



## Social Enterprise in Switzerland: An Overview of Existing Streams, Practices, and Institutional Structures

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## PREFACE AND ACKNOWLEDGEMENTS

This paper is part of a series of Working Papers produced under the International Comparative Social Enterprise Models (ICSEM) Project.

Launched in July 2013, the ICSEM Project ([www.iap-socent.be/icsem-project](http://www.iap-socent.be/icsem-project)) is the result of a partnership between an Interuniversity Attraction Pole on Social Enterprise (IAP-SOCENT) funded by the Belgian Science Policy and the EMES International Research Network. It gathers around 200 researchers—ICSEM Research Partners—from some 50 countries across the world to document and analyze the diversity of social enterprise models and their eco-systems.

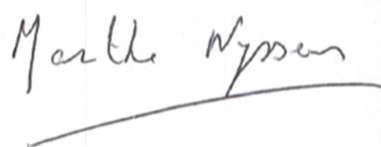
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First and foremost, the production of these Working Papers relies on the efforts and commitment of Local ICSEM Research Partners. They are also enriched through discussion in the framework of Local ICSEM Talks in various countries, Regional ICSEM Symposiums and Global Meetings held alongside EMES International Conferences on Social Enterprise. We are grateful to all those who contribute in a way or another to these various events and achievements of the Project.

ICSEM Working Papers also owe much to the editorial work of Sophie Adam, Coordination Assistant, to whom we express special thanks. Finally, we gratefully acknowledge the role of our Supporting Partners, who are listed at the end of this document and presented on the Project's website.



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### Acknowledgements

**This paper has been written thanks to the generous support of the Lunt Foundation in favor of the ICSEM project in Switzerland.**

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Gonin, M. and Gachet, N. (2015) "Social Enterprise in Switzerland: An Overview of Existing Streams, Practices, and Institutional Structures", *ICSEM Working Papers*, No. 03, Liege: The International Comparative Social Enterprise Models (ICSEM) Project.

## A. THE GENERAL CONTEXT OF THIRD SECTOR AND SOCIAL ENTERPRISES IN SWITZERLAND

### A.1. The context

#### A.1.1. *Switzerland's multiple cultures of social enterprises*

Switzerland's specific position at the crossroad of the German, French, and Italian cultures leads to a complex and rather segmented field of social enterprises (SEs). Language and culture barriers make it often difficult for actors across the country to collaborate and institutionalize a nation-wide understanding of SE. This can be observed at various levels. First, many nation-wide umbrella structures working within or close to the SE field often struggle to defend a clear and unique line for their members or are even separated into German and Latin structures.

Further, with no specific chair or institute, the academic scene is young and divided, due to diverging definitional assumptions between the German and the Latin approaches. In Western Switzerland, the French influence of the social and solidarity economy (SSE) movement gives a specific orientation to the emerging SE research, while the common good, nonprofit, and volunteering approaches dominates the German-speaking research in the country. Both approaches are however permeated by the *social entrepreneurship* movement.<sup>1</sup>

Finally, the confusion is maintained through specific characteristics of Swiss politics. The subsidiarity principle<sup>2</sup> implies that all tasks fall *de principio* under the responsibility and authority of the various *cantons* unless an explicit law attributes the responsibility to the federal government.<sup>3</sup> As a result, important domains, such as public health, are managed primarily by the cantons. In addition, Art. 5 al. 1 ("All activities of the state are based on and limited by law") restricts the influence of public authorities to domains in which an explicit law grants the local, cantonal, or federal government a specific authority. Therefore, in the absence of a unifying legal framework for the SE, a diversity of local approaches and practices can be observed among SEs, SE networks (if any local network exists), and government support.

#### A.1.2. *Pestoff's triangle and the difference between third sector and SE*

Common to most studies in Swiss theory and practice is the fact that the sector under review in this paper represents a "third" sector, different both from the state and from the traditional for-profit business (see e.g. Defourny & Nyssens 2010; Helmig et al. 2010d; Stadelmann-Steffen & Freitag 2007). It is further usually separated from informal social services observed in

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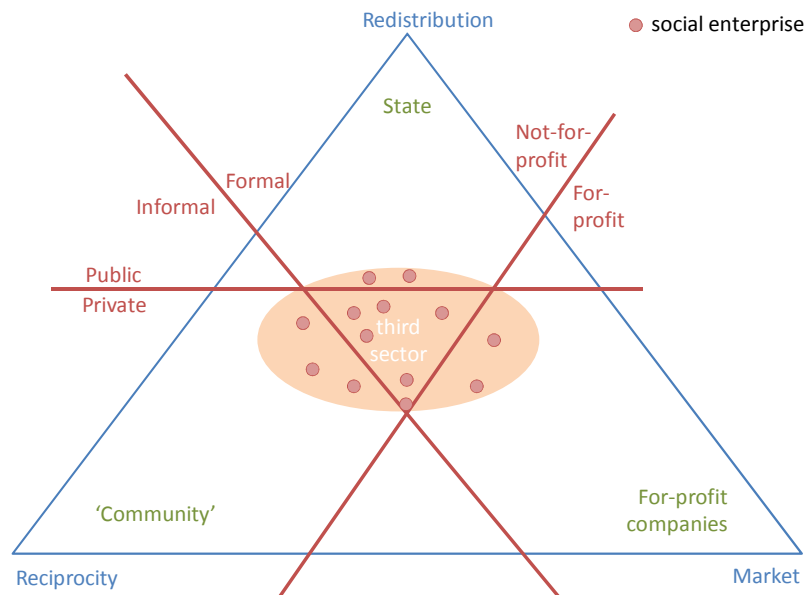
<sup>1</sup> "Social entrepreneurship" and "social entrepreneur" refer in this paper to the specific movement that originated in the USA and that tends to dominate the literature in the Anglosphere (see B.2.3). This specific movement represents only one of the SE types studied in this paper and is therefore not to be equated with SE.

<sup>2</sup> Article 5a of the Swiss Constitution.

<sup>3</sup> Switzerland is a Federal State composed of 26 states, called *Cantons*. Art. 3 of the Swiss Constitution states: "The Cantons are sovereign except to the extent that their sovereignty is limited by the Federal Constitution. They exercise all rights that are not vested in the Confederation."

families and neighborhoods (see Helmig et al. 2009). This characterization through elimination (the third sector is here mainly defined by what it is not) leads to another, positive definition of the third sector as the central zone of a triangle whose corners represent respectively “redistribution” (state), “reciprocity” (community), and “market” (for-profit companies). Three lines further separate the triangle in a formal vs. informal area, a public vs. private area, and a for-profit vs. not-for-profit<sup>4</sup> area (Figure 1).

**Figure 1: The ICSEM triangle, adapted from Pestoff (1998)**



Two further distinctions are needed, however, in relation to the triangle. First, the triangle does not help to differentiate between those third sector organizations serving primarily the (non-economic) interests of their members from those explicitly pursuing a broader public interest. Organizations can be not-for-profit, private, formal, and still not be explicitly seeking the common good (e.g., self-help groups that would only serve the interest of their members, organizations offering services reserved to members, lobbying organizations...). They are nevertheless included in most studies on the third sector.

Secondly, the not-for-profit vs. for-profit differentiation in Figure 1 requires additional clarification. Very often, the notion of “business” or “economic objectives” or even “management” is conflated, in the view of third sector actors, with for-profit, whereas nonprofit is assimilated with “non commercial.”<sup>5</sup> In this perspective, the third sector only includes

<sup>4</sup> Contrary to *nonprofit*, the term *not-for-profit* does not fully exclude—neither requires—profit as long as it is not an objective of the organization. Profit might be realized and—for some authors and to a limited extent—distributed to investors, as long as it remains clearly submitted to other (e.g., social) objectives.

<sup>5</sup> *Commercial* refers, in this paper, to the intention to sell, on the market, a good or a service rather than financing its distribution mainly through donations or subsidies. Of course, hybrid financing models can be imagined, e.g., the product/service is sold below market price, with the remaining costs covered by donations and subsidies. Further, *commercial* does not exclude relations with the state, e.g., when a

traditional associations and foundations. They can hire staff, produce goods and services, and innovate, but they secure their budget through donations, subsidies, and grants—not through the market. With this interpretation of the third sector, prevalent in most studies of the “third sector” in Switzerland (e.g., Helmig et al. 2009; Helmig et al. 2010d), hybrid actors with commercial *and* social mindsets—typically SEs—become difficult to place on the figure as they are too “economic” for the third sector and too “social” for the traditional business world.

In line with the ICSEM definition, we use the word *economic* in a broader sense to refer to paid staff, continuous production, and a risk component that results from innovation, change, and growth as well as from seeking to sell the (social) goods and services in some market rather than seeking merely subsidies and donations. This definition implies a differentiation between not-for-profit and non-commercial, as found for instance in the French SSE tradition (Defourny 2001; Hart et al. 2010; Lipietz 2001). In this case, organizations can be not-for-profit but still show a commercial attitude. By combining the traditional non-commercial organizations with the emerging commercial but not-for-profit businesses within a single sector, this approach tends however to oversee important differences between third sector actors. While many third sector actors can be considered as SEs according to the ICSEM approach because of their explicit economic orientation, others implicitly neglect or explicitly reject the economic objectives that characterize SEs. *Therefore, in Switzerland as in other countries, the SE concept cannot be equated with third sector actors. While SEs are often seen as part of the third sector, not all third sector actors are seen as SEs, because not all of them seek to develop their economic orientation.*

In the absence of a consensus among politicians and/or scholars on the definition and delineation of the field, four main approaches, each with their own strengths and weaknesses, can be identified in Switzerland. In the following, we briefly discuss the relation between the traditional third sector and the SE field. In part B, we will detail the four groups of SE models based on the EMES criteria and discuss their various institutional trajectories. The final part will draw some conclusions and highlight the main issues at stake.

### ***A. 1.3. Brief overview of relevant public policy***

#### *General Swiss framework until now*

*From a public policy perspective, there is no political will to explicitly promote one specific view among the many models used in Switzerland. Moreover, federalism leads to the existence of large spaces for specific regulation and practice at cantonal and local levels. While public authorities at all levels support organizations in this domain through various means, there is no overarching policy that would provide a unified conceptual framework and coordinate the various measures taken by the towns, the cantons, and the Swiss confederation. Most interventions about the third sector in national and cantonal parliaments have been refused, and few cantonal governments have specifically invested in this field.<sup>6</sup> Instead, various departments and services at various levels support organizations active in their respective field (e.g., culture, sports, childcare, migrant populations...). Similarly, no unified terminology exists in Switzerland and a multitude of terms is used in relation to these actors, such as civil society,*

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private company provides IT services or work integration programs based on a governmental call for tenders.

<sup>6</sup> An exception here is the Canton de Vaud which states in its Constitution, art. 70, that volunteer organizations are to be supported and volunteering promoted.

associations sector, intermediary organizations, public utility organizations, non-business organizations, non-governmental organizations (NGOs), social sector or voluntary sector (Helmig et al. 2009).

In addition, legal forms for organizations are defined at a national level in rather broad terms and cantons remain responsible for validating the legal form of each organization and registering it, should it be necessary, in the Swiss business index.<sup>7</sup> *Similarly, the decision to recognize an organization as a public utility (and hence tax-exempted) organization is dealt with by the cantons, based partly on cantonal practice.*<sup>8</sup> *To add to the complexity of the legal dimension, Swiss law provides for the possibility for shareholder corporations as well as for limited liability enterprises to be registered as “nonprofit”.* Hence, public utility status is also exceptionally granted to corporations and limited liability enterprises (see Jakob & Huber 2010: 122). Depending on their governance and objectives, such nonprofit organizations (NPOs) can therefore not be excluded *ex ante* from the core of the triangle in Figure 1, despite their unconventional legal form.<sup>9</sup>

*Nevertheless, despite the multitude of terms and the complexity of public policy, there seems to be a consensus that the third sector is clearly distinct from the state and from the traditional business world. Business and the third sector are complementary, but separate spheres.*

### *The impact of new public management for SE*

In the last three decades, the business vs. third sector distinction has been challenged by public policy changes related to the New Public Management (NPM) trend (Thom & Ritz 2013). *The NPM overhauled the functioning of the public administration as well as its relations to service providers, especially those in the social sector.* Following the success of MBA programs and (especially after the fall of the Berlin Wall) the triumph of neo-liberal capitalism, public administrations embraced management methods from the free market economy (Athias 2013; Ritz & Sinelli 2013).<sup>10</sup> They adopt a more business-like mindset and language, delegate various tasks to private organizations, and impose new types of reporting and ways of obtaining budgets on their own administrations as well as on their partners from the private sector.

This change in the administration implies that associations seeking public money must develop better structured projects and project descriptions, and must provide clear evaluation tools as well as reports of the results obtained, based on strict and increasingly complex legal

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<sup>7</sup> The Swiss business index combines the entries of all the official business indexes managed by the cantons – that is, it contains all legal structures that have the obligation to register as businesses, as well as a minority of the associations. It is available at <http://www.zefix.ch>.

<sup>8</sup> Usually, however, once an organization is recognized as a public utility organization in its home canton, the other cantons will recognize this status without further procedures.

<sup>9</sup> Such a broad approach contrasts in various aspects with the legal approach that prevailed in France and other Latin countries and that relies on the organization’s legal form to define actors to be included (namely associations, foundations, and, to some extent, cooperatives). First, the non-profit and public utility mindset cannot be equated with specific forms, even though some legal forms seem more appropriate. Secondly, for most associations, there is no obligation to register at any official index or authority. There is therefore no possibility to make a census of all associations in a given territory. Finally, from a public policy perspective, little support is linked to specific legal forms.

<sup>10</sup> It must be noted, however, that this outsourcing and competition logic has not been pushed as far as in other countries, such as the U.K.



requirements and project descriptions (Dunand 2011; Dunand & Laederach 2012; Perrot, DuPasquier et al. 2006). This leads many organizations providing social services in collaboration with the state (work integration, health-related services such as home care, or other general mandates for the community) to review their management structures, mission, and tasks, as well as their impact evaluation and reporting. *A shift from the mere “social dimension” toward more managerial-entrepreneurial aspects became unavoidable in order to continue receiving public subsidies/mandates* (the boundary between subsidies and mandates is more and more blurry; see Battaglini & Dunand 2005).

At the same time, NPM has led to a growth of the social service sector due to the outsourcing of many tasks that were previously done by the state (Pittet 2003). Outsourcing was indeed intended to reduce costs and to define more precise (short-term) objectives and reporting conditions. The reduction of costs was however expected to occur through increased competition among social work organizations. While grants could be previously obtained partly regardless of other actors, nowadays public administrations tend to issue calls for tender for which all NPOs (and sometimes even for-profits) can compete. This leads to the favoring of actors with a social entrepreneurial mindset—making the dissemination of the concept more effective—and opening the field of “social work” to new actors, with stronger entrepreneurial mindset that corresponds to the NPM ideology (Dunand 2011; Dunand & Laederach 2012).

For these reasons, Public-Private-Partnerships have not always been seen as a blessing by third sector actors, especially when they replace former long-term, privileged relations with short-term performance mandates (Battaglini & Dunand 2005; Perrot et al. 2006). *Many smaller volunteer organizations struggle to compete with bigger, sometimes for-profit organizations that have a higher paid-unpaid staff ratio, are better structured and labeled, and do not see necessarily an opposition between social work and competition.*<sup>11</sup> For them, the NPM shift is more imposed than embraced. It is perceived as a threat to solidarity and to high quality social work. Consequently, many actors implement the required changes reluctantly and in rather superficial manners (see Battaglini & Dunand 2005; Perrot et al. 2006). They use the NPM language in tenders and reporting toward the state, but do not undergo a real organizational culture change to embrace the entrepreneurial mindset.

## A.2. The traditional Swiss third sector

Switzerland has a long history of local associations and groups providing many services to society and remaining autonomous from the local, regional, or national governments. In addition to serving their members’ interest, these organizations play a central role in tackling many social needs identified by community members. Home care services, cultural associations, local sports clubs, and other social services are provided through local associations that show high independence from the state. Further, Switzerland has a long tradition of volunteering<sup>12</sup> as well as a long tradition of a rather limited state, be it municipal, cantonal or national (Stadelmann-Steffen & Freitag 2007; Stadelmann-Steffen et al. 2010).

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<sup>11</sup> A study of Insertion Suisse (2013) among its members (field of work integration) shows that almost 50% of its members have a certification related to work integration (label AOMAS:2010) and also 50% have a certification in the field of training (label EduQua). 28% are certified ISO 9001.

<sup>12</sup> About 1/3 of the Swiss population over 15 has at least one formal or informal volunteering activity, with an monthly average of 13.7 hours of formal volunteering and 15.5 of informal volunteering (Schön-Bühlmann 2011).

The result is that the Swiss third sector has long been equated with NPOs. It is composed of a variety of mainly local NPOs, with only a few bigger players (mainly those originally related to confessional organizations).<sup>13</sup> And unlike what is the case in other countries, these bigger players have not reached oligopoly situations. The absence of oligopoly is further maintained through the weakness of umbrella structures, which often remain “federations of local groups” that keep their autonomy for most decisions and actions. Until recently, top-down structures remained the exception, even among bigger structures. The nonprofit sector represents nevertheless about 5% of the gross domestic product and of the jobs. In addition, volunteers perform the equivalent of 80,000 full-time jobs (Helmig et al. 2010c). Most of the actors within this sector are foundations and associations.

### A.2.1. Foundations

Due to liberal tax law, many foundations exist in Switzerland and are active in various domains—philanthropy, work integration SEs, development/humanitarian aid, family foundations mainly managing (untaxed) family fortune to be used for specific “social” objectives (that might be simply financing the education of future family members)... (Degen & Baumann Lorant 2013; Jakob & Huber 2010: 107ss.)<sup>14</sup> Even though many types of foundations are excluded *ex ante* in third sector and SE studies,<sup>15</sup> the majority of them might fulfill a majority of the EMES criteria. While they often do not fulfill the economic criteria (unless the interest from the foundation’s fortune would be considered as “continuous production”), they all pursue explicit social aims, cannot distribute profit by law, and are launched by (a group of) citizens. As for participatory governance, they show a high degree of autonomy and a decision-making process that is not based on capital-ownership. However, *the only stakeholders involved in the processes are the members of the foundation board, who are co-opted*. This implies a serious limitation of the participation in foundation governance. Asset lock is, however, guaranteed.

### A.2.2. Associations

Exhaustive studies of associations are impossible in Switzerland because of the *absence of an obligation to register to any official register except for some bigger and/or commercial associations*.<sup>16</sup> Nevertheless, the following points are noteworthy for the ICSEM project. First, Swiss associations might have a commercial aim, but they can only distribute profit to support other NPOs or their own social objectives. Secondly, while associations are often considered exemplary as regards participatory governance, it must be noted that very often, the stakeholders involved are limited to the members. And the fact that, in most associations, membership must be validated either by the board or by the general assembly raises barriers for other stakeholders to voice their claims (Gachet & Gonin, forthcoming). In extreme cases,

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<sup>13</sup> E.g., Caritas, Centre Social Protestant, EPER Entraide Protestante Suisse, Armée du Salut.

<sup>14</sup> Eckhardt et al. (2013) estimate that there are about 13,000 public utility foundations in Switzerland, managing an estimated 70 billions CHF of wealth.

<sup>15</sup> The following types of foundations are regularly excluded from third sector studies (Jakob & Huber 2010): family and church-related foundations; corporate foundations with specific commercial objectives; foundations subject to public law and partly administered by public authorities; foundations established for the management of retirement plan money (Gonin et al. 2013; Helmig et al. 2010b).

<sup>16</sup> Contrary to foundations, only a small minority of associations are listed in the Swiss business index. As per 1.1.2014, the index included 7,608 organizations, out of the estimated 80,000 associations (Helmig et al. 2010b).

membership is reserved to board members and the many volunteers or even employees might be denied the right to become members and take part in the governance. A thorough study of an association's membership and governance practice is therefore necessary to evaluate the quality of its participatory governance.

### A.3. Third sector and SE as two distinct concepts

#### A.3.1. *Work integration and social work as original understanding of SE*

The term “social enterprise” (in German: *Sozialfirmen*; in French: *entreprise sociale*) has been reserved throughout the country for Work Integration Social Enterprise (WISE), or even “work occupation” structures that did not previously aim to re-integrate their employees into the primary labor market (Crivelli et al. 2012; Dunand & Du Pasquier 2006; Knüsel et al. 2006). As Switzerland had, until the beginning of the 1990s, an unemployment rate of about 1%, most people would find a job within the primary labor market. SEs mainly employed people who, because of a physical or mental handicap, were not able to integrate the primary market. Further, in most cantons, the competition law and the contracts binding WISEs to the state to receive grants or performance mandates tended to prevent the WISEs (mainly associations or foundations) from offering goods and services on traditional markets. Consequently, even though these WISEs were called SEs, they were until recently often not considered as “enterprises”, but rather as NPOs—certainly not part of the “business world”.

Since the 1990s’ crisis, Switzerland has had to deal with a growing number of unemployed people that need to be re-equipped and re-oriented into the labor market. SEs have been playing a new role in this context, and increasing studies are being conducted on this model (Crivelli et al. 2012; Knüsel 1995, 1996; Tattini & Bruttin 2008). A few additional actors addressing the needs of this population in some commercial ways have also been developed.<sup>17</sup> It is in this context that the terms “SE” and “social economy” have become more extensively used, especially in the German-speaking part of the country. In recent years, three additional streams referring to the concept of SE have also been observed in various parts of Switzerland; these three streams are discussed in the following section.

#### A.3.2. *The imported approaches*

In addition to structures, institutions, and systems that developed over time *within* Switzerland, three SE streams coming from other countries are currently challenging traditional definitions and are therefore important for attempting to evaluate the future use of the SE concept in Swiss politics, research, and practice. These are the French “social and solidarity economy” (*économie sociale et solidaire*, or SSE), the German “economy for the common good” (*Gemeinwohl-Ökonomie*, or ECG), and the “social entrepreneurship” trend, coming from the USA and UK.

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<sup>17</sup> For instance *Ingeus* in Lausanne or *Maison Hestia* in Geneva.

### *The French “social and solidarity economy” (Économie Sociale et Solidaire)*

The concept of social and solidarity economy (SSE) has a long tradition in various countries such as France. However, in Switzerland, this terminology was only scantily used until the creation of the *Geneva Chamber of Social and Solidarity Economy* (APRÈS-GE), in 2004. Following this, two other Chambers were created, respectively in the canton of Vaud (APRÈS-VD, in 2009) and in the Bern-Jura-Neuchatel region (APRÈS-BEJUNE, in 2012). While the latter two still struggle to establish themselves in their respective jurisdictions, the Geneva Chamber has become an established actor of the socio-political and economic life of the Geneva area. The concept is however only weakly established outside Geneva and remains totally unknown in the German part of the country. The references to the solidarity economy theory, terminology, and philosophy, mainly defended by Latin authors (e.g. Carvalho da França 2003; Defourny et al. 2001; Laville 2007; Lipietz 2001), and the links to existing international networks (also mainly Latin), make an expansion in the German-speaking part of the country difficult. From an academic perspective, studies on this concept are conducted mainly at the French-speaking University of Lausanne (Centre Walras Pareto).<sup>18</sup>

Even though the concept remains unknown for the majority of the population, various studies have shown that actors that would correspond to the definition of the SSE represent an important part of the local economy and employment.<sup>19</sup>

### *The German “economy for the common good” (Gemeinwohl-Ökonomie)*

The second movement seems to be emerging from Austria and Germany; it is based on the concept of the “economy for the common good” (ECG) and proposes a political and economic system (including taxation reform) that better takes into account the (positive and negative) social contributions of each organization. Like in the SSE movement, the concept of SE in the ECG perspective does not refer to a specific field of activity but rather reflects a specific, holistic understanding of business-society relations. It relies on multiple criteria and seeks to motivate its members to progress on these various dimensions—not all actors put their energy on the same dimensions at the beginning. However, the ECG movement also differs from the SSE movement, in that it seems to be much more open to traditional businesses that are seeking to measure their economic, social, and environmental performance and journey toward more sustainable practices.

### *The “social entrepreneurship” of the Anglosphere*

While still very small and not nationally unified in a single movement, the social entrepreneurship movement of the USA and UK shows some characteristics that suggest a potentially important impact on Swiss SE in the coming years. Actors in various streams—such as multinational corporations, social entrepreneur networks like Ashoka or the Schwab Foundation (with headquarters in Geneva), the Hubs (Zurich and Geneva), entrepreneurial nonprofits—use the concept of social entrepreneurship in one way or another and want to

<sup>18</sup> See Table 2. A specific study of the SSE movement in Western Switzerland is currently in process.

<sup>19</sup> See *Chambre de l'économie sociale et solidaire APRÈS-GE*, 2010, as well as studies of the University of Lausanne (Gonin and Gachet) and the Business School Fribourg (Houmard and Zuchuat). Data from the Business and Enterprise Register of the Federal Statistical Office allow to estimate that some 10% of the jobs in the country are provided by cooperatives, foundations and associations.

promote it. Further, the NPM ideology strengthens this entrepreneurial approach of the SE field.

In the academic world, the concept of social entrepreneurship is also gaining in importance with various projects dealing directly or indirectly with social entrepreneurship and social innovation. Courses on this topic are offered in various universities, and student organizations like Oikos seek to promote the model (see also Euforia). Social Business Earth, related to Muhammad Yunus, is present mainly in the Italian-speaking part of Switzerland and is related to the local University. In the German-speaking part of the country, *seif* (social entrepreneurship initiative and foundation) supports and encourages social entrepreneurship, and is related to the University of Applied Sciences in Lucerne.

#### A.4. Conclusion of Part A

Resulting from this multi-source patchwork, terms like “SE” and their translations have different definitions depending on who uses them, and no systematic definitions can be found across Switzerland. In any case, it seems necessary to differentiate between traditional, non-commercial third sector actors, that might *not* qualify as SEs, and third sector actors that explicitly seek an economic dimension in their endeavor and so correspond to the SE definition proposed by ICSEM.

As for the legal form, the absence of mandatory registration for most associations makes a full census of SE actors impossible. Moreover, as Table 1 shows, while some legal forms are more appropriate than others depending on the specific approach of SE chosen, most approaches might include actors of any type of legal forms. Finally, whatever the SE approach chosen, there will be, for each legal form, some organizations that fail to fulfill the conditions to be considered as SEs.<sup>20</sup>

The focus on other factors than the legal forms is also seen in the academia. While a few specific studies can be found about cooperatives (Gachet & Gonin 2013a; Purtschert 2005a) and foundations (Degen & Baumann Lorant 2013; Eckhardt et al. 2013), academic studies are not integrated in such a way that would suggest the existence of a specific field based on some legal form(s). Studies tend to focus on volunteering more than on associations (Münzel 2004; Stadelmann-Steffen et al. 2010) and on non-profit management in general rather than on the management of a specific legal form (e.g., Schwartz et al. 2002).

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<sup>20</sup> For instance, while many smaller cooperatives can easily be identified with the third sector, bigger cooperatives are often closer to the traditional business sector. While they were certainly founded with the intention of serving their customers, isomorphism processes in the last decades have drawn them closer to traditional corporations, and further away from their original social and customer-oriented mindset. Many third sector actors struggle therefore with the idea of considering the two biggest retailers in Switzerland, Coop and Migros, as part of the “third sector”, despite their cooperative legal form. Similarly, the Community of Interests for Cooperative Enterprises (IGG), created in 2010, insists on the “enterprise” dimension of its members. As such, it seems not to be interested in the many local cooperatives that do not seek to grow and develop a commercial mindset (such as many small housing cooperatives). In the same vein, some voices are currently protesting against the practice of some of the many giant sports umbrella associations that have their headquarters in Switzerland, such as the International Olympic Committee and the FIFA/UEFA (Nassar & Stricker 2008). They criticize these associations’ lust for money and little apparent interest for the local, amateur sports clubs that represent the ideal conception of a public utility organization.

**Table 1: Interconnections between legal forms and various approaches of the SE field**

Legal form \ SE approach	Cooperatives	Associations	Foundations	Traditional business forms with social objectives
<b>Third sector as non-commercial approach</b>	Minority of cooperatives considered as “third sector organizations” in the non-commercial sense.	Vast majority	Many	Usually excluded
<b>WISE approach</b>	All three forms are found among WISEs			These forms are now also found among WISEs
<b>Social and solidarity economy approach</b>	Often considered as prototypical of hybrid actors	Most are included even if they have no specific economic objectives	Part of foundations (those with specific economic production and/or social objectives) are included	Can be included under some conditions
<b>“New” economy for the common good approach</b>	Included	Not primary target (weak economic activity)	Not primary target (weak economic activity)	Explicitly integrated
<b>Social entrepreneurship approach</b>	Legal form not so important in this approach. Focus rather on individual personalities and the combination of economic and social objectives			

While a first overview of research in the field was made possible by a national meeting in 2012 that brought together most scholars in the field and led to the setting up of the informal Swiss Social Entrepreneurship/Solidarity Economy Research Network (SSERN)<sup>21</sup> (see Table 2 for an overview of participating research institutions), no nation-wide research project that combines terminologies has yet emerged. Current projects focus mainly either on work integration, on social entrepreneurship, or (in the French-speaking part) on the SSE. Similarly, most postgraduate programs focus on specific issues. HEG Fribourg and HEG Geneva are currently launching a Certificate of Advanced Studies in management of SSE enterprises in addition to offers in work integration management (Geneva), nonprofit management and law (Geneva, Fribourg, and Basel), and social management (Olten). This working paper represents probably the first attempt to offer an overview of the definitions, research priorities, and practices in the broad field(s) of SE. Much work is still needed to further the work presented here and to obtain important support for large-scale research and implementation of a SE economy that crosses current language and SE streams barriers.

<sup>21</sup> See <http://wp.unil.ch/ess-vd/ssern/>.

**Table 2: Overview of research and teaching institutions in relation to SEs**

Institution	Department	Approach	Geographic scope	Education
University of Lausanne – ESS-VD	Business administration <i>and</i> social sciences	Broad definition of the field combining SSE and social entrepreneurship	National (anchored in Western Switzerland)	1 BA lecture at EPFL
University of Lausanne – CWP	Philosophy and history of economics	Relying mainly on the French definition of SSE	SSE Chambers members	1 BA lecture at EPFL
University of Lausanne	HEC	(Social) Entrepreneurship	International	Part of entrepreneurship lectures
Oltten	Social innovation	Management of work integration enterprises	Mainly German-speaking part	MAS in Social Management
SUPSI	Business administration		National	
St. Gallen	Business administration	Definitions, epistemology, sense-making	Mainly theoretical work	
UniSG	Institute for Business Ethics	Social entrepreneurship / social business	German-speaking part	
Uni Applied Sciences Lucern – seif	Business administration	Social entrepreneurship	Mainly German-speaking part	
HEG-FR	Business administration	Broad definition of the field combining SSE and social entrepreneurship	Mainly French-speaking part	CAS in management of SSE organizations (together with HEG-GE)
HEG-GE	Business administration	Relying mainly on the French definition of SSE	Mainly related to the SSE Chamber Geneva	CAS in management of SSE organizations (together with HEG-FR)
University of Fribourg	Competence Centre in Nonprofit Management	Third sector approach + some research on cooperatives	German-speaking, extending on French part	Executive MBA in nonprofit management
University of Basel	Centre for Philanthropic Studies	Philanthropy, foundations, and nonprofit management	National	Various CAS in nonprofit management and law, finance, and donation
UniLU	Business Law Institute	Cooperatives	German-speaking part	

Note: Table does not include actors focusing on micro-finance and on developing countries projects.



## B. FOUR MAIN GROUPS OF SOCIAL ENTERPRISE MODELS

As discussed in part A, an unequivocal typology of actors seems difficult. Instead, various types of actors that relate in different manners to the ICSEM definition of SE can be identified. In this section, we classify the actors in four main groups, starting with the actors that are at the core of the SE definition and moving toward the periphery (Table 3).

**Table 3: Summary of the main SE models**

Group of SE models from the core to the periphery	SE Models	Can include traditional NPOs
1. Actors originally described as SEs	Work Integration Social Enterprises (WISEs)	Yes
	Hybrid, economic social service actors	Yes
2. Actors explicitly referring to a specific conception of the economy	SEs as SSE members	Yes
	ECG movement adherents	Yes
	Social entrepreneurship actors	Yes
3. Cooperatives	Consumer cooperatives	No
	Worker cooperatives	No
	Agricultural and producers' cooperatives	No
4. Actors at the periphery	Third sector actors without specific business activity	Yes
	Third sector actors with separate business activity	Yes
	SMEs with strong (family) values and local anchorage	No

The first group includes (1) WISEs and (2), by extension, hybrid, economic social service actors.

The second group refers to the three main movements discussed in A.3.2 and includes (1) actors of the SSE, (2) actors of the social entrepreneurship movement, and (3) adherents of the ECG movements. This second group includes those actors that are increasingly referred to as SEs and that can be expected to shape the SE field in the coming years.

Cooperatives represent a third group identified in our study. While the cooperative is originally considered as the prototypical hybrid, socio-economic organization, the evolution of many cooperatives through the 20<sup>th</sup> century has led to many differences among them as regards the fulfillment of the ICSEM SE criteria. Nowadays, some of these cooperatives can still be related to the original socio-economic hybrid or are connected to one of the three movements identified in the second group of actors; others are often rather "excluded" from the SE field by core actors of the two groups above (see below, footnote 36). The cooperative section will therefore discuss three types of cooperatives, namely (1) consumer cooperatives, (2) worker cooperatives, and (3) agricultural and producers' cooperatives.

Finally, three additional types of organizations have been included in a fourth SE group. These are organizations that can be considered as being at the periphery of the SE field. While the term SE is usually not applied to these organizations and they do not call themselves SEs, their practices nevertheless show multiple similarities with other actors of the SE field. Furthermore,



literature and empirical studies often fail to clearly distinguish between these actors and the SE field, depending on the definitions and criteria used. We therefore propose to include them in this overview to clarify differences and similarities between these various actors. Our fourth group includes therefore (1) third sector actors without specific business activities, (2) third sector actors that develop separate business activities, and (3) SMEs with strong (family) values and local anchorage.

The paper relies on existing publications on these actors as well as on the authors' experience, network, and informal discussions with practitioners and scholars across the country. The discussions are structured around a table presenting the key characteristics of each model along the nine EMES criteria (+ the "asset lock" criteria) as well as around the adapted Pestoff (1998) triangle as proposed by the ICSEM coordination team.

## B.1. Actors originally described as social enterprises

The first possible SE approach in Switzerland is to consider actors that were originally called "SEs". In Switzerland, this includes Work Integration Social Enterprises (WISEs). By extension, the term is also sometimes used for other organizations selling services and goods to people in need and having adopted some economic, entrepreneurial, or commercial (yet nonprofit) mindset. The following sections present these two types, which are summarized in Figure 2 and Table 4.

Figure 2: Positioning of the two original SE models in the adapted Pestoff triangle

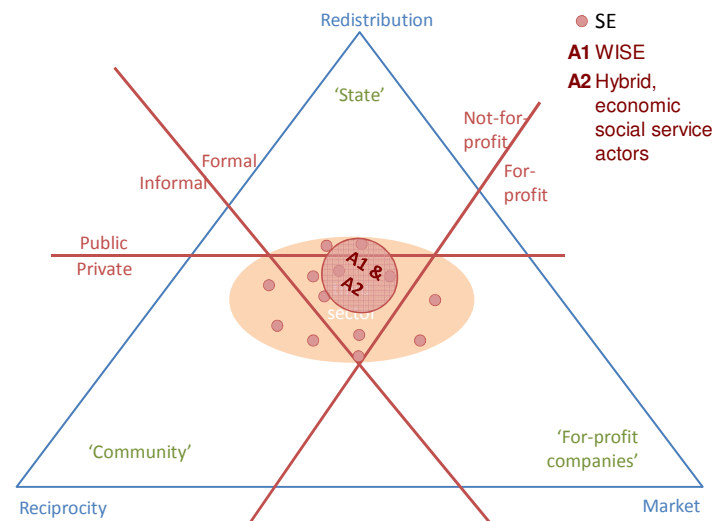


Table 4: Overview of the two original SE models

	WISEs	Hybrid, economic social service actors
<b>Economic project</b>		
<b>Continuous production</b>	Yes for most of them (but sometimes occupational program without "production")	Yes
<b>Some paid work</b>	Yes	Yes
<b>Economic risk</b>	Still mainly revenues from public mandates, yet these mandates are granted based on calls for tender – so the economic risk exists for most actors	Still mainly revenues from public mandates, yet these mandates are granted based on calls for tender – so the economic risk exists for most actors
<b>Social aspects</b>		
<b>Explicit social aim</b>	Yes (work integration)	Yes (many types)
<b>Limited profit distribution submitted to social aim</b>	Most have legal forms prohibiting profit distribution. <sup>22</sup> This is often a condition for obtaining mandates from the government	Yes – most of them are associations (sometimes foundations)
<b>Initiative launched by a group of citizens</b>	Most often; in some cases, in collaboration with or following the impulsion of a public agency	Most often; in some cases, in collaboration with or following the impulsion of a public agency
<b>Participatory governance</b>		
<b>High degree of autonomy</b>	Yes, even though bound by performance mandate contract	Yes, even though some are bound to the State by performance mandate contract
<b>Participatory nature involving various affected parties</b>	No systematic participation; often reduced to employees, beneficiaries not necessarily involved.	No systematic participation; often reduced to employees, beneficiaries not necessarily involved.
<b>Decision-making power not based on capital ownership</b>	Most have legal forms (associations / foundations) that are not based on capital	Most have legal forms (associations / foundations) that are not based on capital
<b>Asset lock</b>	Most have legal forms prohibiting distribution of assets	Most have legal forms prohibiting distribution of assets

<sup>22</sup> According to its own study, 7% of the members of the umbrella organization Insertion Suisse (2013) are sole proprietorship business, and 7% are corporations or limited liability companies. However, it has to be noted that these forms might also be "nonprofit" in Switzerland.

### ***B.1.1. Work Integration Social Enterprise (WISE)***

WISE represents the traditional group of actors referred to as SEs in Switzerland. They are “enterprises” because they hire people and seek to produce some goods and services. They are “social” because they assist people with difficulties in finding a job in the primary work market. As far as analyses of the third sector in general are concerned, WISE is the most studied group of actors in Switzerland. As a specific report on these actors is written within the ICSEM project,<sup>23</sup> it will not be developed in depth here. Worth mentioning however is the fact that, as shown by Table 4, WISEs fulfill most of the criteria set by EMES to define a SE. Nevertheless, some points need further attention. For example, the issue of participation is often neglected,<sup>24</sup> especially for the participation of the main stakeholder in addition to employees, namely the beneficiaries of the organizations. Further, the question of the economic risk strongly depends on the type of mandate and the public policy within which the WISE operates; however, the NPM trend in most cantons has led to increased competition among WISEs, and hence to higher economic risk, due to the uncertainty of receiving the next public mandate.<sup>25</sup> This reference to public mandates further highlights the “border position” of SEs as fully private actors yet with strong ties to public policy and public spending (Figure 2).

While some of these traditional SEs have embraced social entrepreneurship as a new motto, it seems that a gap still exists between many of the traditional SEs that have adapted their management structures to this new mindset and newly created structures that have their origins in the social entrepreneurship trend. Unlike many “traditional” SEs, actors of the latter type have no shame “competing” with existing social actors to gain additional “market shares” in the social service sectors. Further, there is in many cases a stronger openness to globalization, new technologies, and a growth vision that is less present among older actors that currently adopt the social entrepreneurship mindset.

### ***B.1.2. Hybrid, economic social service actors***

#### *Blurring boundaries*

By extension, the term SE has been applied to many organizations that adopt a commercial logic and provide specific services to social groups with specific challenges, such as some second-hand or social food stores targeting low-income households. These actors adopt an economic mindset, while the public they target accounts for their social dimension. In addition, some of these organizations also hire people who have difficulties finding jobs in the primary market, so there are social aspects both in the input (type of person hired) and the output (people benefitting from the goods and services produced).

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<sup>23</sup> Report written by researchers from the Fachhochschule NordWestSchweiz (Olten) and SUPSI (Lugano). WISEs are also the most studied group of social enterprises in Switzerland (e.g., Crivelli et al. 2012; de Jonckheere et al. 2008; Dunand 2012; Insertion Suisse 2013).

<sup>24</sup> 50% of the members of the umbrella organizations Insertion Suisse (work integration field) are not cooperatives or associations, i.e., they do not have a legal form in which participation is typically high.

<sup>25</sup> To illustrate this point, we can mention a new WISE umbrella association recently created under the label “*Fachverband unternehmerisch geführter Sozialfirmen*” (<http://www.sozialfirmen.ch>). The literal translation, *Umbrella Association of Entrepreneurially Managed SEs*, points both to the entrepreneurial spirit of its members and to the fact that it equates SE to WISE.

Even though the continuum approach tends to blur categories, two diverging paths seem to co-exist among these actors. On the one hand, some organizations have proactively sought to develop their entrepreneurial and managerial dimensions to become more “business-like” and in many cases seek to be less dependent on subsidies and donations. We propose to call these actors *hybrid, economic social service actors* and will discuss them in this section. On the other hand, many NPOs have been reluctant to become business-like. They tend to keep the “business vs. nonprofit” opposition high and therefore only reluctantly adopt more “professional” managerial methods. Most of these actors therefore have less developed economic dimensions and might be better identified with the traditional NPO concept rather than the new SE definition. They remain in this view at the periphery of the SE field and are discussed in chapter B.4.

### *Definition of the hybrid, economic social service actors*

Following various changes in the sociopolitical context,<sup>26</sup> many NPOs have reviewed their “business models” (they do not necessarily call it this way) and their organizational structure. For example, issues of efficiency, impact measurement, communication and marketing as well as sources of income have been adapted to professional nonprofit management standards. This is especially the case among bigger organizations with higher proportions of paid staff. These organizations might still largely depend on public mandates and donations to fulfill their activities, yet they seek to develop alternative sources of revenue,<sup>27</sup> to professionalize their structures, and perhaps to obtain labels like the ZeWo label (Swiss label certifying organizations for their good use of donations), ISO 9001, or industry-specific labels.<sup>28</sup> As a result, in addition to the EMES social criteria, these organizations also meet the EMES economic criteria.

As for the participatory governance criteria, like WISEs, these organizations still often fail to develop a real participatory governance and management culture. From a legal perspective, many of the bigger organizations in this category are foundations, a legal form that is not especially participatory by nature. Asset lock is guaranteed for most of them through their association or foundation legal identity.

Despite this evolution, no specific public policy seeks to support, structure, and foster this specific SE model. In the academia, this field is still mainly approached from a NPO perspective. Yet because boundaries are becoming blurred, it is necessary to question the third sector as a unique and coherent field that tends to assimilate nonprofit with non-commercial. Rather than considering the NPO-world as clearly segregated from the business world, a continuum approach is to be taken and third sector organizations close to the business world (e.g., SEs) are to be differentiated from third sector organizations reflecting the traditional NPO. .

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<sup>26</sup> See above, “*The impact of new public management for SE*” and “*The “social entrepreneurship” of the Anglosphere*”.

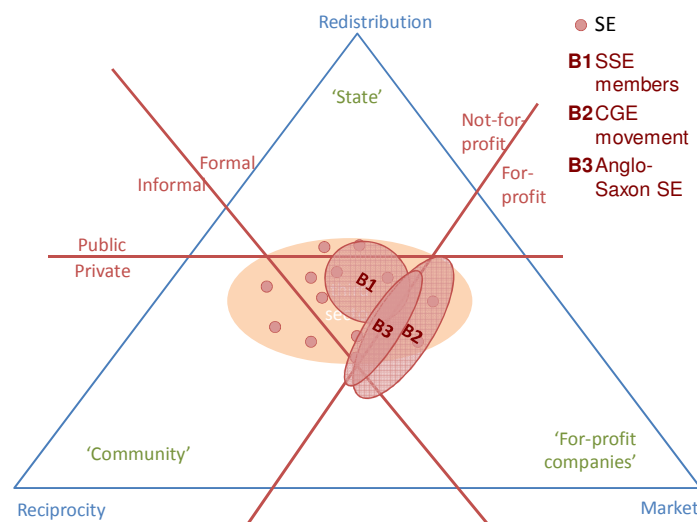
<sup>27</sup> Roughly 58% of the revenues of nonprofit actors active in the social protection field come from private sources such as donation, membership fees, and revenues from capital and from real estate income (Gysin & Adamoli, 2013).

<sup>28</sup> See note 11. Another illustration is Caritas that collaborates with the Business School Fribourg to review their management, share experiences between the various cantons and to create a database to foster social entrepreneurship among their various activities (Jaquiéry 2013).

## B.2. Actors referring to a specific conception of the economy

While the SE concept originally refers mainly to WISEs and, by extension, to some social work organizations with a business orientation, some new movements in Switzerland are starting to use this terminology for a broader array of actors. These are (1) the social and solidarity economy (SSE) movement, (2) the economy for the common good (ECG) movement, and (3) the social entrepreneurship movement. These three movements are summarized in Figure 3 and discussed in the following sections.

**Figure 3: Positioning of the three SE models derived from current streams**



### B.2.1. Social enterprises as SSE organizations

The SSE Chamber of Commerce of Geneva also refers sometimes to its members as SEs. As the SSE is not well known in Switzerland, the usage of SE in this context is rather limited. It can however refer to the long-lasting SSE tradition and to the well-developed theoretical conception of business and economics in France (e.g., Hart et al. 2010; Lipietz 2001).

Table 5: Overview of the three SE models derived from current streams

	Social and Solidarity Economy (SSE) organizations	Economy for the common good (ECG) organizations	Social entrepreneurship organizations
<b>Economic project</b>			
<b>Continuous production</b>	In most cases, but it is not a criteria of the SEE Chamber	Economic project	Yes
<b>Some paid work</b>	It is not a criteria of the ESS Chamber	Yes	Yes
<b>Economic risk</b>	1/3 of SSE Chamber members in Geneva receive no private or public subsidies. Overall, 40% of the members' budget is covered by revenues other than gifts, sponsorship, and subsidies	Yes	Yes
<b>Social aspects</b>			
<b>Explicit social aim</b>	Yes – even though no clear criteria to define what a “social aim”/“public benefit” is	No, but the common good matrix implies seeking a social objective (possibly combined with profit objectives)	Yes – even though no clear criteria to define what a “social aim”/“public benefit” is
<b>Limited profit distribution submitted to social aim</b>	SSE Chamber sets a 5% cap (defined as about 2x the interests of 10-year Swiss bonds). Many SSE members have legal forms forbidding profit distribution	No explicit limitation required	Not necessarily; depends on legal form of each individual enterprise (no specific legal form defined in Switzerland)
<b>Initiative launched by a group of citizens</b>	Yes	Yes	Yes
<b>Participatory Governance</b>			
<b>High degree of autonomy</b>	Yes. SSE Chamber members must not be a public institution and must have <50% of strategic committees seats reserved to public institutions and <50% reserved to a single private investor	The “social justice” principle evaluates the income distribution within the company as well as the distribution of profit	Yes
<b>Participatory nature involving various affected parties</b>	SSE chamber members must show how they want to develop a participatory process for employees (nothing about other stakeholders). As all legal forms are allowed, it is not an <i>a priori</i> criterion.	Yes	Strongly depending on owners' values and visions. Present among some of them
<b>Decision-making power not based on capital ownership</b>	SSE Chamber members that have legal forms based on capital must show how they want to develop a “shareholder democracy”	Participatory governance	Strongly depending on owners' values and visions and on legal forms. Present among some of them
<b>Asset lock</b>	Depends on legal form – no specific criteria set by the Chamber	No, but the common good matrix encourages this approach	Depending on legal form

In the Canton de Vaud, a Chamber was created in 2009. With its 53 member organizations, it has not yet gained broad visibility in the local society and in the political sphere of the large canton<sup>29</sup>. This chamber is however the founding partner of a research project carried out by the University of Lausanne between 2010 and 2013 that is at the origin of this working paper. Finally, another chamber has recently been created (in 2012) for the cantons of Neuchatel, Jura, and Bern; as of May 2014, this chamber had 6 member organizations.<sup>30</sup>

Despite their small size and limited impact in society, these chambers are important cornerstones toward the creation of a SSE network for the entire western Switzerland. The creation of this network benefits from an EU Interreg fund that currently finances research and collaboration between the Swiss chambers and the SSE chambers in two neighboring French areas, namely Rhone-Alpes and Franche-Comté.

The definition and criteria of the SSE Chamber of Commerce in Geneva (that serve as the basis for the other chambers) offer an interesting combination of the traditional SSE definition in France, the EMES criteria, and a “Swiss twist” (see Baranzini & Swaton 2013). The chambers, for instance, do not use legal form as a criterion for accepting or refusing new members, but rather verify whether core principles such as participative governance and contribution to social welfare are respected in the *spirit* of the organization. This approach based on principles and criteria can lead to the inclusion of some corporations as well as to the potential exclusion of associations and cooperatives that could be included according to a legal definition of the field. Further, (limited) profit distribution is better accepted within the Swiss SSE movement than in other SSE movements. The Chamber’s charter defines seven principles, summarized in Table 6.

**Table 6: The Swiss SSE Chambers’ principles and related slogans<sup>31</sup>**

Principle	Slogan
Social wellbeing	<i>To be, not to have</i>
Participative citizenship and democracy	<i>Each voice counts</i>
Ecology	<i>Produce to live, don’t live to produce<sup>32</sup></i>
Autonomy	<i>Autonomous but not individualistic</i>
Solidarity	<i>1 + 1 &gt; 2</i>
Diversity	<i>Rich in our differences</i>
Coherence	<i>Say what we do and do what we say</i>

<sup>29</sup> Based on a mail exchange with the Chamber’s President, May 24<sup>th</sup>, 2014.

<sup>30</sup> According to their website, [www.apres-bejune.ch](http://www.apres-bejune.ch), May 23<sup>rd</sup>, 2014.

<sup>31</sup> The English version of the Charter can be downloaded at: <http://apres-ge.ch/node/32136>.

<sup>32</sup> As the Chamber is only ten years old, ecology represents a core principle from the very foundation of the Chamber, contrary to other SSE movements in which the environment might have more difficulty finding its place next to social values.

These principles have been refined in a series of criteria that are summarized according to the ICSEM classification in Table 5.<sup>33</sup> While the economic dimension seems to be secondary in the SSE Chamber criteria (continuous production and paid work do not represent formal criteria, and although most members bear some economic risk, there is no “requirement” to do so), the social dimensions are more explicit in the criteria. There must be an explicit social aim,<sup>34</sup> profit distribution must be limited and transparency about profit distribution must be ensured,<sup>35</sup> and a private initiative must be at the origin of the creation of the organization. As for participatory governance, the degree of autonomy is an important criterion and organizations that are directly submitted to public or private structures cannot become members of the chamber. Further, the participatory nature is encouraged as member organizations must show how they want to develop the participatory process for employees. Nevertheless, as all legal forms are allowed (including limited liability companies and self-employed persons), participatory governance is not an *a priori* criterion, and it is formally limited to employees—even though the chamber promotes a broader understanding of stakeholder involvement. Finally, SSE members that have legal forms based on capital must show how they want to develop shareholder democracy.

This approach, based on principles and practice rather than on formal criteria such as legal forms, allows for more flexibility and also challenges cooperatives and foundations that do not necessarily respect all principles despite their SSE legal form.<sup>36</sup> This allows for the integration of a multitude of actors that share most of the SSE values without necessarily having explicitly thought about it when they were created (as the SSE concept was not explicitly discussed in Switzerland until the 2000s). Nevertheless, as the chamber grows, and also due to the emergence of the social entrepreneurship model, the chamber will have to make its criteria more precise. For example, the anchorage of the movement in the political conception of SSE as participatory and striving for the common good rather than for profit makes some of its proponents very wary of the social entrepreneurship model (see Swaton 2011).

### ***B.2.2. Social enterprises and the economy for the common good***

While the SSE movement is more present in the western, French-speaking part of the country, the common good notion (*Gemeinwohl* or *Gemeinwesen*) is more developed in the German-speaking part of Switzerland. For example, part of the agriculture, especially in Alpine areas, functioned based on the “commons” as studied by Nobel Prize Laureate Ostrom (1990). The existence of common goods and the contribution to common goods are strongly anchored in many areas of Swiss social and political life. Illustrations of this are numerous, even though specialization and professionalization are leading to a decay of this habit. The militia mindset prevails in the political system (officially, politicians are non-professional), in fire brigades, and

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<sup>33</sup> See also: <http://apres-ge.ch/node/34120>.

<sup>34</sup> Interestingly, the notion of “social aim” and the related concept of “contribution to public interest” are not defined. This is however a recurring—yet almost unaddressed—problem among actors of various streams as well as in the literature: Who can legitimately define “public interest”?

<sup>35</sup> This transparency is however limited as the organization can choose to have its financial reports examined by a fiduciary that certifies the fulfillment of the criteria rather than submitting its reports to the Chamber's executive committee. There is no obligation to publish the reports to all members of the Chamber or to the public at large.

<sup>36</sup> The retailing cooperatives Migros and Coop were, for this reason, not included in the Geneva SSE Chamber statistics reports of 2010. Nevertheless, others debate this point as these two cooperatives are highly engaged in social practices in comparison to other retailers. Interestingly, at the same time, the Chamber also accepted a giant insurance cooperative, the Mobilière, as one of its members.



in military. Beyond these more official and state-related functions, the mindset of service for the common good can be observed among the many people volunteering in either formal or informal ways for the local community.<sup>37</sup>

Proponents of the economy for the common good (ECG) movement aim at bringing together enterprises that are strongly embedded in the local community and that abide by its values and contribute to the common good as “*Sozialunternehmen*” (“social enterprises” in German). Yet as with SSE organizations, the use of this term for this group of organizations (and the group of organizations itself) is not well-known outside the ECG movement itself. Unlike the SSE movement, the ECG movement seems still very small. Although it concerns various regions in the German-speaking part of Switzerland, with many local groups being created, these groups are small and little known in their respective geographic areas. Much like the social entrepreneurship movement, the ECG movement’s main strength in terms of further growth is its more business-like language, which might better reach out to organizations in the traditional economy that consider themselves as “businesses”, in opposition to the often negatively connoted “SEs”. The risk in this approach is however the dilution of the core values into some CSR-washing.

The proximity to the traditional business sector implies that ECG SEs easily fulfill the three EMES economic criteria. The explicit aim of reaching a (specific) social objective is however replaced by a more general notion of contribution to the common good. While this notion seems less clear than those of public interest and social aim, already criticized above for the SSE movement,<sup>38</sup> the ECG evaluation matrix nevertheless offers a clear operationalization of the concept as well as a system to evaluate organizations based on five core principles that are each applied to a broad array of stakeholders (Table 7).

**Table 7: Key principles and key stakeholders in the ECG matrix<sup>39</sup>**

<b>Key principles</b>
Human dignity
Cooperation and solidarity
Ecological sustainability
Social justice (including minimization of dividends paid)
Democratic co-determination and transparency
<b>Key stakeholders</b>
Suppliers
Investors
Employees, including business owners
Customers and partners
Social environment: region, electorate, future generations, civil society, fellow human beings, animals and plants

<sup>37</sup> See above, footnote 12, and Schön-Bühlmann (2011).

<sup>38</sup> See footnote 34.

<sup>39</sup> See the full matrix at <http://www.ecogood.org/en/balance-sheet/what-balance-sheet/contents-balance-sheet>.

The ECG movement targets primarily private organizations, even though the matrix might be used, with some adaptations, for public administrations. Finally, the participatory governance is also valued by the model. Its fifth principle, “democratic co-determination and transparency”, includes criteria such as the inclusion of employees in decision processes (including election of managers) and the inclusion of local stakeholders and NGOs in decision-making.

While still young, the movement is not to be ignored, for multiple reasons. First, the German part of the country represents about two thirds of the population and hence might have more weight in national public policy than other parts of the country. Secondly, the ECG movement has international connections and is related to professors in the academia. Thirdly, it shows some appeal among traditional businesses seeking to enhance and promote their social dimension.

### ***B.2.3. The social entrepreneurship actors***

In addition to the two streams from neighboring countries described above, the social entrepreneurship movement that started in the USA and the UK has also impacted Switzerland. Various trends can be identified within this movement. The first trend is that observed among traditional nonprofits that develop commercial activities as a source of revenue for their social mission (Dees 1998; Defourny & Nyssens 2010). This trend can be related to one of the groups of actors at the periphery of the SEs that we call *third sector actors with separate business activities* and that will be discussed in section B.4.2.

The second trend is the social innovation trend that insists on the innovation part rather than on the form of organization (Drayton 2002; Yunus 2010). Socially entrepreneurial individuals can be found either within existing SEs or nonprofit structures, or start a new organization independently from existing structures. In both cases, what distinguishes these actors from the traditional nonprofit sector is not so much the relation to the social issue they tackle, but rather their relation to the entrepreneurial and commercial dimension of their project. While the nonprofit and the SSE are often in opposition to, or at least in tension with, the traditional business sector, social entrepreneurs seek to overcome this dichotomous approach and combine social and entrepreneurial/business-oriented mindsets (Smith et al. 2013).

This approach originated in the USA and the UK, and is also widely applied in the developing world (Gonin et al. 2014). It underlies part of micro-finance (Yunus 2010, 2011) and the base-of-the-pyramid (Prahalad 2010) movements. Further, it is supported through extensive (and efficient) networks such as the Schwab Foundation for Social Entrepreneurship, with headquarters in Geneva (Schwab Foundation for Social Entrepreneurship 2011), and the Ashoka network (Meyskens et al. 2010).

The social entrepreneurship trend is also visible in Switzerland. Ashoka, but also other organizations, such as Euforia<sup>40</sup> and seif<sup>41</sup>, are developing various programs to foster social entrepreneurship. In addition, Switzerland is playing a major role in the field of microfinance

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<sup>40</sup> <http://euforiacion.org>

<sup>41</sup> <http://seif.org>

investment funds.<sup>42</sup> While the pioneer funds were created within the traditional NPO world (e.g., ECLOF, FIG, Oikocredit Switzerland), new actors with commercial and profit-oriented intentions that are closer to the social entrepreneurship mindset emerged (e.g., BlueOrchard, ResponsAbility). In some cases, these funds have even put the profit objective above the social ones, causing tremendous damage among those who should have benefitted from these funds. This tension within microfinance investing is at the core of the Yunus-vs.-Chu debate that took place at the 3<sup>rd</sup> World Microfinance Forum Geneva (Yunus et al. 2008).<sup>43</sup>

As a consequence of its roots being closer to business than to nonprofits, the economic dimensions of social entrepreneurship SEs are better developed than those of the other SE models discussed so far. All three EMES criteria related to economic dimensions are fulfilled. As far as social aspects are concerned, while social entrepreneurship implies an explicit social aim<sup>44</sup> and results from a private initiative, the criteria of limited profit distribution submitted to a social aim is not systematically considered as important within this trend—even though it is for many actors.<sup>45</sup>

Finally, as regards participatory governance, autonomy is often very important among social entrepreneurs, even though some social impact investment funds and “social business angels” are strongly involved in the development and strategy of the funded organizations. Participation and democratic decision-making remain however two dimensions that are not explicitly addressed in the social entrepreneurship model and therefore often implicitly overseen—except for some actors who explicitly integrate them.

In summary, in addition to the core SE models in Switzerland, namely WISEs and, by extension, hybrid economic social service actors, three new trends contribute to making the SE concept both more visible and blurrier. On the one hand, the multiplication of definitions, criteria, and umbrella structures makes it difficult to extract a full yet coherent definition of the sector that would allow for gaining specific support from authorities and increased legitimacy as a research field. On the other hand, this multiplication leads to increased visibility that fosters debates and challenges both traditional businesses and traditional NPOs to review their dichotomous conception of private actors.

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<sup>42</sup> 29 of the 133 worldwide microfinance funds, managing 27% of worldwide microfinance assets, are located in Switzerland (Symbiotics 2011).

<sup>43</sup> See also the publications by Jean-Michel Servet (Graduate Institute), Solène Morvan-Roux (University of Fribourg), and the Center for Microfinance at the University of Zurich Department of Banking and Finance.

<sup>44</sup> Like for the SSE criteria, the question of who defines which aims can be considered as “social” remains open.

<sup>45</sup> Among others, M. Yunus (2010, p. 6) insists on the importance of limited/no profit for social enterprises to really reach their social objectives: “Unless you are forcing yourself to reach the poor, independent of whether you are making more or less money, you will not achieve it. It is precisely because mainstream financial institution (sic!) do not have reaching the poor as their number one goal, that poor people never get money from them. Institutions that introduce a commercial mission did not have a social mission in the first place. You cannot have both a social and a commercial mission, the commercial mission will take over and the social mission will get lost.”

### B.3. Cooperatives<sup>46</sup>

In addition to the 5 SE models addressed so far, two other groups of SE models deserve attention. This section focuses on cooperatives, originally considered as the “prototypical SE” yet subject to multiple evolutions in the 20<sup>th</sup> century. In the next section, we consider three types of actors that are located at the periphery of the SE field yet cannot be excluded *ex ante* from the study.

While the Swiss Code of Obligations foresees only the pursuit of the economic interest as a legitimate aim for cooperatives, the Swiss Business Index Ordinance explicitly acknowledges cooperatives with other public utility objectives, such as culture or social issues (Arnold 2005: pp. 72–4; Natsch 2005: pp. 90–2). Furthermore, these “economic entities” have most often emerged in a specific socio-economic context that implied a social dimension in many of these initiatives—even though this social dimension has been lost or weakened in some sectors over the years.

Cooperatives were the most used legal form for business in Switzerland at the end of the 19<sup>th</sup> century, but have lost much influence in the second half of the 20<sup>th</sup> century (Degen 2010: pp. 77–85; Gachet & Gonin 2013b; Purtschert & Beccarelli 2005). Today, this model is no longer used for new organizations, except for housing cooperatives and some exceptions such as the highly successful car sharing cooperative, Mobility, created in 1997 (see Hadorn 2009 for a detailed history). Since the beginning of 2013, twice as many cooperatives have been dissolved as the ones created, and despite the fact that 2012 was the international cooperative year, only two major events were organized in the country.<sup>47</sup>

Gachet and Gonin (2013b) notice that the cooperative model is ignored by the vast majority of local and national economic promotion agencies as well as by management faculties, and that detailed statistics about cooperatives in Switzerland are lacking. Except for a few students' final papers or specific case studies (e.g., on housing cooperatives), the authors are aware of no important research on cooperatives between Blümle's (1969) and Janin's (1973) works and the recent studies of Purtschert (2005a) and Gachet and Gonin (2013a).

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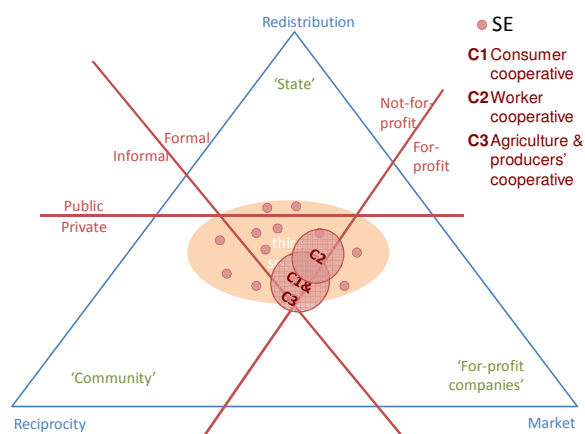
<sup>46</sup> We do not discuss in this section the cooperatives active in the WISE sector or cooperatives with specific social aims, as they were already addressed in B.1.

<sup>47</sup> The newly created *business cooperatives interest group* and the *University of Lausanne* each organized a colloquium on this topic (the Acts of the second colloquium are published in Gachet and Gonin 2013a).

Despite this situation, various cooperatives have been attempting to give a new impetus to this legal form since the 2008 financial crisis. This includes older banks and insurance companies that kept their cooperative statutes in the 1990s, when most other organizations in the field adopted more corporation-like forms (see the contributions by Girardin and by Hebeisen in Gachet & Gonin 2013a). After decades of silence about their legal form and social dimension, these cooperatives are currently seeking to position themselves anew as business cooperatives, with specific strengths and added values for customers because of their legal form (including greater stability and distribution of profit to customers).<sup>48</sup> Yet while the newly created *business cooperatives interest group* focuses on the interests of bigger, market-oriented cooperatives, there is no broader cooperative movement in the sense of a common federation that would defend *all* cooperatives as a specific type of SE.

As a result of this absence of umbrella structures, various categorizations can be found in the literature (see e.g., Purtschert 2005b: pp. 24–30), which often distinguish between consumer cooperatives, worker cooperatives, and agricultural and producers' cooperatives.<sup>49</sup> The particular focus and positioning of these three types are presented in Figure 4 and in Table 8.

**Figure 4: Positioning of the three cooperative SE models**



<sup>48</sup> A study of the International Labor Organization has shown that banking cooperatives resisted better to the 2007-2008 financial crisis than other forms of banking institutions (Birchall 2013).

<sup>49</sup> The newly created cooperative *itopie* in Geneva (<http://www.itopie.ch>) represents a very particular exception as it seeks to have its employees (IT domain), its customers (it offers various IT services), as well as its suppliers as members of the cooperative.

Table 8: Overview of the three main types of cooperatives

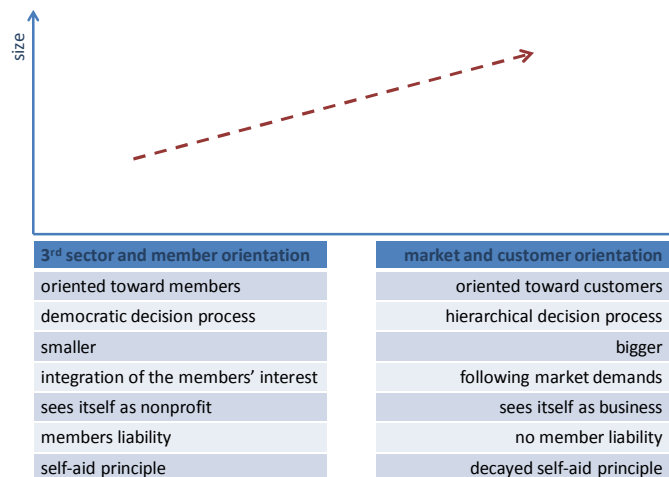
	Consumer cooperative	Worker cooperative	Agricultural and producers' cooperative
<b>Economic project</b>			
<b>Continuous production</b>	Yes	Yes	Not necessarily, and many are no longer active at all.
<b>Some paid work</b>	Yes, in most cases, except for housing cooperatives	Yes	Many do not hire people
<b>Economic risk</b>	Yes	Yes	Yes
<b>Social Aspects</b>			
<b>Explicit social aim</b>	Yes, although it is less clear for the biggest cooperatives	No, focused on the economic interests of workers-members	Only indirect
<b>Limited profit distribution submitted to social aim</b>	Law sets a cap on profit distribution for cooperatives; the link to "social aim" is not clear and is often limited to the interests of members		
<b>Initiative launched by a group of citizens</b>	Yes	Yes	Yes
<b>Participatory governance</b>			
<b>High degree of autonomy</b>	Yes	Yes	Yes
<b>Participatory nature involving various affected parties</b>	Only ensured for the cooperative's members (consumers). Less obvious for the biggest cooperatives. Not mandatory for insurance cooperatives with > 1,000 members <sup>50</sup>	Only ensured for the cooperative's members (workers)	Only ensured for the cooperative's members (farmers)
<b>Decision-making power not based on capital ownership</b>	Yes	Yes	Yes
<b>Asset lock</b>	If not defined in the minutes: any asset remaining after having paid back the social parts must be attributed to organizations with similar objectives. Minutes can define something else.		

<sup>50</sup> Swiss Code of Obligations, art. 893.

### B.3.1. Consumer cooperatives

Consumer cooperatives are cooperatives created to answer specific consumption needs through self-owned and democratically governed structures. Two diverging but important streams can be identified. On the one hand, some cooperatives created with strong social aims in the 19<sup>th</sup> and first half of the 20<sup>th</sup> century have grown to become “cooperative enterprises” and a dozen of them remain very important actors in various industry sectors (Fritschi 2011; Gachet & Gonin 2013b). On the other hand, there are many smaller, often more recent cooperatives that insist more on the local anchorage and participatory governance. Purtschert’s (2005b) figure (see Figure 5) nicely illustrates this tension between membership orientation and market orientation. As cooperatives grow and hire managers with mainstream business education background, they tend to move, through an isomorphism process, from a democratic governance structure toward a more market-oriented mindset, similar to that prevailing in traditional businesses.

**Figure 5: Cooperatives, on a continuum between traditional third sector and market**  
(Purtschert 2005b: p. 20)



While many banking and insurance cooperatives had high social motivations when they were founded in the 19th and early 20th centuries (Degen 2010: p. 84), this dimension of their identity seems to have vanished as they grew over time. Nevertheless, many smaller mutual saving banks and local insurance companies (especially agriculture insurance firms) still function as cooperatives with social motivations. Further, as mentioned above, a few bigger ones (timidly) seek to revive the cooperative culture in their governance and relation to customers.<sup>51</sup>

The big retailer cooperatives Coop and Migros were founded with the social aim of providing quality products to low-income households. The evolution of their governance structures, their growth, and the competition stemming from the presence of other international groups has however led to some distance appearing between these organizations and the consumers. For instance, neither of them requires customers to be cooperative members to benefit from their customer loyalty program. While they each have about 2 million members (out of a total of about 3.5 million households in the country), very few of their members are active, and despite their important support and sponsoring for the community,<sup>52</sup> Coop and Migros are no longer considered as SEs by the majority of the population.<sup>53</sup> Worth mentioning as regards retailing however are the few smaller cooperatives that are regularly created to save local grocery stores or libraries that would no longer be profitable as standard business (Purtschert 2005b: pp. 29–30).

Currently, the best integration of economic and social dimensions in cooperatives is certainly found among housing cooperatives that build apartments for lower/middle-class households. While housing cooperatives are already well-established in the German part of the country,<sup>54</sup> authorities of French-speaking cities are seeking to promote this model when planning new urban quarters—also as a tentative reaction to the skyrocketing housing prices.<sup>55</sup>

Common to the vast majority of consumer cooperatives is the fulfillment of the EMES economic criteria of SEs, namely continuous production, economic risk, and (except for most of the many housing cooperatives) paid staff. Regarding the social aspects, discussions exist about the current conception of “explicit social aims” among bigger cooperatives, as their behavior is often considered close to that of traditional businesses. Nevertheless, their strong involvement and their above-average working and wage conditions cannot be ignored. Moreover, profit distribution is strictly limited by law (yet not forbidden), and cooperatives result from private initiative.<sup>56</sup> Finally, participatory governance is often ensured, even though limited as the

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<sup>51</sup> This is especially true for two big insurance companies, namely *Mobilière* and *Vaudoise*, as well as, to some extent, for the *Raiffeisen* Bank. See also the new umbrella structure: <http://iggenossenschaftsunternehmen.ch>.

<sup>52</sup> They are known for having rather good working conditions in comparison to the average in the retail industry. Furthermore, Migros is bound by its own statutes to use 1% of its income for social purposes, regardless of the benefit.

<sup>53</sup> As mentioned above, Coop and Migros were excluded from the empirical studies by the Geneva SSE Chamber of Commerce.

<sup>54</sup> In average, 5% of housings are managed by cooperatives in the German-speaking part of the country (up to 20% in Zurich and Bienne), against 3% in average in the French-speaking part (Gachet & Gonin 2013b).

<sup>55</sup> See for instance the project “metamorphose” in the city of Lausanne: <http://www.lausanne.ch/metamorphose>.

<sup>56</sup> An exception would be cooperatives created by (local) public authorities to manage common goods such as water and sewage networks (Purtschert 2005b: p. 30).



cooperative size grows. While the Raiffeisen banks still represent a network of over 300 local cooperatives that can ensure strong local participation, headquarters gain in influence and most major cooperatives tend to work with delegate systems that limit the direct involvement of all cooperative members. Registered insurance cooperatives even benefit from the possibility to delegate almost all responsibility of the general assembly directly to the board (Code of Obligation, art. 893). Finally, it must be noted that participatory governance is almost exclusively understood as the participation of the members, and does not include other stakeholders, such as employees.

### ***B.3.2. Worker cooperatives***

Worker cooperatives, well-known in some neighboring countries, remain exceptions in Switzerland. Because the various types of cooperative cannot be identified in official registers, we have no specific data on worker coops. While the authors know of a few of these cooperatives, they remain anecdotal in relation to the total number of cooperatives and of enterprises in general in the country. Nevertheless, this model is worth mentioning here as it differs from consumer cooperatives in various ways. While the EMES economic criteria are also fulfilled by worker cooperatives (and even better so than by other types of cooperatives, as paid work is a key characteristic of a worker cooperative), divergences exist about social aims and participative governance. Worker cooperatives are private initiatives and, as cooperatives, are subject to strict regulations as regards profit distribution. However, no explicit social aim beyond participative governance is required. While some might be active in tackling social issues, others are active in the traditional industry and service sectors. As for the participatory dimension, cooperatives show a high degree of autonomy (like any other business), and decision-making is not based on capital ownership, but on the “one person, one vote” principle. Nevertheless, this principle applies only to the cooperative’s members, that is, in the case of worker cooperatives, the employees—and not necessarily *all* employees.

### ***B.3.3. Agricultural and producers’ cooperatives***

The third type of cooperative is the agricultural and producers’ cooperative. The particularity of this model is that most often, the cooperative is used as a channel either to share expensive resources such as machinery and infrastructures (e.g., milk collection point), or to pool production and increase negotiating power and visibility to sell the individual members’ production. This production can be wine, fruit, meat, or milk in the case of agricultural cooperatives, as well as other goods and services for producers’ cooperatives.<sup>57</sup>

In this sense, agricultural and producers’ cooperatives do not pursue a social objective in the narrow sense. Nevertheless, they usually show a participative governance structure typical of SEs and often participate in sustaining a local economy close to people and the environment.<sup>58</sup>

While agricultural cooperatives represent the majority of cooperatives in Switzerland, many of them are very small and some even without any activities. They still exist in the Swiss Business Index as they might hold some building (e.g., a former local dairy collector or cheese

<sup>57</sup> As an example, we can cite the newly created cooperative of environmental consultants (<http://www.2sustainable.ch>) or taxi cooperatives.

<sup>58</sup> While this point is taken for granted by a large proportion of the population, there is no recent in-depth study of the social and environmental contribution of Swiss agricultural cooperatives.

production facility), but in many cases they rent this building to other enterprises or inhabitants. Nevertheless, some important agricultural cooperatives still exist, such as *fenaco*, a cooperative holding active in sectors as diverse as supply of agricultural products for farmers, transformation and sale of the farmers' production, local grocery shops, and gas stations. The *fenaco* group has over 43,000 members and has a turnover of 5.81 billion CHF, which represents about 1% of the Swiss GDP (Fenaco 2013). Smaller but no less famous is the cooperative that produces and commercializes the *Etivaz* PDO, a famous cheese close to the Gruyère.<sup>59</sup>

Regarding the EMES criteria, many of these cooperatives—especially the many cooperatives created for the acquisition and use of agricultural machines—do not have any paid staff and no continuous production, but they all bear economic risk. As mentioned above, they do not necessarily pursue specific social aims, but rather the economic interests of their members.<sup>60</sup> They are the result of private initiatives and have limited profit distribution. As regards the participatory governance, these cooperatives resemble other cooperatives, with a high degree of autonomy in most cases<sup>61</sup> as well as decision-making processes not based on capital ownership, and a limited stakeholder inclusion as the latter is limited to the members (mainly farmers).

## B.4. Actors at the periphery

In addition to the main types of SE identified in the first two sections and to the cooperative group, three other organizational types deserve specific attention. These three types can be considered, at first glance, as being at the periphery of the SE field, yet preliminary investigations and the literature review suggest that at least part of the organizations belonging to these three groups show many similarities with SE. Moreover, the relative blurriness of the terms used around the nonprofit and SE field(s) requires a clarification of the concepts. For these reasons, we propose to include them in this overview paper in order to highlight similarities and differences. We also call for further studies about the practices of these actors to verify the relevance of including (some of) these actors in the SE field. The three groups are (1) third sector actors without specific business activity, (2) third sector actors with separate business activity, and (3) some traditional SMEs with strong family values and anchorage in a local community.

Table 9 and Figure 6 summarize these three types of actors based on the EMES criteria.

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<sup>59</sup> See <http://www.etivaz-aoc.ch> and Cantin (2013).

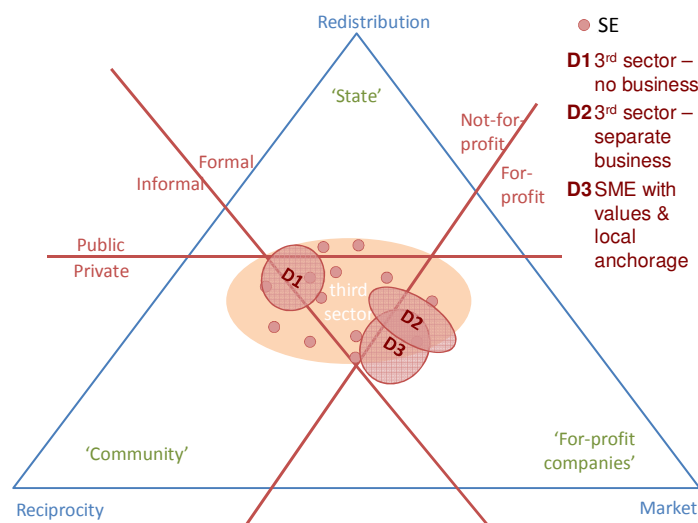
<sup>60</sup> Swiss law requires cooperatives to pursue the “economic interests” of their members, even though practice allows for mere public utility cooperatives to exist.

<sup>61</sup> Swiss agriculture, like in many surrounding countries, is strongly regulated (e.g., as regards quantity of milk produced etc.); see Arnold (2005: p. 78).

Table 9: Overview of three SE models at the periphery of the EMES definition

	Third sector actors without specific business activities	Third sector actors with separate business activity	SMEs with strong (family) values and local anchorage
<b>Economic project</b>			
Continuous production	Not necessarily	Yes	Yes
Some paid work	Not necessarily	Yes	Yes
Economic risk	Limited	Yes	Yes
<b>Social Aspects</b>			
Explicit social aim	Yes	Yes – but challenged in case of excessive commercial orientation	Often implicit social objectives depending on owner's values and worldview
Limited profit distribution submitted to social aim	Yes	Most are associations according to Swiss law – but they can circumvent the law through (for-profit) subsidiaries, payment of high wages,...	No, but can be defined in the minutes
Initiative launched by a group of citizens	Yes	Yes	Yes
<b>Participatory governance</b>			
High degree of autonomy	Yes	Yes	Yes
Participatory nature involving various affected parties	Legally limited to the members (associations) or to the co-opted foundation board members (foundations)	Structures are highly controlled	No legal requirement / depending on owners' worldviews and values
Decision-making power not based on capital ownership	Yes	Yes	Depending on owner's good will and worldview
Asset lock	Yes	Defined by legal form, but sometimes complex legal structures	No

Figure 6: Positioning of three SE models at the periphery of the EMES definition



#### B.4.1. Third sector actors with no business activity

While some actors actively seek to professionalize, mainly because their management develops new types of products and services to attract new financial revenues, other organizations—mainly NPOs with no or minimal paid staff<sup>62</sup>—avoid or even condemn such practices. Even though no official statistics exist because there is no census of associations in Switzerland, these organizations probably represent the biggest part of the third sector (see Helmig et al. 2010c). They are seldom referred to as SEs, but rather as social organizations. Nevertheless, they might have to (reluctantly) adopt some managerial practices and revenue strategies typical of SEs to ensure their future. This might be due to public administrations adapting their strategies to support social organizations (e.g., formulating calls for tender rather than subsidizing specific organizations) or to private foundations also changing their rules for granting funds to specific organizations. Funding organizations increasingly require the presentation of specific projects that might be self-sustainable over time, and refuse to subsidize general functioning costs of organizations, thus forcing organizations to adapt their structure and revenue sources, or at least change the way they formulate their grant submission (see e.g., Eckhardt et al. 2013; Symbiotics Research & Advisory S.A. 2011). Due to these changes, and even though these organizations do not fully embrace their hybrid identity, the business mindset impacts a growing part of their activities.

As mentioned above, systematic census and study of the third sector remain limited. Identification of the subgroup of third sector actors with no business activity can therefore not be based on existing listing or census. Moreover, many data about these actors are lacking. For instance, most organizations have no obligation to disclose any report on their assets, activities, and governance. While this makes clear categorization and comprehensive research

<sup>62</sup> Over 1/4 of the nonprofit organizations active in the field of social work have no paid staff at all and an estimate of 160,000 volunteers are active in these organizations (Gysin & Adamoli 2013).

more complicated, it allows at the same time for uncomplicated, rapid, and adapted creation of structures according to the will and motivations of civil society members.<sup>63</sup>

Nevertheless, the characteristics of these actors based on the EMES indicators can be summarized as follows. Third sector actors with no business activity have usually no paid staff, bear no (or limited) economic risk, and often have no continuous production. These points need however to be taken with caution as the Swiss third sector is very broad and contains a high variety of actor types. As for the social dimensions, these organizations pursue explicit social objectives, have no profit distribution, and result from private initiatives. Participatory governance criteria are also fulfilled most of the time, even though the inclusion of relevant stakeholders might be problematic for some associations and for many foundations (see A.2).

While the weak “performance” of these actors in terms of fulfillment of economic criteria seems to plead for their exclusion from the SE field as defined by ICSEM, the absence of detailed studies on these actors makes it unfair, however, to exclude them *ex ante* from the sample.

#### ***B.4.2. Third sector actors with separate business activity***

While some third sector actors seek to avoid any business activity (B.4.1) and others develop a hybrid identity combining economic and social objectives (B.1.2), a third group develops commercial activities whose aim is to generate income and which are partly separated from their original mission. In social entrepreneurship, this stream is usually referred to as the “earned income” school of thought. In other cases, the revenues might be derived from activities close to those relating to the primary social aim, while still showing a clear difference in mindset with the (still ongoing) original social mission. For instance, local tennis clubs not only offer tennis training to kids for free (or against a rather small membership fee), they also rent their courts to people wanting to play, thus combining a social activity often delivered through volunteers with a commercial activity based on traditional market pricing.

Similarly, many umbrella associations such as religious federations, employers and employee unions, as well as sports and cultural federations (see Nassar & Stricker 2008) also develop business activities such as paid-for consulting and training. Very often, these umbrella structures are in the form of an association, yet some of them, especially those pursuing some economic objectives such as the acquisition of supplies or sales of products, are structured as cooperatives.

Many of these structures first sought merely to coordinate actions between members of a similar activity and defend these actors in the political arena, but over time they developed an increasing number of commercial activities. They sell various services such as training, seminars, and administrative support to their members, to a point where these secondary activities have become their primary source of revenue.

Extreme cases of these umbrella organizations are primarily found among some of the many international sport umbrella structures that are headquartered in Switzerland, such as the International Olympic Committee (IOC) or the international soccer associations FIFA and UEFA. Over time, these structures have developed into multi-million dollar businesses through royalties and other fees related to sporting events and merchandizing. In this sense, they add

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<sup>63</sup> See above, section A.

an entrepreneurial dimension to their original social objective, even though these two dimensions co-exist as two parallel types of activities. In fact, the UEFA as an association is complemented with a corporation, UEFA Events S.A. The latter is 100% held by the UEFA association and aims to support UEFA through the development and the management of projects in the area of marketing, media and sport event organization.<sup>64</sup> These increasingly business-oriented functions within sports organizations have led to the creation of a Master of Advanced Studies in Sport Administration at the most important educational institutions in the Lausanne-Geneva area, namely the EPFL and the Universities of Lausanne and Geneva.

While the “ratio” between social and economic objectives can largely vary among these third sector actors with separate business activities, citizen movements have recently requested that the public utility status (and henceforth the tax exemption) of organizations such as the UEFA be revoked, claiming that they focus too much on economic objectives.

Apart from these extreme cases, the following general comments can be made as regards the EMES criteria for this SE model. First, many of these third sector organizations with separate business activities fulfill the economic criteria as they show continuous production, have paid staff, and bear economic risk.

Secondly, most of them are the result of private initiatives and have a social aim as their primary objective, even though the latter might conflict with the developing business activities. Profit distribution is limited in these structures, even though these limitations are sometimes officially or unofficially circumvented through for-profit subsidiaries, high wages, and loose expense claims policy.

Thirdly, participative governance can be well developed, at least in the original structure. Autonomy is ensured, and the members of the associations are involved through assemblies in which votes do not depend on capital ownership. Nevertheless, this involvement is limited to members and does not necessarily apply to related structures.

For these reasons, these organizations with separate business activity show many similarities with other SEs and do not “score” lower as regards EMES criteria than many other SE models discussed so far—even though the authors are aware of no studies including them in the SE field. Further attention is therefore needed to understand the specificities of these actors and their empirical and theoretical links to more traditional SE models.

### ***B.4.3. Small and medium enterprises with strong (family) values and local anchorage***

Finally, many SMEs show strong social ties and care for the common good of the local community (e.g., Fassin 2008; Spence 1999). Businesses in this category are not (and do not want to be) members of networks such as the SSE (B.2.1) or the ECG (B.2.2). Moreover, they do not want to be called SEs—a term too strongly related, in their eyes, to the traditional WISE, without any business dimension.<sup>65</sup> They nevertheless show many similarities with SSE and ECG businesses. Their owners are involved in local associations and their business resources, such

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<sup>64</sup> See <http://www.uefa.org> as well as the Swiss Business Index.

<sup>65</sup> Personal discussions of the authors with a SSE Chamber founding member as well as with business leaders; see also above, section B.1.1.

as vehicles and offices, can even sometimes be used by these associations if needed. They are also involved in local and even national politics (Switzerland had until recently mainly a militia/non-professional political and military system, as well as volunteer fire brigades).

Therefore, a thorough study of their organizational structures and cultures is needed to identify similarities with and differences from other SE types. This is especially true for older family-owned businesses that are strongly anchored in local values and networks. While their social responsibility, previously a very strong implicit component of their identity, seems to have suffered from the increasing pressure of neo-capitalism and from globalization (Gonin 2014), it might regain momentum through the CSR trend in multinational corporations and through the social entrepreneurship trend, the emergence of the Swiss SSE, and the ECG movement.

It can be expected that all SMEs will fulfill the three economic criteria (continuous production, paid staff, and economic risk); the proportion of SMEs with strong social and participatory dimensions within the whole SME population is still to be evaluated, though. As far as the social aspects are concerned, while few traditional SMEs would declare having an explicit social aim, some SME owners might give social reasons for their business, such as saving/keeping local jobs, serving the community... These enterprises also implicitly limit profit distribution and rather invest in the business, build reserves, or give (important) parts of the profit to charities. Finally, the "private initiative" criterion is clearly fulfilled. As for participatory governance, these enterprises have a high degree of autonomy, but only limited explicit stakeholder involvement. Even though it can be expected that organizations strongly anchored in the local community are sensitive to their neighbors' voice, the ultimate decision-making power remains formally in the hands of the capital owners.

Taking all this into consideration, it would appear inappropriate to exclude *ex ante* all SMEs from SE research. Rather, closer scrutiny might help draw a fine line across the SMEs and identify a proportion of them that share values and principles closer to those adopted by more "traditional" SEs than to those of purely for-profit businesses. The redrawing of the boundary between the third sector and the business sector across the SMEs (instead of between SMEs and SEs) would allow for new synergies and collaboration between traditional SEs and traditional SMEs that could benefit both organizations as well as the local community.<sup>66</sup> For these reasons, a study on these actors might represent an important contribution to academic model refinement, management practice, as well as public policy.<sup>67</sup>

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<sup>66</sup> Various platforms exist in Switzerland to foster exchanges between (local) businesses and nonprofits (see e.g., [www.benevolat-vaud.ch](http://www.benevolat-vaud.ch) and <http://www.philiias.org/fr/humagora>).

<sup>67</sup> Such study is planned in the coming year as part of the authors' research project on social enterprise models in Switzerland.

## C. CONCLUSION

The development of the SE sector in Switzerland has followed very different paths depending on the legal form, sector of activity, and geographic area of the organizations considered. As a result, a multitude of SE models can be identified. The following conclusions can be drawn from this preliminary study.

### C.1. Blurry SE boundaries and new synergies

The most important conclusion from this study is that there is a shift from the original definition of SE, confined to WISE, toward a broader use, first for other social work organizations, and then for members of the three new movements observed in Switzerland, namely the SSE, the ECG movement, and social entrepreneurship.

The (still ongoing) redefinition process of SE leads to unclear boundaries around the SE field. Further studies are required to clarify the context and evaluate whether the inclusion, respectively the exclusion, of the various periphery actors is appropriate or not. By seeking actively the involvement of SMEs, the ECG movement, for instance, opens the question of the relation of SMEs to SEs. Many SMEs are locally anchored (and want to remain local) and are involved in some way in the local community, either by providing specific advantages to associations (through sponsoring, in kind or in money), or by accommodating working hours to make it possible for their employees to get involved in local associations. While these SMEs would probably refuse to be called SEs, a movement like the ECG could lead to new collaboration and the setting up of common umbrella organizations that include both traditional SMEs and traditional nonprofits. This could represent an important factor of growth and further lead to changes within the traditional business world as well as to new synergies between business and third sector.

In the same vein, the successful brand Switcher was created as a business with a strong concern for fair trade and the environment.<sup>68</sup> As Switcher was created before the emergence of the social entrepreneurship movement and of networks such as SSE and ECG, it represents a prototypical example of the limits of taxonomies based on specific ideological or philosophical movements. It further highlights the complexity of the field and the tensions between theory and practice—the latter showing an increasing number of non-standard organizations that resist overly rigid categorizations.

Even among actors clearly identified as SEs, some of the differences are based more on a difference in mindset or in the identification with a specific philosophical stream than on a difference in practices. For instance, the evolution of the fair trade movement points to the limits of clear-cut boundaries and pre-defined categorizations within the SE field.<sup>69</sup> In the same vein, third sector actors with separate business activity (B.4.2) show a score close to the one of enterprises in the social entrepreneurship movement (B.2.3) or of consumer cooperatives (B.3.1).

<sup>68</sup> See e.g., [http://www.switcher.ch/b2c\\_sw\\_en/made-with-respect](http://www.switcher.ch/b2c_sw_en/made-with-respect) and related subpages.

<sup>69</sup> This movement started within the traditional NPO world with some associations selling a few fair trade products (e.g., TerrEspoir, Magasin du Monde, Claro), and has since extended to the Max Havelaar/Fair Trade label, commercialized by the biggest Swiss retailers (which are two cooperatives, see below, section B.3.1). In addition, some businesses have developed industry-specific fair trade labels, such as UTZ for chocolate (see also Huybrechts et al. 2006).



Despite the theoretical challenges that such a redrawing of the boundaries in more permeable terms implies, a discussion of the new boundaries allows for the development of new synergies that can be better exploited by various types of actors. The development of hybrid projects combining traditional business actors with social projects, especially initiated by the social entrepreneurship movement such as Ashoka, contributes to reviving the question of the relations between these two types of actors (Drayton & Budinich 2010). Regularly, collaboration platforms are organized locally in Switzerland to foster such exchanges of expertise and foster collaboration between businesses and nonprofits.<sup>70</sup> Similarly, networks such as the SSE and the ECG foster collaboration and trade among their members regardless of their respective legal form and domain of activity.

Finally, a look across the summary tables of the four groups of SE models identified above highlights that while most criteria are fulfilled by a majority of SE models, *no SE model clearly fulfills the participatory governance aspect* if this aspect is to include stakeholders beyond the only members and/or employees of the organizations.<sup>71</sup> Formal participatory governance remains therefore an important challenge, yet it seems even hardly an issue outside of the SSE sphere or the commons tradition (Gachet & Gonin 2014). Even within the SSE chamber of commerce, participation is often limited to the participation of the organization's members (either employees or customers).

## C.2. Public policy and research context

The second conclusion to be drawn is that specific support from local governments for the SE field as such is very limited and that no inter-cantonal coordination of such support seems to emerge. Except for the Canton of Geneva, public support comes mainly indirectly, from the attribution of specific mandates to SEs, and is not intended to encourage a specific type of business or social service structure.

From a legal perspective, there is no specific legal form for SEs—and there is no project of creating one. This should not be seen as a tremendous problem, though, as the existing legal framework allows much freedom within the existing legal forms. Associations can have commercial activities, and corporations can be non-profit. Nevertheless, the typical hybrid form, the cooperative, is currently neglected by agencies responsible for economic promotion. SEs are more the result of practices and mindsets than of a structured legal framework or adhesion to a specific movement.

This situation of limited support might continue due to the combination of a rather weak state culture in Switzerland, a well-functioning third sector and civil society, but also of a rather limited impact of the crisis that rages in other European countries. Instead of the creation of a rigid framework, the many burgeoning initiatives need to acknowledge their respective strengths and work together to strengthen the civil society sector that seems to suffer in the light of the new public management and of raising individualism.

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<sup>70</sup> See Ashoka's hybrid value chain concept in Drayton & Budinich (2010) as well as footnote 66.

<sup>71</sup> In some extreme cases, one can wonder whether stakeholder participation is not, sometimes, better developed in the CSR movement of some multinational corporations than in some opaque foundations often considered as part of the SE/third sector field.

As for research, there is no extensive and coordinated research project in Switzerland, even though collaboration between scholars and institutions is increasing.<sup>72</sup> This collaboration might be a condition to increase the visibility and legitimacy of the SE field throughout the country and to obtain formal support from governments for the (broad) field.

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<sup>72</sup> See <http://www3.unil.ch/wpmu/ess-vd/ssern/>.

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