in Portugal, some of which are related to the models identified by Defourny & Nyssens (2017). One can find similarities between the model of social cooperatives, entrepreneurial non-profit organisations and social businesses. However, we add the model of work integration social enterprises and solidary economy enterprises, which the authors subsume in the entrepreneurial non-profit organisation model. On the other hand, we find social enterprises less present in the public sector.

We can identify, with emergence in the second half of the 1970s, strongly influenced by the context of the Democratic Revolution and the dynamism of the cooperative movement, social cooperatives, of which CERCI were pioneers, subsequently institutionalised in the specific cooperative branch of social solidarity cooperatives, when the Cooperative Code was revised in 1996. CERCI were created by parents and professionals, with the support of local authorities, to address needs in terms of education, training and integration through work of children with mental disabilities.

Their trajectory from the mutual interest typical of cooperatives to the general interest was reinforced by the legislation on social solidarity cooperatives, which, for example, prohibits the distribution of surpluses, and by making them equivalent to IPSSs.

In the 1980s, another model of social enterprise emerged, that of the entrepreneurial non-profit organisation, historically marked by the construction of a welfare state in the context of an international crisis. The most significant group that fits this model is IPSSs. The Statute, granted by the Social Security administration, proves them close to the general interest by defining them as: “legal persons, not for profit, established exclusively by initiative of private individuals, with the purpose of giving organised expression to the moral duty of justice and solidarity, contributing to the achievement of citizens’ social rights...” (Art. 1, Decree-Law no. 172-A/2014, of November 14<sup>th</sup>).

Most of these services are provided through cooperation agreements, where the number of users supported by the State is enshrined. These agreements are not even commercial in nature, as they do not correspond to full payment of the cost of services, but neither are they subsidies, as they do not have a limited duration. Users bear part of the costs of services through payments that do not correspond to the market value, varying according to income, as determined by the rules that govern cooperation between the State and IPSSs. These agreements were highlighted by Heckl and Pecher (2007) as the best support practices for social enterprises in Portugal.

In these organisations, both before the existence of the welfare state and in its weakening, there is an orientation towards the search for financial resources in the market through secondary or instrumental activities, of which a prior example is social pharmacies or funds savings banks of mutuals and misericórdias, or in the recent amendments to the IPSS Statute that sought to make it easier to pursue secondary commercial activities, for example, by creating commercial companies.

In the 1990s, another type of company became relevant, the work integration social enterprise, driven by public policies to promote employment, which had their utter expression in the 1996 Social Labour Market. This created the integration enterprises and

integrated the protected employment centres and enclaves, existing since 1983. These are, mainly, productive units aimed at social integration through work of people in situations of vulnerability, either because they are excluded from the labour market, or because they have a disability that makes it hard for them to enter the regular labour market. The fact that, for the most part, these companies were created as productive units within non-profit organisations suggests a trajectory of general interest towards common interest.

A reorientation of the preference of public policy for integration in the open market, through supported employment, has ended the support programmes for this type of companies, which has led to significant decline. We highlight, however, the exception of the Autonomous Region of the Azores, where there still is significant dynamism in this sector, supported by a network of organisations and public policy that promotes a Social Labour Market (ACEESA 2010).

Also, from the 1990s onwards, we note the emergence of a new model, social enterprises of the solidarity economy, whose specificity lies in a trajectory mainly from the associative and cooperative field towards a market-oriented pole, despite not having capital as their main interest. In this model there is an even greater need to open the meaning of economic to a more plural perspective of substantive economics.

The origins of this model go back to two main lines, one related to the development of local development organisations and networks and the other related to the use of the concept of solidarity economy, in the Azores, in employment promotion initiatives alternative to assistance interventions (Amaro 2009). In both cases, European funding programmes were important, supporting projects aimed at preventing the social and economic decay of the territories and their inhabitants, by promoting economic activities. More recently, new types of organisations oriented towards sustainable local development and environmental protection have joined in, acknowledged as solidarity economy, with the explicit aim of being an alternative to the dominant market economy.

Finally, since the 2010s, a new type of organisations emerges, strongly associated with the concepts of social entrepreneurship and social innovation, social business. It is a model



promoted, above all, by consultants and in management schools, by European policies and new financial tools of “social investment”. In this regard, the organisational form is not relevant, and entrepreneurs can choose the one that best adapts to their social innovation. They aim to reconcile social and market objectives, drawing their financial sustainability from market resources and being inspired by management models of for-profit companies. In Portugal, this model does not raise the question of whether there are limits to the distribution of profits or mandatory reinvestment, which creates difficulties in distinguishing between social and for-profit companies.

#### ORGANISATIONAL CHARACTERISTICS AND SOCIAL ENTERPRISE MODELS

In this section we focus on the way in which the social, economic and governance dimensions, defined in the European School, are manifested in the different social enterprise models in Portugal. In the social dimension, the criteria include explicit social objectives, limited profit distribution and originating in a group of citizens or third sector organisations. The economic dimension includes criteria such as the existence of productive activity, the existence of paid work and some economic risk (related to the origin and combination of resources). The governance dimension includes decision-making autonomy, participatory nature involving parties affected by the activity and decision-making power not based on capital.

In the case of social cooperatives, the strongest dimension lies in participatory governance, ensured by the cooperative form, which determines the sovereignty of the general assembly of members and the democratic principle of 1 person 1 vote. It is also present in its multi-stakeholder nature, by including professionals and beneficiaries in its ownership and governance. The social dimension is also important, reinforced, in the case of social solidarity cooperatives, by their assimilation to IPSSs and the prohibition on the distribution of surpluses. With regard to the economic risk dimension, this model may be more dependent on public resources when it serves vulnerable publics, with scarce capacity to share costs, as is the case of people with disabilities or at risk of social exclusion.

In the evolution of this model we find new types of social cooperatives that do not belong to the social solidarity cooperatives branch, such as those oriented towards environmental sustainability or certain disadvantaged social groups. In these social cooperatives there may be greater heterogeneity of resources, including members' and market resources.

In the case of entrepreneurial non-profit organisations, the most relevant dimension is social, either because they are generally associations or foundations created by groups of citizens who want to support third parties, or because the inclusion of many of these organisations in the IPSS Statute and in the scope of relations with the welfare state brings them closer to the public interest.

The dimension of economic risk is relevant and results from the model of cooperation with the State, where it is assumed that the burden of expenses is shared between the State, users and the organisation. This is the model in which the retreat of the welfare state is most felt, with an increasing pressure to seek resources through sales in the market, which, for many organisations, is also a way of reducing State control over their activities. It is in this model that one more frequently finds the development of commercial instrumental activities unrelated to the mission, and it is also in it, particularly among IPSSs, that more doubts arise about the legal and fiscal framework of said resources.

The dimension of participatory governance is relatively weak in this model, not only because it tends to include foundations, but also because there is weak mobilisation and adherence by members to the democratic mechanisms of associations. The professionalization of organisations, largely resulting from the demands of the services they provide, means that the instances of participation occur mainly at the level of technical personnel and, ultimately, of the other workers.

In the case of work integration enterprises, we stress the relevance in them of the economic dimension, in a double aspect. On the one hand, the development of productive activity and the labour environment is itself the mechanism of social inclusion. On the other hand, these companies tend to operate in the market by selling their products and services, whence they derive an important part of their resources. It is important to note, however,

that public funding also plays an important role in sustaining these companies, especially in early years, given that their aims of labour inclusion make them less competitive.

The dimension of democratic governance is the weakest in this type of social enterprise since, for the most part, they are part of non-profit organisations, thus having no own governance bodies.

The model of social enterprises in the solidarity economy stands out for its strong participatory governance. This governance goes beyond the smooth functioning of formal democratic bodies, typical of cooperatives or associations, as it tends to include formal or informal instances of involvement and participation by a wider range of stakeholders and, in particular, the communities where they are installed, having porous organisational boundaries. It also tends to be a model where organisations are more involved in governance, through networking, dialogue and pressure with local or national authorities, with the aim of pursuing the transformative model they propose.

The economic risk dimension is also relevant. When proposing an economy at the service of society, they seek their economic sustainability in commercial activities that they develop by experimenting with alternative forms anchored in the principle of reciprocity such as social currencies, fair trade, short circuits of production and consumption, etc.

With regard to the social dimension, this model tends to position itself relatively far from the general interest represented by the State, preferring to maintain distance in relation to public programmes and financing that deviate from its alternative mission. Many such enterprises have a society project that goes beyond the groups and territories involved.

The social business model does not have a typical legal form; it is that where one finds both the legal forms of social economy, often associations, and commercial companies or even a combination thereof.

The strongest dimension of this model is economic, from a market perspective. They perceive market and/or business models as the most suitable to pursue their social mission.

This includes the possibility of using these instruments as a strategy for growth or dissemination, which is perceived as allowing, simultaneously, the amplification of social impact and the sustainability of organisations.

Regarding the social dimension, there is an emphasis on individual social entrepreneurship, in the case of social transformation projects with strong personal nature, where the trajectory and inspiration of the entrepreneur shape the organisation's vision and mission – an aspect that can also be found in the early stages of organisations of other models.

With regard to democratic governance, this is the model where it has less importance, due to the leadership of the individual entrepreneur, because it is believed that it may collide with efficiency needs, or because the form of commercial company does not include democratic governance.

## CONCLUSION

In this paper we have brought some results of a research project on social enterprises in Portugal, in relatively abbreviated form, to give an account, albeit modest, of the enormous empirical wealth of this field.

Regardless of the organisations' self-identification with the concept of social enterprise, or of whether some type of legal framework acknowledges their existence, we believe that the analytical approach followed is useful to inform a denser look at this field of organisations and practices, and entails the need to continue to learn more and better.

Taking into account the specific institutional contexts that shape different trajectories and organisational forms and taking a three-dimensional approach to organisations in their social, governance and economic aspects helps bring to light not only the diversity of the field, but also the challenges that different models of social enterprises face, internal and external, and the way in which the existing legal and institutional frameworks can limit or enhance the dynamics of society in solving social and societal problems.

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