



**JOURNAL OF ORGANIZATION DESIGN CONFERENCE: NEW  
TRENDS IN ORGANIZATION DESIGN**

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# **How It Looks Like If You Dare To Care: Exploration Of Trends In Organization And Functioning Of Social Enterprises Across 11 European Countries**

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# How It Looks Like If You Dare To Care: Exploration Of Trends In Organization And Functioning Of Social Enterprises Across 11 European Countries

## *Social enterprises*

*Balancing between gaining social impact and generating sustainable source of economic survival.*

## *Social entrepreneurs*

*Can be defined as individuals who are able to bring about social innovation in various fields.*

Social entrepreneurship is increasingly attracting the interest of academia, practice and policy makers.

- **Practitioners** - are recognizing social enterprises as organizational type able to meet the needs of contemporary complexity;
- **Academics** - are appreciating them for their
  - orientation towards innovative problem-solving (Monzon, Chaves, 2012; Leadbeater, 1997),
  - new models in delivering public and social services (Brandsen et al., 2005; Defourny, Nyssens, 2010)
  - the ability to produce small changes in the short term that reverberate through existing systems to catalyze large changes in the longer term (Alvord, Brown and Letts, 2004).
- **Policy makers** - potentials to serve as remedy to cure structural 'sins' at economic, political and social level that all extended from the 1990s onwards (unemployment, decreased social trust, social capital and civic engagement, etc.)

# ABOUT THE RESEARCH

- November 2013 – 3 years to go
- 11 European countries: Albania, Austria, Denmark, England, France, Germany, Italy, Poland, Serbia, Scotland and The Netherlands (in alphabetical order)
- Our sample covers organizations founded in the 71-year period, from 1944 to 2015.
  - 25.2% of the organizations that were founded between 1994 and 2000, 37.6% of the organizations were established between 2001 and 2010 and 37.1% of the enterprises were established in the period from 2011 to 2015.
  - According to the main legal status, the companies studied are mostly: Cooperative (24%), Company (16.5%), NGO (9.8%), Charity (9.3%), Association (8.2%) and the like.
  - Most of the organizations in the sample state working in the sector of human health and social work activities (25.7%), followed by education (19.7%), arts, entertainment and recreation (10.%) and agriculture, forestry and fishing (7.2% )

## Multimethod design:

- questionnaire – 1500 SEs
- in –depth case study research – 55 cases in total , 5 cases per country
- focus groups and interviews with stakeholders

## WE WANTED TO FIND OUT:

- We wanted to learn more about the social enterprises and their ecosystem, how can we help them develop – what are the **major disabling and major enabling factors** for their survival and growth
- With **quantitative data**, we wanted to see these enterprises through *numbers and patterns*, to recognize so trends; but through in-depth **qualitative** work we wanted to *hear the stories*;
- We wanted to see **if there is a new generation of organization** of this type emerging under surface of well known types;
- We wanted to **understand how they evolve**.

# WHAT IS THAT WE HAVE LEARNED?

## IDENTITY

- Identity perception
- Identity expectations



*“So many people have so many different views of what a social enterprise is, and some people felt **if you’re a social enterprise that you should be doing much more good work** than we do. Also they confuse it with a charity, they think you’re dependent on grants and these sorts of things, so I almost wanted to move away from that identity” (Rachel, Glad Café, Scotland).*

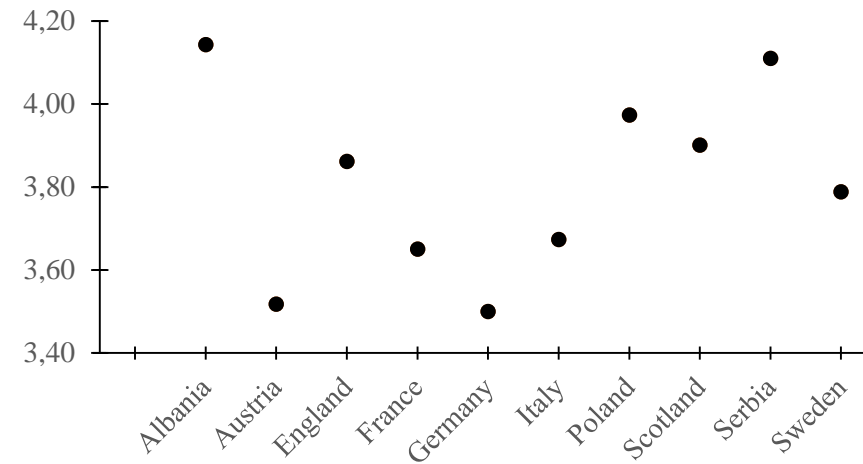
*“I don’t understand why companies get money from juries for the most profitable business model. But **if you have an impactful idea to solve social or ecological problems you get recognition and a handshake** [...]. There is a misunderstanding in our society that beliefs that solving social problems is not profitable. In Austria the main attitude is: **you should not contaminate social or ecological issues with money**”*

# MAJOR DISABLING FACTORS TO THE GROWTH OF THE ORGANIZATION

| Factors  | Mean <sup>1</sup> | Std.<br>Deviation | N <sup>2</sup> | Constraint <sub>3</sub> |
|--|-------------------|-------------------|----------------|-------------------------|
| Lack of funds  | 3.8544            | 1.20330           | 666            | Yes                     |
| The market is too small  | 2.6607            | 1.23685           | 666            | No                      |
| Lack of internal skills  | 2.5826            | 1.17490           | 666            | No                      |
| Lack of interaction with<br>organisation's stakeholders (e.g.<br>members, employees, investors etc.) | 2.4339            | 1.20625           | 666            | No                      |
| Low interest/relations from/with<br>the local community  | 2.4339            | 1.23823           | 666            | No                      |
| Low interest/relations from/with<br>the local authority  | 2.9880            | 1.33990           | 666            | Neutral                 |
| Bureaucracy  | 3.4535            | 1.22938           | 666            | Yes                     |
| Lack of empathy and<br>understanding of what the<br>organisation wants to do                         | 2.7958            | 1.47731           | 612            | No                      |
| Poor marketing and public<br>relations   | 3.6161            | 1.17365           | 620            | Yes                     |
| Lack of knowledge on how to get<br>funds (grants etc.)   | 3.4304            | 1.23466           | 625            | Yes                     |

# FUNDS

- Major finding regarding the financing of the social venture can be summarized as follows:
- Regardless the range of options offered, financing social venture and funding social enterprise seems to be universal problem across 11 European countries we investigated (Figure 1)
- Financing venture occurs as a limitation in the initial stage of development (Table 3) as well as in the current period.
- Government funding is a higher percentage of the limit than from private sources at the initial stage of development (Table 4).
- The same is the conclusion for the current state, and for the perceived future (Table 4).



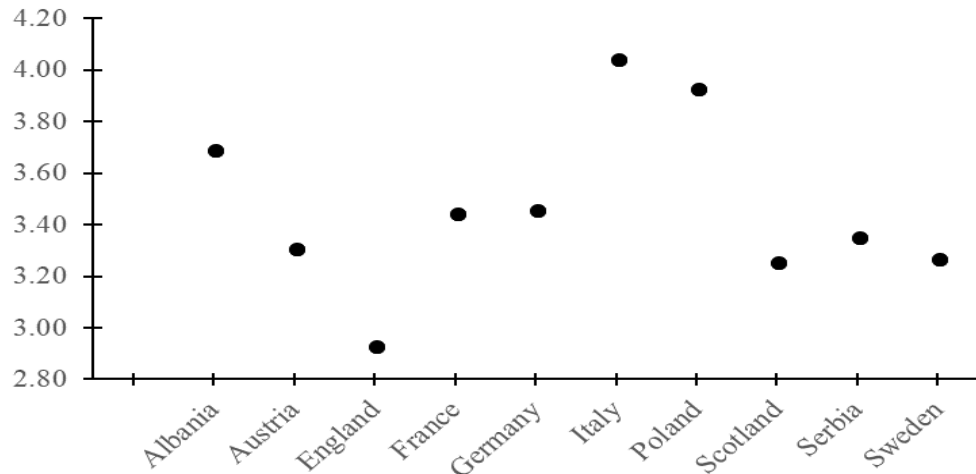
**Figure 1:** Average extent to which lack of funds represent a constraint to the growth of organisation by country

| Sources of funding        | Where did your organisation get the funds to start its activity? |         |      |           | Which funds do you actually use for your activity? |         |      |           |
|---------------------------|--|---------|------|-----------|--|---------|------|-----------|
|                           | Lack of funds as constraint to the growth                        |         |      |           |  |         |      |           |
|                           | Yes  | Neutral | No   | Total     | Yes  | Neutral | No   | Total     |
| Bank loans                | 73.1   | 11.9    | 14.9 | 100 (67)  | 71.8   | 13.6    | 14.5 | 100 (110) |
| Grants from projects      | 76.3   | 10.3    | 13.3 | 100 (300) | 80.8   | 9.0     | 10.2 | 100 (334) |
| Personal savings          | 77.0   | 8.9     | 14.1 | 100 (191) | 82.1   | 7.3     | 10.6 | 100 (123) |
| Donations/<br>Fundraising | 81.0   | 9.1     | 9.9  | 100 (121) | 82.5   | 9.8     | 7.7  | 100 (143) |
| Crowdfunding              | 61.1   | 11.1    | 27.8 | 100 (18)  | 76.5   | 11.8    | 11.8 | 100 (17)  |
| Microcredit               | 81.8   | 0.0     | 18.2 | 100 (11)  | 81.8   | 9.1     | 9.1  | 100 (11)  |
| Regulated market          | 50.0   | 50.0    | 0    | 100 (2)   | 0.0  | 33.3    | 66.6 | 100 (3)   |
| Social investment         | 59.6   | 10.5    | 29.8 | 100 (57)  | 70.0   | 10.0    | 20.0 | 100 (70)  |
| Private investment        | 69.2   | 10.3    | 20.5 | 100 (78)  | 75.9   | 7.6     | 16.5 | 100 (79)  |



# BUREAUCRACY

- Problems deriving from the lack of regulations or their inadequate application are exacerbated by a cumbersome, unwieldy **bureaucracy and increasing administrative efforts** required to manage the formal life of the SEs within the maze of rules characteristic of “old Europe.”
- This trend is more pronounced in settings where the administrative framework of the state is rigid, as in Italy for instance, but it can also be seen in other contexts: for example, it was reported by social enterprises working in the area of ex-Yugoslavia, specifically Serbia.



*“The whole process of choosing the right legal form took several months. All the bureaucracy was just absurd. Another problem was learning how the legal framework surrounding the sector works, especially since an overarching one is non-existent, especially from our perspective. We just want to play theatre not spending all of our time filling out blankets. We have therefore become quite allergic towards all the bureaucracy surrounding our business sector” (SE founder, Teater Psykbryt, Sweden).*

*“There is a lot of bureaucracy. It is different in every town. It is unbelievable. Every city, every official in charge is different. Every school is different. Job center, employment office, municipalities, everybody interferes. There is no red line” (Executive Chairman, Chancenwerk, Germany).*



# MAJOR DISABLING FACTORS TO THE GROWTH OF THE ORGANIZATION

Social entrepreneurship all over Europe is mainly a local phenomenon in the sense that its activities are usually performed at the local level and aim to solve local problems.

Social Entrepreneurship is thus embedded in the local context through relations with consumers/producers, with the local financial sector, local support services, local policy makers etc.

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# ORGANIZATIONAL DESIGN / balancing E & S

- Internally, they face difficulties balancing the dual model and mature;
  - *The hybrid model as they tend to privilege their mission of generating positive social impact over profit or budget lines, with the result that these latter elements are often neglected, especially when companies are young, fragile, weak and not yet sufficiently consolidated.*
  - *With more mature business, Even in contexts in which SEs enjoy more solid institutional support, ensuring that the organisation is healthy enough to guarantee self-sufficiency is a challenge. This can lead to an urgent effort to solidify the business engine by effecting relatively significant internal transformations, even at the cost of granting less space to the SE's initial vision. **Whachado** in Austria found itself at one of these critical turning points at the end of 2012. They had concentrated so much on turnover and accepted so many contracts from paying clients that they ended up generating a bottleneck.*

## RUN INTO RISK OF BEING OVERIDENTIFIED WITH THEIR FUNDER

This tendency for complete identification between the founder and the enterprise is often expressed through the use of birth-related metaphors linked to parenthood:

- *"The business is my baby" is a phrase that was repeated in more than one case study*
- *The founder of **Eco Farma** "is like a father for the project".*
- ***Wert-Voll gGmbH** used a rather similar expression: "This is simply a part of me".*

## METAPHORES

- **FAMILY** – Centralized structures
- **TEAM** – Coordination, trust & respect

**SIMPLE STRUCTURE,  
STRONG INFORMAL COORDINATION,  
TASK CULTURE**

# DEVELOPMENT

| Initial phase (0-6 months)                       | Current experience                                 | Future   |
|--|--|--|
| 1. Bureaucracy                                   | 1. Lack of government funding                      | 1. Lack of government funding                      |
| 2. Lack of government funding                    | 2. Bureaucracy                                     | 2. Bureaucracy                                     |
| 3. Limited public awareness of your organisation | 3. Difficulties getting funds from private sources | 3. Competition with for-profit business            |
| 4. Difficulties recruiting employees             | 4. Lack of favourable tax treatment                | 4. Difficulties participating in public tenders    |
| 5. Low skills and experience of employees        | 5. Low pay of employees                            | 5. Difficulties getting funds from private sources |

IN FOCUS:

New Generation  
of Social  
Enterprises

*TAB. n. 2: EFESIIS Case Study Selection Criteria and Variables*

| Fundamental Selection Criteria  | Requirements   |
|---|--|
| Founded not before 2006 and not after 2012  | Distribution from 2006 to 2012. Exceptions were included, but not more than 1 per country  |
| Variables to be examined locally  | Requirements   |
| Female entrepreneurs  | Due to the high interest of the EC in analyzing gender issues and address gender balance, we encouraged to include in the selection SEs that have women as coordinators/founders/managers  |
| Founders younger than 35 (born not before 1971)   | Discrepancies were tolerated, depending on the specificity of selected cases   |
| Revenue capacity: diversified sources of income (at least 2/3 from non-public sources or at least 1/3 directly paid by final users) | Variety of cases (market oriented, customer driven approach, public/private partnership (PPP), institutional fund raising, donors driven attitude, integrated models...)   |
| Use of ICT tools, viral communication, social media channels and platforms  | The use of ICT can be intended both as a tool for internal communication and management and as a tool for external communication   |
| Field of operation: select among specific sectors of intervention (i.e. green, mobility, smart societal solutions...)               | Fields of operation were country-specific. We recommended selecting at least 3 different sectors   |
| Forms of organizational structure/governance  | <ul style="list-style-type: none"> <li>• Dimensions: small, medium, large</li> <li>• Shape: reticular, web-based, horizontal, "liquid"...</li> <li>• Power/responsibility: i.e. gender balance, generational distribution</li> </ul>                   |
| Legal form  | Specially for those countries where specific legislation for social enterprises is in force  |
| Outreach capacity   | Impact on the territory: from very local to very global  |
| Specific ecosystems   | <ul style="list-style-type: none"> <li>• Enterprises born in specific favorable environment: Impact Hub network, Ashoka or others.</li> <li>• Or at the opposite enterprises able to respond to specific needs or gaps in weak environments</li> </ul> |

# IN FOCUS:

## New Generation of Social Enterprises

- On the basis of the transversal analysis of the 55 case studies carried out in the various target countries – Italy, Sweden, England, Poland, Scotland, Serbia, Albania, France, Germany, the Netherlands and Austria – **we cannot unequivocally claim that a “new generation” of social enterprise, different and independent from the previous ones, actually exists.**
- Instead, our empirical evidence allows us to state that **there exists a broad new-generation sphere for social enterprise.** It is a hybrid space, a space that hosts many heterogeneous entities and brings together new and old actors who adopt approaches, languages, work styles and tools which (considered all together) attest to a significant renewal in ways of doing social enterprise.
- Brakes two well established stereotypes:
  - The emerging start-up scene: *individuals who are young from a strictly demographic point of view; instead, it is primarily populated by middle-aged men and women who – for various biographical and professional reasons – decided to invest new energy in their fully developed and not necessarily problematic or incomplete life paths*
  - Position of a leader - *the figure of the entrepreneur does not in fact stand alone in the position of hero, as the founders’ charisma is often accompanied by multi-actor and collective work and this endeavour cannot be reduced to the drive of a single individual*

# INNOVATION

We asked: *Did you innovate in the last three years?*

Our results imply that innovation in social enterprises is connected to both organizational and external factors.

## **Among macro-organizational factors:**

- consciousness about their social mission,
- perception of innovation as important element of their doing business at an early stage of organizational development, and
- orientation towards growth distinguish as important for organizational innovativeness.

## **On a more micro-organizational level:**

- education of the founder/manager of a social enterprise and previous personal experience in founding or managing a social enterprise influences innovativeness in a positive manner.
- Innovation seems to be connected to professional life satisfaction as well as respondents report being more satisfied with professional life in innovative than in non-innovative social enterprises.

**On the level of people involved**, compared to non-innovative organizations, innovative once report to hire paid employees to a higher extent.

Another important characteristic of innovative social enterprises that seems to be influencing innovativeness is **trust**, as it is significantly higher among team members in ISEs.

# INNOVATION

We asked: *Did you innovate in the last three years?*

The influence of **external environment** is important for innovation in a sense that ISE to a greater extent report to have been involved in innovation due to changes in the external environment, while NISE report not to be involved in innovation to a greater extent due to this same reason.

- Innovative social organizations also report to be **more prone towards developing more diverse network of business relations**, and involve stakeholders (Owner / Boards of Directors, employees, suppliers, customers and users, third sector organizations and NGOs, and the community) in their decision making process more.
- They are more likely to use collection of feedback, surveys and evaluation of users' satisfaction and social media as stakeholders' engagement practices compared to non-innovative once.
- Personal savings as a source of available financing, bank loans availability in the start-up phase, and grants from projects during development are connected to innovativeness of social enterprises.



| Question group                         | Question   | Factor influences innovativeness |
|--|--|----------------------------------|
| <b>A. General questions:</b>           | A.1) Is contributing to solve a social or environmental issue an objective of your organisation?   | Yes                              |
|  | A.2) Is your organisation involved in any economic activity, such as selling goods and services?   | No                               |
|  | A.3) Is your organization's core income independent from grants, donation, bequests, or benefactions?  | No                               |
|  | A.4) Does your organisation invest any profits to fund its core activities?  | No                               |
|  | A.5) Does your organisation employ paid staff?   | Yes                              |
| <b>B. Personal experience</b>          | B.1) Are you the founder of the enterprise?  | No                               |
|  | B.3) Does your current position give you the possibility to decide/manage major issues in the enterprise (e.g. strategy, enterprise objectives, activities to be run, organization of team work etc.)? | No                               |
|  | B.4) Have you been involved in founding a social enterprise before this one?   | Yes                              |
|  | B.5) Have you managed a social enterprise before this one?   | Yes                              |
|  | B.6) Is /(has) anyone in your family (been) an entrepreneur?   | No                               |
|  | B.7) What is your main motivation to work in/ found a Social Enterprise?   | Yes                              |
|  | B.8) How satisfied are you with your professional life in general?   | Yes                              |
|  |  |                                  |
| <b>D. Financing</b>                    | D.1) Which of the following sources of funding are available for social enterprises in your country?   | Yes                              |
|  | D.2) Where did your organisation get the funds to start its activity?  | Yes                              |
|  | D.3) Which funds do you actually use for your activity?  | Yes                              |
| <b>E. Challenges</b>                   | E.2) Is it important for your organisation to grow? (e.g. increase the number or range of activities, recruit more employees, etc.?)   | Yes                              |
| <b>F. Innovation</b>                   | F.1) How important was innovation in the start-up phase of your organisation, i.e. in terms of products, process, finance, or marketing?   | Yes                              |
|  | F.2) How important is such innovation now?   | Yes                              |
|  | F.5) Did you innovate in response to a change in your external environment?  | Yes                              |
| <b>G. Governance &amp; stakeholder</b> | G.1) Please describe the degree to which the following categories of stakeholder influence the decision making of your organisation (5 = high influence; 1 =no influence)                              | Yes                              |
|  | G.2) What stakeholder engagement practices do you use:   | Yes                              |
| <b>H. Social Capital</b>               | H2) Please rate the following statements:  | Yes                              |
| <b>I. Personal data</b>                | I.1) Sex   | No                               |
|  | I.3) What is your highest education qualification?   | Yes                              |
|  | I.4) Did you follow any vocational education or training relevant for your current position?   | No                               |
|  | I.6) Do you identify yourself as a person with severe disabilities?  | Yes                              |





# JOD Conference: New Trends in Organization