



International Comparative Social Enterprise Models

Social Enterprise in the USA: Socio-economic Roles of Certain Types of Social Enterprise

Yaso THIRU
Alaska Pacific University, USA

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PREFACE AND ACKNOWLEDGEMENTS

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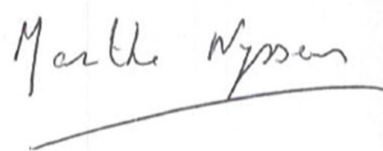
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First and foremost, the production of these Working Papers relies on the efforts and commitment of Local ICSEM Research Partners. They are also enriched through discussion in the framework of Local ICSEM Talks in various countries, Regional ICSEM Symposiums 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.

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Jacques Defourny
HEC – University of Liege



Marthe Nyssens
Catholic University of Louvain

ICSEM Project Scientific Coordinators

Table of contents

Abstract	4
1. Introduction	5
2. Understanding concepts and context	5
2.1. Research challenges	5
2.2. Social enterprise ecosystems in the U.S.	8
2.2.1. Literature	8
2.2.2. Public policy and discourse in the US.....	11
3. Data	13
3.1. Sources	13
3.2. Definitions used in this study	14
3.3. Legal forms of social enterprises used in this study	14
3.4. Analysis	14
4. Some social enterprise types	15
4.1. Orienting types	15
4.1.1. Trading for social cause	16
4.1.2. Grassroots transformation	16
4.1.3. Social advocacy	17
4.2. Characteristics	18
4.2.1. Role	19
4.2.2. Organizational (SE-beneficiary) proximity	19
4.2.3. Benefit proximity	20
4.2.4. Earned income	21
4.2.5. Legal form	21
4.2.6. Innovation	21
4.2.7. Cross-sector collaboration	22
4.2.8. Capital	22
4.3. Indicators that differentiate types of social enterprises.....	23
4.4. A note on the second-stage study	24
4.5. Implications and need for future study	24
5. Conclusion	24
References	26
Appendices	29
Appendix A - Summary data for some SEs from the sample	29
Appendix B - Sample social enterprises used in the 2 nd phase of the research	31
Appendix C – First-stage study.....	32
ICSEM Working Papers Series	35

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ABSTRACT

This paper proposes a classification of some social enterprise types in the USA based on their role orientation in the larger socioeconomic context and identifies variables that may be used to distinguish them. Self-identified social enterprises and those recognized as such by proxy organizations such as Ashoka, Skoll Foundation, and Social Enterprise Alliance were sources of data for this two-staged study. The types are (1) commercial and nonprofit enterprises that trade for a social cause such as environmental conservation, access to markets, fair wages, etc. (“trading for social cause” type); (2) organizations that enable grassroots social change focused on directly working with specific populations for providing basic human needs such as healthcare, food, sanitation, and education, etc. (“grassroots transformation” type); and (3) those that contribute in a systemic way through advocacy for social justice, human rights, democracy, etc., (“social advocacy” type). The paper suggests that these social enterprise types may be distinguished using the following variables: roles played by social enterprises (cause, grassroots local solutions, and social advocacy); organizational proximity (close or distant); and benefit proximity (direct or indirect).

1. INTRODUCTION

This paper does not attempt to cover the whole landscape of social enterprises in the United States, which is quite diverse and has given rise to many different conceptual and theoretical approaches. Instead, the focus will be on a very limited number of social enterprises selected on the basis of a two-staged study. The samples used in the first-stage study were selected from publicly available secondary sources of self-identified social enterprises. Based on the socio-economic roles played by the sample social enterprises, certain types were identified in the first stage. This working paper describes the results of the second-stage study, where eleven social enterprises were tested against the types developed in the first stage. By highlighting some distinguishing characteristics of these entities, this paper proposes a typology stressing the socio-economic roles of the selected social enterprises.

In this way the paper hopes to contribute to the ICSEM project's goal to develop a typology of social enterprise models found around the world. This working paper begins with the concepts of social enterprise practices and the contexts in which social enterprises come to be and operate in the US. Secondly, it discusses the ecosystems in which social enterprises reside and socialize in this country. Thirdly, the paper explains the nature and sources of data used by the author to determine types of SE. Finally, the paper provides a description of the types of social enterprises mapped in the second-stage study. The first-stage study that led to the development of the different types is described in Appendix C.

2. UNDERSTANDING CONCEPTS AND CONTEXT

2.1. Research challenges

There are no formal authorities, definitions, or legal forms assigned to identify social enterprises in the United States of America. This leads to research challenges discussed in detail below. For these reasons this research for the ICSEM Project relied on published literature and proxy organizations (Skoll Foundation, Ashoka, and Social Enterprise Alliance) to select social enterprises used in this study. Therefore, by default, my operating definitions of social enterprises are those used by these same entities.

In spite of attempts to provide a precise definition of each term, the literature on social enterprise often conflates the terms *social enterprises*, *social entrepreneur*, and *social entrepreneurship*. And hence all three terms can be found in discussions of the literature in this paper. In the US, *social entrepreneurship* is a concept used in academia and in practice to generally refer to entrepreneurs and enterprises with a mission focus similar to that of a nonprofit or a nonprofit engaged in enterprising activities to benefit its stakeholders. Stakeholders, of course, are those who directly or indirectly benefit from the actions of an entity and/or have a stake in its outcomes. Academia and nonprofit organizations, or civil society organizations, are two specific spheres where the term *social entrepreneur* is used.

Understanding a phenomenon starts with defining it. This has been a challenge for the researchers in the social enterprise (SE hereafter) field. Bill Drayton's work and Ashoka popularized the notion of social entrepreneurship in the USA. Ashoka defines social entrepreneurs as changemakers who "solve complex social problems" (<https://www.ashoka.org/visionmission>). The Skoll Foundation, which promotes and supports the work of social entrepreneurs in the US and around the world defines a *social entrepreneur* as the change agent who creates "innovations that disrupts the status quo and transforms the

world for the better" (<http://skoll.org/about/faq/>). In the academic arena in the US, a widely quoted definition of social entrepreneur is that of Dees (1998, 2001). In a paper funded by the Kauffman Foundation, Dees wrote about the "Meaning of Social Entrepreneurship". In this paper he describes the role played by social entrepreneurs. He explains that a social entrepreneur is someone who adopts "a mission to create and sustain social value" and "not just private value", one who relentlessly pursues "new opportunities to serve that mission" and is engaged in a "process of continuous innovation, adaptation, and learning"; one who acts "boldly without being limited by resources currently in hand" and exhibits "heightened accountability to the constituencies served and for the outcomes created" (1998, 2001). Another concept of social entrepreneurship popularized by David Bornstein in his 2007 work is that of the social entrepreneur as a hero who wants to save the world (Bornstein 2007). In reviewing the literature, one finds other definitions that address various aspects of a social enterprise. For example, Leadbeater (1997) defines social enterprises as organizational milieu or organized activities; Emerson (2003), by types of entrepreneur; Boschee & McClurg (2003), by earned income; Nicholls and Cho (2008), as a distinct field of organizational activity with three key dimensions: sociality, market orientation, and innovation; and the EMES International Research Network (Defourny 2001), by economic, social and governance-related indicators. These definitions also reflect the discipline or the domains (for-profit, nonprofit, public sector) in which the researcher frames the concept of social entrepreneurship.

Examination of social entrepreneurs' work reveals that they work across all social sectors. We find social entrepreneurs in trade and business, health, education, welfare, social justice, human services, etc. The nature of their work is to solve complex social problems and to transform societies for the better, and this explains the wide range of social entrepreneur activities. In the US, the ways in which social entrepreneurs organize themselves to undertake activities of social transformation are varied. Any association for conducting an activity falls under one of the following kinds: a for-profit company, a nonprofit organization (501(c)3), or, most recently, a hybrid form (L3Cs). Data for a large-scale study of social enterprises therefore has to come from these domains. But how would one identify the social enterprises among these myriads of incorporated entities? This dilemma continues to plague the US researchers.

Many scholars have noted the relative scarcity of empirical work on social entrepreneurship (Johnson 2000; Anderson and Dees 2008; Bloom 2008; Nicholls 2008, 2010; Short et al. 2009). Johnson (2000), in a review of literature on social entrepreneurship, states that the reason for the shortage of empirical work in social entrepreneurship is in part due to the nature of the inherently complex concept and that the newness of the subject also contributes to lack of consensus on the topic. Indeed, this complexity is still reflected in the wide diversity of approaches.

A 2010 empirical study in Ontario, Canada that attempted to map social enterprise practices reported that numerous approaches used to frame social enterprise were seriously flawed or problematic (Dart et al. 2010). According to these researchers, conceptual and technical difficulties arose when attempting to distinguish social enterprises from other organizations due to the fact that the definitions used were seemingly "arbitrary", "unstable" or "unworkable". In the US, Short et al. (2009) conducted a comprehensive survey and analysis of social entrepreneurship literature to assess the research contribution to the field of SE. For this study, they analyzed 152 English-language journal articles published in a 20-year period and concluded that conceptual studies outnumbered empirical testing. Furthermore, the empirical studies were found to lack formal hypotheses or rigorous methods. "Scholars are focusing primarily on describing and explaining social entrepreneurship, rather than on predicting this phenomenon. Even with this emphasis, however, the descriptions extend over a

wide range of phenomena and numerous types of explanations. While description and explanation should eventually lead to a unified view to strengthen the construct, this unity does not currently exist" (Short et al. 2009: 166). These authors' conclusions reflect my observation of the social enterprise domain here. This observation of various definitions and a diversity of social enterprise practices prompted me to compare the social enterprise domain to a platypus. "An attempt at understanding social enterprise and social enterprise education reveals that it is an unlikely animal with a hodgepodge of definitions and approaches to theory and practice" (Thiru 2011).

For these reasons, identifying social entrepreneurs and social enterprises in the US is a difficult task for a researcher. This problem is exacerbated by the fact that in the US there is no single organizational form specific to social enterprises, and therefore, it is impossible to locate them in a single comprehensive database. Researchers have to contend with the limited data available in the field. This may be the reason why empirical research in the field is scarce and case studies are common. Some researchers have relied on sector-specific databases, such as the Global Enterprise Monitor, which collects data about individual involvement in venture creation. One can obtain information on nonprofit social enterprises in the National Center for Charitable Statistics database, which contains data from IRS Forms 990 and 990 EZ for 501(c)3 organizations. For instance, in order to study social entrepreneurship activities in the United States, Neck et al. (2008) used the 2007 United States Survey of the Global Enterprise Monitor (GEM). GEM's adult population survey measures the motives, aspirations, and attitudes of the individuals involved in business venture creation. For their research, they analyzed data collected through interviews related to the ventures' economic, social, and sector impact, and through performance measurements. While this research provides quite valuable insights into the dynamic nature of entrepreneurs' focus, it is used here as an example of the difficulties of locating social enterprises and social entrepreneurs for research. Indeed, in their findings, Neck et al. (2008) point out the changing social enterprise landscapes and the complexity of the field. Their research shows that more established entrepreneurs place a greater emphasis on the social impact of their business ventures than new entrepreneurs. They point to the evidence that entrepreneurs can change classification as the venture ages. Therefore, the point in the venture's lifetime at which we study them matters in order to understand social entrepreneurship. They conclude that the boundaries are admittedly blurring between social and economic ventures. "Perhaps as the world changes so is the overarching definition of entrepreneurship. Is social entrepreneurship different or is entrepreneurship simply evolving and moving to a new level?" (Neck et al. 2008: 1).

For the above reasons, it appears that the social enterprise domain in US is in a state of "anarchy". For the purposes of this paper, I'm using the term as Kant¹ (2006) did in his political philosophy to designate the type of social system that results from freedom and law without force. That is, if a society has freedom and laws but no ability to enforce those laws, the result is anarchy. Anarchy in the case of social entrepreneurship is the practice of social mission-driven enterprises (law and freedom) without a prescription for rules and forms (force in Kant's definition). Hirshleifer, in an article published in the *Journal of Political Economy* (1995), defines anarchy as "a system in which participants can seize and defend resources without regulation from above, not chaos but rather a spontaneous order". This type of anarchy is conflict-based and can only be sustained, according to Hirshleifer, if there are "diminishing returns to the fighting effort"² and participating members of the system get some

¹ Anthropology from a Pragmatic Point of View (1798).

² "Diminishing return" is an economic postulate that argues that increment to a single factor of production while holding other factors of production steady can lead to diminishing incremental per-

minimum benefit. He argues that anarchy can constitute a stable system and if the environment can sustain it, there can be anarchic order; however, it can break down and be replaced by another pattern of relationship. Since anarchic systems are fragile, Hirshleifer (1995) argues that, in a political economy, they can either “break down” into amorphous (absence of form) or “break up” into organization. He further suggests that anarchy is a social arrangement in which contenders struggle to conquer and defend durable resources without effective regulation by either higher authorities or social pressures. He goes on to suggest that his model can be used to understand diverse but parallel phenomena arising in other entirely different domains, including animal behavior such as male elephant seals competing for females. In the same journal, Kevin Dowd (1997) suggests that anarchy does not need to be as conflict-based as Hirshleifer believes, but rather that conflict is costly and participating members have every incentive to resolve disputes peacefully. Peaceful anarchy seems to be the current state of social enterprise in the US. Nevertheless, as Hirshleifer argues, anarchy can “break up” into organization.

An example of a fragile social system breaking up into organization (Hirshleifer 1995) can be seen in the recent developments in the field of microfinance. Yunus’ early idea of microfinance as a deposit-driven, community-oriented model has been applied in a traditional banking model today. US venture capitalists and philanthropists play a significant role in the area of microfinance, using a for-profit capital market model of organization to raise capital. Is microfinance industry’ for-profit goal counterproductive to achieving its social mission? Can it resist the isomorphic pressure (Nichols and Cho 2008) to become a traditional banking institution turning its focus to profit? Time will tell. As a for-profit institution, it has to follow the rules and regulations that govern this sector. As it “breaks up” into an organized form, it is also mainstreamed.

2.2. Social enterprise ecosystems in the U.S.

2.2.1. Literature

In 2009, Short et al. published a seminal study of social entrepreneurship based on the number of times scholarly articles on the topic were cited by researchers in other fields. Their study suggests that SE research is informed by areas of interest that are common to management scholars: entrepreneurship, public and nonprofit management, and social issues in management. They used the numbers they obtained to determine the “measure” of intellectual influence the social enterprise domain exerts on other disciplines or sub-disciplines. Based on this assessment, they concluded that the impact of SE research on management and entrepreneurship was considerable, compared to that of other areas. It is important to note that the SE researchers work in a domain of varied definitions and conceptualizations, as discussed elsewhere in this paper. Thus, the SE conceptualizations depend on the particular discipline in which the inquiry takes place. The significant research activities found in the samples from Short et al. (2009) were concentrated in four areas: 26% of the research on SEs were published in management journals (cited 12%³); 16% in ethics, nonprofit, and public sector journals (cited 22%); 11% in entrepreneurship journals (cited 18%), and 10% in political

unit returns. Using this concept, Hirshleifer suggests that diminishing returns of the state of success produced by the incremental fighting effort is what sustains anarchy.

³ The figures in parentheses indicate the percentage of the times the sample articles were cited in each of the specified domains. Only those domains that used citations in significant numbers are reported here so these figures do not add up to 100.

science publications (cited 11%). The conceptualizations of SEs are therefore couched within these multidisciplinary perspectives, reinforcing the “platypus effect” (Thiru 2011).

Short et al. (2009) conducted their research on the premise that in the SE domain, social value creation is bounded by context. The origins of socially entrepreneurial activities have often been found in unacceptable human, social, or environmental conditions. Given the nature of these problems, the social entrepreneur often has limited resources or faces a lack of governmental will to help, and therefore looks for innovative solutions. For example, work integration SEs are an answer to widespread structural unemployment; when philanthropic funding is on the decline, nonprofits must generate earned income through social value creation; or tough economic times create the need for more social services, etc. In SEs, therefore, social value creation happens in these contexts. Furthermore, because the authors found that entrepreneurship, social issues in management, and public sector/nonprofit management areas have relatively significant influences on other domains, they relied on literature from these areas to provide insights into definitions of SEs. They see social value creation as “combining resources to exploit opportunities to solve social problems and contribute to human wellbeing” (Short et al. 2009: 172). The research primarily focused on maintenance of social value as opposed to creation of social value; the research that addressed strictly economic value was not considered by these authors to be in the SE domain. Instead, the SE domain as delineated by these authors included three main types of research literature: (1) research related to activities that create new social value to meet unfulfilled social need; (2) research related to value creation that impacts relationships between organizations and the organizational and environmental stakeholders; and (3) research focused on the collective (rather than individual) nature of the benefit. For the purpose of the discussion below, I will refer to these three types of research literature as Short et al. “category I” literature, “category II” literature, and “category III” literature respectively.

Short et al. category I literature offers new ideas and unique ways to exploit limited resources available to SEs. The studies are centered on public sector organizations and nonprofits and the ways in which they “enterprise” in order to remain sustainable. In the classification of SEs based on their role orientation proposed in the present paper (see section 4 below), the type of SE highlighted by this body of literature is the “trading for social cause”. Morris et al. (2001), for example, suggest using an entrepreneurial approach to cause marketing in charitable organizations. Particularly during times of environmental turbulence, the authors suggest that charities need to be entrepreneurial in their marketing by promoting proactiveness, innovation, and risk-taking. Women’s Beans Project, a charitable organization, is an example that uses cause marketing to sell their products. TOMS is another example of an enterprise that uses cause marketing for a similar impact; however, it is a for-profit company. Lasprogata and Cotton (2003) focus on the legal aspects of social-service nonprofit organizations or charities and provide entrepreneurial strategies for them in the context of obtaining and maintaining federal nonprofit tax status. The authors define social entrepreneurs as nonprofit entrepreneurs. Other authors who suggest innovative approaches to problem solving in nonprofits and public sector organizations include Maguire et al. (2004), who suggest innovation as a means to value creation. Bach and Stark (2002) suggest interactive technology as an innovation example used by SEs to mitigate social problems. All types of SEs in this study used innovative approaches to value creation.

Short et al. category II literature is related to value creation that impacts relationships between organizations and the organizational and environmental stakeholders. The areas in which these relationships are most extensively analyzed are those of entrepreneurship and social issues in management. Among the SE we analyzed, all SEs of the “grassroots transformation”

and “social advocacy” types were found in this category of literature. Presented in the context of alleviating poverty in economically impoverished populations, Peredo and Chrisman’s (2006) analysis offers community-based enterprises as a model for transforming a community into an enterprise and its people into entrepreneurs. They see social enterprise as development. They suggest that grassroots participation is a significant success factor of community-based enterprises (CBEs). Further, they claim that CBEs integrate economic, social, cultural, environmental, and political aspects of the community as a sustainable strategy for poverty alleviation. The *grassroots transformation* type has considerable grassroots focus, with cooperative and self-help type approaches to finding common solutions. Enterprises of this type used economic, social, political, and human capital as resources. Hemingway (2005) makes the case that employees at any level in corporations may act as moral agents and behave in socially entrepreneurial manner. She assumes that corporate social responsibility is not solely driven by economics but occurs as a result of a personal morality inspired by employees’ own socially-oriented personal values. She calls these socially-oriented employees “corporate social entrepreneurs”, linking their moral agency to corporate social responsibility. This may explain the motivations of the *social advocacy* types in my study.

Short et al. category III literature is concerned with balancing both economic and social value on the collective rather than the individual nature of the benefit created by SEs. This research comes from the areas of entrepreneurship, public sector/nonprofit, and social issues in management. All examples in my study are focused on collective benefit to either certain populations or the society as a whole. Using case studies, Waddock and Post (1991) explain how social entrepreneurs play catalytic roles to bring about social changes. These authors identify three central characteristics: the social problem is extremely complex and the social entrepreneur is somehow able to envision a change to reshape public attitude; social entrepreneurs have significant personal credibility and have access to resources and networks; and the social entrepreneur is able to create a collective sense of purpose—social and not purely economic—among the followers who join the effort. This charismatic nature of the social entrepreneur was evident in the startup examples I studied. The Ashoka fellows and the social entrepreneurs recognized and supported by Skoll Foundation exhibited all of these characteristics: they showed charisma, convinced others of the value of the SE idea for the good of the population or society in general, and used innovative approaches to solving problems. The selection criteria of the SE proxy organizations (Ashoka, Skoll Foundation, and Social Enterprise Alliance) included demonstration of successful change making for creating lasting social impact. Once the social entrepreneurs had been selected, these proxy organizations supported them by providing network and training opportunities and other resources, including monetary rewards. Whether the social entrepreneurs thus identified had the capacity for networking or access to resources prior to being identified is unknown, but once identified, they were provided the support and access to networks by the proxy organizations in order to help sustain and scale their activities.

2.2.2. Public policy and discourse in the US

One policy initiative that may be considered relevant to this discussion is the Social Innovation Fund (SIF), a new program of the Corporation for National and Community Service created by the Obama administration in 2010. The purpose of the fund is to increase economic opportunities for economically disadvantaged individuals; to prepare America's youth for success in schools, active citizenship, productive work, healthy and safe lives; and to promote healthy lifestyles that reduce the risk factors that can lead to illness. The model used to accomplish this goal awards grants to existing grant-making institutions (intermediaries), which in turn direct resources to community-based nonprofits (sub-grantees) that are focused on youth development, economic opportunity, and healthy futures. Through this funding approach, the program hopes to identify, validate, and grow promising approaches to challenges that local communities are facing. The key elements of the fund are innovation, matching, knowledge sharing, evidence [of impact], grant makers, and scale (Corporation for National and Community Service 2014).

Every dollar granted by SIF is matched 1 to 1 by the intermediaries and 1 to 1 by the nonprofit sub-grantees, ensuring \$3 of investment in communities for every dollar of government funding. SIF's 2010-2012 report, published in 2014, reports an award of \$137.7 million and a matching yield of \$350 million in private and non-federal cash match and commitments for investment in local communities. The Corporation for National and Community Service reports that grants recipients included 19 intermediaries and 213 nonprofits located across the country. According to them, a total of 174,000 people benefited from the programs supported by SIF (Corporation for National and Community Service 2014).

In the United States public discourse on policy related to social entrepreneurship is almost absent. What may be considered public discourse on social enterprise comes from two main sources: Community Wealth.org, a project of the Democracy Collaborative, and the Urban Institute.

The Democracy Collaborative is an initiative that promotes community wealth building through research, training, and policy development. The goal of this initiative is to create a new paradigm for community-based economic development by broadening ownership and stewardship over capital; instituting democracy at the workplace; stabilizing communities by emphasizing locality; creating equitable and inclusive growth; and ensuring environmental, social, and institutional sustainability (Democracy Collaborative 2014). As just said above, Community-Wealth.org is a project of the Democracy Collaborative; it provides a wide range of information on wealth strategies, policies, models, and innovation in the area of community wealth building. They endeavor to inform the public and policy makers about the expansion of democratic and community wealth-building institutions. Community wealth-building institution strategies share certain key principles: the asset and wealth ownership to serve the community, anchored local jobs, and financing community services (Community-Wealth.org 2014). The community wealth-building models include community development corporations, financial institutions, and land trusts; business and worker cooperatives; employee-owned enterprises; reclaiming the commons; green economy and urban agriculture; individual wealth building and wealth preservation; socially responsible investing and program-related investments; and social enterprises. Community-Wealth.org suggests that SEs are one of many ways to community wealth building.

Within this broader umbrella of community wealth focus, the Democracy Collaborative defines social enterprises (SEs) as “nonprofit organizations that operate businesses in order to generate revenues and fulfill their missions” (<http://community-wealth.org/strategies/panel/social/index.html>). They are organizations with earned income to “support programs that make sense for their communities, build community wealth, and directly improve the job skills of people facing barriers to entry in the workplace” (Community-Wealth.org 2014).

The Democracy Collaborative suggests that SEs play several key roles in community wealth building. By building locally controlled wealth, they stabilize community economies. They also provide valuable training opportunities and supportive jobs to those who are excluded from the traditional labor market. Further, the earned income from community-driven approaches enables nonprofits to become less dependent on government and philanthropic funding. The Democracy Collaborative also argues that the SE business practices can strengthen the management and business capacities of nonprofits and improve their program effectiveness (Community-Wealth.org 2014). A number of examples were provided by Community-Wealth.org as models and best practices of SEs. All of these SEs best fit the “grassroots transformation” type. One of the defining characteristics of these SEs is job creation for the “excluded” population who are, for reasons of disability or other exclusions, unable to compete for jobs in the traditional labor market.

The Urban Institute’s Mapping Fourth Sector Initiative is focused on creating frameworks for and defining *for-benefit organizations*. The institute defines *for-benefit organizations* as those demonstrating two main characteristics: they primarily focus on social and environmental purposes and they earn a substantial portion of their income through business activities. They provide examples of *for-benefits* that include sustainable businesses, municipal enterprises, community development corporations, social businesses and a wide range of other models including social enterprises. As with Community-Wealth.org, they too consider social enterprises as one of many types of social- and environmental-focused organizations. They do not specifically define SEs, but rather place them within the broader umbrella of *for-benefit organizations*.

Another player of note in the social enterprise policy arena in the US is the Schwab Foundation for Social Entrepreneurship. Because they believe that no single-sector society alone can solve the complex problems of the world, they are promoting multi-stakeholder collaborations. One approach they are currently taking toward this goal is to promote public-private partnerships and to this end they recently published a policy guide for scaling social innovation (Schwab Foundation for Social Entrepreneurship 2013).

A number of states in the union are moving toward legislating a new form of corporation for social benefit. There is a growing movement to create L3Cs or low-profit limited liability corporations. Some states have placed this on their legislative agenda and some have already passed state regulations, while others hope to follow suit. *InterSector Partners L3C* counts nine states and a Native American tribe among those who have created L3Cs (http://www.intersectorl3c.com/l3c_tally.html). It is believed that this corporate form can be conducive to funding social enterprises; however, its widespread acceptance will depend on whether or not the IRS will recognize this business form as program-related investments for foundations (Kleiman 2013).

The other notable initiative is the creation of “benefit corporations”. The benefit corporation form requires its board’s fiduciary responsibility to include the creation of materially positive impacts on the environment and society and the organization to meet higher standards of accountability and transparency, measured by a third party standard. According to benefitcorp.net (retrieved on May 5, 2014), 26 states have enacted legislation to create benefit corporations, and another 14 states have introduced the legislation. This feature is believed to promote triple bottom line goals and demand enterprises to commit to corporate social responsibility. The initiative is that of the private sector alone.

As can be seen in this discussion, the social enterprise ecosystem is highly contextual and not formalized in the USA, as there are only few systemic attempts by governmental or private entities to develop social enterprises in this country. In the public policy arena, with the exception of the Democracy Collaborative, the Urban Institute, and the Schwab Foundation described above, no others even use the term “social enterprise” in their language, although the desired outcomes and characteristics of their initiatives may resemble what academia and some private sector entities use as an operational definition of social enterprise/entrepreneurship. This background provides the context for the method used to select some social enterprises in the US and propose a typology for these enterprises. It is discussed in the following section of this paper.

3. DATA

3.1. Sources

The sample social enterprises for this ICSEM study were selected from publicly available information—Ashoka USA, the Skoll Foundation, and Social Enterprise Alliance websites. As discussed above, since there is no agreed upon authority, definition, or form for social enterprises in the USA, these proxy organizations were used to identify subjects for this study.

The general characteristics of social enterprises listed in the proxy organization websites were more alike than different. The Skoll Foundation list of social entrepreneurs was made up mostly of nonprofits, with a handful of exceptions that were either fee-for-service organizations or nonprofits with some earned income. The areas in which the social entrepreneurs worked included education, economic opportunity, health access and treatment, peace, human security, water, sanitation, sustainable markets, human rights, and food. Information about the social entrepreneurs was available on their websites, complete with annual reports. The Social Enterprise Alliance member list is unavailable to the public but a list of examples was published on their website. These examples included for-profit enterprises, nonprofits, and nonprofits with earned income. Ashoka recognizes fellows who work in the areas of health, civics, human rights, education and training, economic development, and the environment. Nearly 3,000 members from 70 countries were listed on their website. Ashoka invests in individuals with ideas for social transformation. To them, this is considered a venture. They select social entrepreneurs to support based on a number of criteria: new idea, creativity, entrepreneurial quality, potential for social impact, and ethical fiber (<https://www.ashoka.org/support/criteria>). They also promote a network of social entrepreneurs to help learn from each other, and they build sector infrastructure by providing seed capital and helping social entrepreneurs find and maintain strategic partnerships with business and civil society sectors. The focus is the making of social entrepreneurs and building the scaffolds necessary to support their work.

3.2. Definitions used in this study

Descriptions of their work used by the SEs in this study included terms and phrases such as “social and environmental benefits”, “ethical”, “independent”, “good for society”, “training and employing disadvantaged people”, “triple bottom line”, “earned revenue strategies”, “businesses that help others”, “providing services and supplies to underserved communities”, “addressing critical social and environmental issues”, “business that trade for community benefit”, “generate income for charities or not-for-profit groups”, etc.

Nicholls and Cho (2008) define social enterprise as a distinct field of organizational activity with three key dimensions: sociality, market orientation, and innovation. This definition mostly captures the characteristics of social enterprise recognized by proxy organizations although not all SEs use a market mechanism for their products/services. Another observation of interest is Defourny’s explanation of the EMES International Research Network’s approach (2001) of social enterprises. The EMES criteria include economic markers and social indicators to identify social enterprises. Developed in the late 1990s through extensive dialogues across disciplines such as economics, political science, management, and sociology, the economic markers include continuous activity—producing goods and/or selling services, a high degree of autonomy and risk taking, and a minimum use of paid labor. The social indicators are the aim to benefit a community, a citizen-initiated activity, the separation of decision-making power and capital ownership, stakeholder participation in decision making, and minimum profit distribution.⁴ EMES explains that these are not conditions that entities must meet to qualify as social enterprises; rather, they are descriptors that help scholars and researchers position themselves within the galaxy of social enterprises. These markers provide a close description of US social enterprises used in this study, although not all EMES conditions were present in each social enterprise.

3.3. Legal forms of social enterprises used in this study

Most social enterprises in this sample were nonprofit organizations, with the single exception of one for-profit corporation. Community-Wealth.org identifies cooperatives as one of the many models for community wealth building which are common forms of social enterprises elsewhere in the world. However, I did not find any co-operative SEs in the US samples, and therefore, did not use a co-operative in my proposed typology of SEs in this study.

3.4. Analysis

The analysis focused on several indicators such as the beneficiaries of the SE activity, the reason the SE activities were undertaken, the methods by which the activity was sustained, and the outcomes and social impacts. The literature suggests that the enterprising activities of SEs are centered on solving social issues of certain populations. Although the social issues differed from SE to SE, it was a recurring theme in all the social enterprises analyzed. The motivation was benevolence and benefit for the “collective”, whereas in SEs working on issues that include disadvantaged populations, underserved communities, and problems in the fields of justice and the environment, benefit for the “individual” dominated. The contexts of these social issues were health access, education, food, sanitation, human safety, economic opportunity, market access, and so on. Further, a close look at the origins of the SEs showed

⁴ These criteria have since been “re-classified” into three categories (economic project, social mission, participatory governance), including each three indicators (Defourny and Nyssens 2014).

that they began with an individual or individuals committed to a cause, condition, justice issue, or responsibility. Certain markers emerged from this analysis that explained how SEs function: breaking traditions, creative giving, experimenting, social risk-taking, and co-opting. A description of the first-stage study in which the types were identified is provided in Appendix C.

4. SOME SOCIAL ENTERPRISE TYPES

4.1. Orienting types

Based on their roles and purpose in society, the US social enterprises studied may be classified as follows: (1) enterprises that support a social cause such as environmental conservation, access to markets, fair wages, etc. ("*trading for social cause*"); (2) organizations that enable grassroots social change and which are focused on directly working with specific populations for providing basic human needs such as healthcare, food, sanitation, education, etc. ("*grassroots transformation*"); and (3) organizations that contribute in a systemic way through advocacy for social justice, human rights, democracy, etc. ("*social advocacy*"). Certain markers help differentiate the types and provide insights into what goes on in the making and sustaining of these social enterprises. These markers are: breaking traditions, creative giving, experimenting, social risk-taking, and co-opting.

Social enterprise activities often begin with an idea to solve a problem or meet a certain unique need that the existing sectors of the economy or the "systems" are unable to meet. The social enterprise emerges as it finds its place and situates itself in an organizational milieu. Some social entrepreneurs work within the system to make changes and others create SEs to meet this need.

Problem solving often takes experimenting and risk-taking. The innovator entrepreneur is often breaking tradition as in Schumpeter's (1934) creative destruction. Mobilizing resources to achieve goals, the social entrepreneur breaks traditions, adopts, adapts, co-opts, and innovates. This is so because social entrepreneurs have to often work with limited resources. Organizing sustains the activity. This organizing necessitates the innovator to adapt and often adopt existing organizational forms: for-profit enterprise, nonprofit, hybrid (L3Cs), and so forth. Conceived outside the "system", the social enterprise becomes embedded in the culture of the organized form. I call this co-opting. Microfinance as conceptualized by Yunus is anything but a capital market model. Today many micro-lending practices use the capital market model to function like banks in the traditional sense—a form that is distinctly different from the deposit-driven self-help model that inspired it.

Appendix B lists the eleven US social enterprises I used for this study to test the types mentioned above. Table 1 (at the beginning of section 4.2) provides a summary of the distinct features of the three types of SEs. Of particular significance to this typology are the roles played by the social enterprises or social entrepreneurs, the proximity between SEs and the beneficiaries, and the direct or indirect nature of the benefits to stakeholders. In the following I discuss the types (sections 4.1.1 to 4.1.3) and characteristics (section 4.2) in detail. Appendix A presents a summary description of two social enterprises for each type.

4.1.1. Trading for social cause

The enterprises belonging to the *trading for social cause* type are market-oriented. Their products or services are traded through the market mechanisms. They create wealth for financial sustainability by means of branding, differentiation, and competition. Their customers and beneficiaries are two different populations: customers are those who trade/transact with the social enterprise while beneficiaries are the population in need. They resemble commercial enterprises in every way, including the focus on wealth creation. What distinguishes them from commercial enterprises, however, is what I call a model of creative giving. Their business model captures the imagination and the attention of the benevolent consumer who is aware and is looking for ways to give back to the community by shopping responsibly and feeling good about it. These social enterprises exist in societies where capital markets are highly developed, consumer market mechanisms are easily accessible for entrepreneurs, and the use of social media is common. Social benefits are in the form of job creation or giving for a cause. TOMS is an example that illustrates giving for a cause. TOMS claims to help one person in need for every product purchased by a customer (<http://www.toms.com/>). These types of social enterprises are small and medium businesses that, with a few exceptions, operate as nonprofits.

One distinctive feature of the *trading for social cause* type social enterprises is the competitive advantage that may be expected in any commercial enterprise. Even the nonprofit organizations in this category use competitive advantage for creating economic value while focused on creating social value for the target population. Ashoka U is an example. They use branding and differentiation to achieve competitive advantage in supporting social entrepreneurship education and networking for academics. Weerawardena and Sullivan-Mort (2001) offer a theoretical model that explains the competitive advantage process used by nonprofit organizations. They suggest that socially entrepreneurial nonprofits, because of their “dual” nature, engage in commercial value creation activities to finance social value creation. In a 2006 study of social enterprise models of nonprofits, the same authors suggest that contrary to the widely held view, social entrepreneurial behavior is not completely altruistic but a highly pragmatic approach based on an optimization model. Here we see the commercial value creation as a means to creating social value.

4.1.2. Grassroots transformation

Enterprises of the *grassroots transformation* type are stakeholder-oriented because of their focus on specific populations. Furthermore, they do not use branding or create a competitive advantage as a means to achieve impact, and they do not use the market. Their approach to social change is activism, education, and behavior modification at the grassroots level. In a comparative analysis of commercial and social enterprises using Sahlman’s (1996) elements of entrepreneurship of people, context, deal, and opportunity, Austin et al. (2006) note that because social consumers, those served by social enterprises, often have little economic capability or consumption alternatives, a market mechanism is absent in the social entrepreneur’s world. This observation fits the characteristics of the grassroots transformation-oriented and social advocacy-focused social enterprises described below.

Grassroots transformation organizations are charity- or education-focused, and seek to help or empower their stakeholders. They predominantly use volunteer resources and are nonprofit organizations. While funding is mostly through donations and grants, a number of them have earned incomes from fees for services or memberships. These social enterprises share

knowledge for scaling impact. Their focus is on stakeholder prosperity and sustainability through employment creation, access to markets, training, support, capacity building, etc. Water for People, a nonprofit social enterprise, for example, works at the grassroots level to “maximize people’s potential to meet their own development challenges” (<http://www.waterforpeople.org/>). They are funded mostly by contributions, grants, and sponsorships. The 2012 annual report indicates approximately 7% of their income is from “special events” or earned income. Their approach is to engage government, neighborhoods, and local businesses to solve water and sanitation problems. Collective investment and education at the grassroots level is their business model for local sustainable solutions. Partnerships and buy-in are some of their approaches to working in these communities.

Competitive advantage is distinctly absent in grassroots transformation-focused enterprises, although many are engaged in trading activities. They tend to be in the areas of health, civic engagement, education, training, and environmental conservation. VisionSpring is an enterprising nonprofit that provides affordable eye care to economically disadvantaged populations (VisionSpring 2014). Their employees are trained “vision entrepreneurs” who reach out into the communities to promote eye care and screenings and to sell eyeglasses. The eyeglasses they sell are obtained through a secondary recycle market. There is no indication of competitive advantage. One could only assume that this is because the profit margin is low and their customer base is at the bottom of the pyramid (BoP). The optical companies would not be interested in such a low-margin customer base. One may assume that this market failure is the reason why a need for serving this population came about in the first place. VisionSpring is a nonprofit with a little less than half of their revenue in earned income, according to their 2011 audited annual report.

The work of Partners in Health is another example that illustrates the concept of grassroots transformation. The model used is community-based healthcare and social change. The co-founder, Paul Farmer, sees health issues as something a medical professional alone cannot resolve but as a social issue that is embedded in economic and social disparities. He sees poverty as the root cause of health issues in Haiti. This organization’s mission is to provide better healthcare options for the poor. Providing clean water and health education empowers the locals to work toward the elimination of unnecessary suffering. The *grassroots transformation* organizations seem to mobilize all four types of capital—human, social, political, and financial—that Mair et al. identified in their 2012 study of social enterprise types, although perhaps they mobilize political capital to a lesser degree.

4.1.3. Social advocacy

Social enterprises of the *social advocacy* type are stakeholder-oriented because of their focus on advocacy. There is social risk-taking in the work they do. They work within the larger social and political systems to create impact. They leverage political capital to mobilize resources, to inform, and to advocate. Ecopeace, the International Center for Transnational Justice, and Transparency International are some examples. Peter Eigen, who founded Transparency International, is an Ashoka Fellow recognized for his work on publicizing government corruption around the world. All social advocacy organizations are nonprofits working with specific disadvantaged populations on human rights issues such as social justice, equal rights, democracy, human trafficking, women’s rights, fair labor practices, etc. What distinguishes these social enterprises from the social justice organizations of yesteryear is their approach to stakeholder prosperity. They educate, empower and create opportunities to sustain a way of life that is fundamental to human rights and is self-reliant. Ecopeace provides advocacy

related to water and sanitation issues in the Middle East, and the International Center for Transnational Peace works on investigating human rights violations, providing education, and advocating for justice. Sustainable solutions distinguish the social entrepreneur's social justice work from religious charitable organizations, such as the Red Cross, whose actions are focused on the immediate need to feed, clothe, and heal the affected. Education and empowerment are two common tools used by these social enterprises to create sustainable solutions.

Search for Common Ground is a nonprofit founded to "defuse, transform, and prevent conflict" (Skoll Foundation 2006). They work with the existing systems in the countries in which they operate to empower, educate, and create positive change. They report, for example, that their bilingual education program in Macedonia is fully institutionalized within the country's official educational structure. In order to create positive social change they work and advocate within the systems of governments and community groups. Their global programs include working with youth, leadership and wisdom development initiatives, and programs for understanding and peace. They use conflict prevention forums and networks to protect children in armed conflicts. The focus is on education and social transformation. Their work in the Middle East to promote peace, cooperation and security, and conflict resolution or their advocacy campaign to reform of the Chieftaincy system in Sierra Leone are examples of this social transformation work (http://www.sfcg.org/programmes/ilt/sfcg_evaluations.html). Their networks and influence spheres include institutions such as the World Bank, USAID, UNICEF, and a number of renowned universities in the US. Social, human, and political capital seems to be at work in this type of social enterprise.

4.2. Characteristics

This section offers an analysis of the various characteristics that can be used to describe and differentiate the various types of SEs. Table 1 provides a summary of the characteristics of the three types of SEs identified in the previous section.

Table 1: Summary of the characteristics of the three SE types

Characteristics (indicators or variables)	Types		
	<i>Trading for social cause</i>	<i>Grassroots transformation</i>	<i>Social advocacy</i>
Role	Support cause	Grassroots, local solutions	Systemic social transformation
Organizational proximity (SE-beneficiary distance)	Distant	Close	Close
Benefit (to recipient) proximity	Direct or indirect	Direct	Indirect
Earned income	Yes	Yes/No	No
Legal forms	For-profit & nonprofits	Nonprofits	Nonprofits
Innovation	Yes	Yes	Yes
Cross-sector collaborations	No	Some	Yes
Capital	Financial, social	Social, human, financial, some political	Social, political
Markers	Creative giving, co-opting	Social risk-taking, co-opting	Experimenting, social risk-taking

4.2.1. Role

As discussed above, the SEs play three specific roles: supporting a cause they believe in; creating social change at grassroots level, working directly with beneficiaries to solve local problems; or working on larger systemic social changes related to sociopolitical issues, such as human rights and democracy, to benefit underrepresented or excluded populations.

4.2.2. Organizational (SE-beneficiary) proximity

Some SEs play a “distant” role to help beneficiaries, using entrepreneurial activities that focus on mobilizing financial resources. Other SEs work directly with the beneficiaries or stakeholders to educate, empower, or create social and/or behavioral change in communities.

The first kind—the “**distant**” SE—by its nature is philanthropic, except that, instead of creating an organization to raise funds for causes as charitable foundations do, the purpose of these enterprises is to make profits that support the cause (the *trading for social cause* type). This is a form of creative giving. In this philanthropic world, the donor gets something back in the form of a tangible product or service in return for supporting the cause. However, the SE’s proximity to the beneficiaries is distant. Often these SEs based in the US support causes that they care about in a “distant” world. The popular TOMS shoe company in the US offers a good example

of this SE type. TOMS matches every pair of shoes purchased by the public with a pair of new shoes to a child in need in Argentina and other countries (TOMS 2014). Fair trade SEs also fit this description of distance. One might argue that the source of corporate philanthropy too is profit. However, the purpose of the SE's existence is philanthropy using a sustainable for-profit model, not tax strategy or public relations, as is the case when corporations engage in philanthropy.

Some SEs work with the beneficiaries providing direct support to educate and empower with the purpose of creating grassroots local solutions and/or larger societal change. These SEs have a **close** proximity to their beneficiaries. In health care-focused SEs, field workers and volunteers are directly involved in delivering services to the beneficiaries. Partners in Health and VisionSpring are examples hereof. These SEs function at grassroots level, often working closely with communities, educators, and change agents on the ground.

While *trading for social cause* SEs (distant SEs) may donate money to improve water and sanitation in a small rural community, for example, *grassroots transformation* SEs (close SEs) would e.g. recruit and train employees and volunteers to help the local communities build sanitation systems and teach health and wellness. The impact created by both *trading for social cause* and *grassroots transformation* SEs is social transformation, but they play distinctly different roles to achieve this outcome—and this difference is reflected in the “distance” between the SE and its beneficiaries.

Some SEs of the *social advocacy* type work toward social transformation at a systemic level. For example, if an SE is working on human rights or sex trafficking issues, it works at the social, legal, or political level to advocate for the affected population. While the problems may be rooted in economic conditions, the solutions need to be social and political. The focus is on education for behavior modification at the grassroots level and transformation at the larger social/political level. Because these SEs also work directly with the affected population in order to achieve the social transformation, the SE is close to its beneficiaries. International Center for Transnational Peace is an example hereof.

4.2.3. Benefit proximity

In SEs of the *trading for social cause* type, the benefit to the recipient may be direct or indirect. Indeed, in some of these enterprises, the profits are donated for a certain cause and therefore the benefit to the recipient is **direct**; TOMS is an example hereof. In some other *trading for social cause*-type SEs, the benefit is **indirect** because it is in the form of fair wages and sustained employment for producers. Fair-trade SEs fit this *trading for social cause* type. If the SE's focus is job creation for excluded populations or certain underemployed sectors of the workforce (like in European WISEs), the benefit to the recipient is direct. The *grassroots transformation* type SEs work directly with stakeholders at the grassroots level and thus the benefit is direct. The *social advocacy* type SEs work at the society and systems levels and thus benefit the recipients indirectly. While these SEs may also work directly with the affected population, the social transformation is systemic; it aims to bring about political solutions to the problems (eliminate corruption, etc.). The outcome is a benefit to the society at large, through the reformed bureaucratic or other societal systems. The society in general indirectly benefits from these improvements. The impact created by the work of International Center for Transitional Peace offers a good illustration hereof.

4.2.4. *Earned income*

It has to be underlined that the concept of earned income such as it is used in the ICSEM Project differs from the notion of earned income as it is understood in the US. The ICSEM Project defines earned income as any money coming from the trading activities of a social enterprise—whatever the legal form of this enterprise. By contrast, in the US, earned income is a nonprofit sector nomenclature; it refers to excess of income over expenses in the published financial statements of nonprofits.⁵ In this WP, I will use the concept of earned income in its “ICSEM” sense.

In my research, earned income was found in *trading for social cause*-type SEs and *grassroots transformation* types that take the form of enterprising nonprofits. Some attempts have been made to define social enterprises based on the presence of earned income (Boschee and McClurg 2003; Democracy Collaborative); they generally define social enterprises as nonprofits engaged in enterprise ventures to generate earned income for financial sustainability. In my search for SEs, I found quite a large number of nonprofits engaged in enterprising activities. Community-Wealth.org website and a significant number of SEs listed on the website of Ashoka and that of the Skoll Foundation are examples hereof. It is common for nonprofits to use gaming and other profit-making activities to supplement their income. Very rarely do nonprofits depend only on grants and donations; one of few examples hereof are public universities in the US. Since earned income is common in nonprofits and most SEs are nonprofits, we logically find most SEs to have earned income. And since we find earned income in nearly all social enterprises, it is not helpful as a variable to distinguish the types of SE.

4.2.5. *Legal form*

Trading for social cause-type SEs were either for-profit small businesses or nonprofit 501(c) 3s. In my first-stage study, I found that some for-profit firms were also B corps, a certification signifying their commitment to social/environmental responsibility. *Grassroots transformation*-type SEs were nonprofits—some with earned income. All *social advocacy*-type SEs were nonprofits.

4.2.6. *Innovation*

Some scholars argue that innovation is a defining characteristic of SEs (e.g. Phills et al. 2008, or Horwitch and Mulloth 2010). Phills et al. offer “social innovation” as an alternate defining concept for social enterprise and social entrepreneurship. They argue that because social innovation has led to exchanges of ideas and shifting roles and relationships between the three sectors, and because it involves the creation of new business models, it offers both the means and ends to achieve social change. Furthermore, they suggest that because most difficult problems cannot be solved without cross-sector collaborations and because “innovation blossoms” (Phills et al. 2008: 43) at the convergence of the sectors, it is a more appropriate definition of social enterprise. A good illustration of innovation is provided by the technology innovations of recent times, which have changed the lives of all of us in many ways—a social transformation at many levels, cross pollinating ideas across sectors. According to these authors then, one could argue that all Silicon Valley firms are social

⁵ Although in concept the same, the word “profit” is not used by nonprofits to refer to results of qualifying enterprising activities (by “qualifying” here, we mean “qualifying for IRS purposes”; earned income is tax exempt as long as it results from activities that fall within the mission of the nonprofit), and the expression “earned income” is not used by for-profit companies.

entrepreneurs. Horwitch and Mulloth (2010) too link social entrepreneurship and innovation, but they take a somewhat different approach. They suggest that entrepreneurial innovation is a complex set of collaborative activities that involve the interplay of social entrepreneurship, grassroots movements, firms, and public policy action. Borin's (2000) study addresses innovation from yet another perspective. This author considers that problem solving involves creativity and innovation and that all entrepreneurs—whether social or commercial—are innovative. A defining characteristic of any entrepreneur is their innovative ideas. Not surprisingly, innovation is found to be present in all types of SEs; and among all types as well, the most common reason for innovation is problem solving. As these authors argue, while innovation is a necessary component of social change and can be observed in the work of all SEs, it is not helpful for distinguishing social entrepreneurs from commercial entrepreneurs or to distinguish the various SE types.

4.2.7. *Cross-sector collaboration*

Here I looked for collaboration between public, private, and charitable sectors to solve the social problems the SEs were created to address. All of the *social advocacy*-type SEs and some *grassroots transformation*-type SEs in my samples used cross-sector collaboration to work on issues. Although I did not find cross-sector collaborations in my samples that I classified as *trading for social cause*, there is anecdotal evidence (outside my samples) showing that business enterprises increasingly engage in direct giving to populations in need. Technology entrepreneurs working with economically disadvantaged populations or providing technology solutions to communities in need are examples hereof. Some for-profit enterprises also engage in charitable work, either through the creation of a foundation or by working directly with certain groups of beneficiaries. In these circumstances, one could expect cross-sector collaborations to occur among the *trading for social cause* types.

4.2.8. *Capital*

Some scholars argue that the types of capital used are based on the issues the social enterprises address (Mair et al. 2012). They suggest that organizations that address law and rights issues leverage political capital; that those that address environmental, education, and health issues leverage human capital; that those that address economic issues, such as poverty and lack of access to market, leverage economic capital; and that those that address civic issues leverage social capital. This issue-based typology explains some social enterprises, and some links can indeed be highlighted: for example, human capital is leveraged by *grassroots transformation* types, and political capital (among others) is leveraged, as Mair et al. point out, only by those social enterprises that address issues of law and human rights (which, in the current study, were *social advocacy*-type SEs).

However, this issue-based typology fails to explain other cases; for example, my study found that all social enterprises leverage social capital. This typology cannot be crossed either with the role-orientation-based typology, as my data shows that issues cut across all types. For example, issues of sanitation, health, education, poverty, and environment span *trading for social cause*, *grassroots transformation*, and *social advocacy* types. TOMS, through the sale of its products, achieves a beneficial outcome for both those in need in developing countries and the owner entrepreneur. They leverage financial capital and use a creative giving model, making profits while supporting a cause: the fight against poverty or inability to afford shoes. On the other hand, poverty, also addressed by the other types of SEs, takes other types of capital, not financial capital alone. For example, Water for People (an SE that works at

grassroots levels to empower the local populations to resolve their issues, working within their social and political systems) leverages human, social, and political capital. The focus there is the creation of large-scale transformation using a nonprofit, non-market based model by leveraging these types of capital.

4.3. Indicators that differentiate types of social enterprises

The analysis carried out in section 4.2 reveals that three main indicators are relevant to differentiate the types of social enterprise.

- The first indicator is linked to the **roles** played by the SEs: supporting a cause they believe in; creating transformations at the grassroots level by working directly with beneficiaries to solve local problems; or working on larger systemic changes related to sociopolitical issues, such as human rights and democracy, to benefit underrepresented or excluded populations.
- The second indicator is the **SE's proximity to its beneficiaries**. The SE-beneficiary "distance" (distant or close) is very clear and distinguishable in the three types of SEs.
- The way in which the recipients **benefit** from the SE's activity—either **directly**, through financial and in-kind support; **indirectly**, through a systemic change that cascades down to beneficiaries; or both directly and indirectly—constitutes the third indicator. A charity that gives out shoes to those who do not have any is directly meeting a specific need. An SE that provides resources for a community in the form of empowerment, education, economic support and political infrastructure transformation to make their own shoes is impacting the beneficiaries indirectly. As can be seen in Table 1, these three indicators, put together, distinguish the types of SEs I present in this paper.

As already mentioned, there is no specific **organizational form** available for SEs in the US. Because for-profits can engage in philanthropy and nonprofits can do for-profit ventures for stakeholder benefit, the form of an SE is driven by whether the social enterprise's economic activity can sustain it. The social venture entrepreneurial activity that uses competitive advantage and markets to generate the financial wherewithal to support a cause uses a for-profit form. Those SEs that focus on creating social value to certain populations as opposed to value creation for trading in the marketplace take the nonprofit form. Even when value creation for market does take place by engaging the beneficiary stakeholders, these SEs are unable to fully sustain their activities with profits alone. Furthermore, if goods and services are created for customers at the bottom of the pyramid, they must be offered at affordable prices to them, resulting in low profits. Nonprofits are therefore a more appropriate form for these SEs. VisionSpring is an example hereof.

Enterprising nonprofits have **earned income**. Although the Democracy Collaborative defined SEs as "enterprising nonprofits", the social enterprises in my sample also included nonprofits that did not bring in earned income. Because of this and of the presence of earned income in most nonprofits, as previously discussed, I suggest that SEs cannot be distinguished on the basis of the "earned income" indicator alone.

As discussed previously, **innovation**—although descriptive of SEs—does not distinguish the various types, because all SEs are innovative.

Cross-sector collaborations depend on the nature of the products and/or services provided by the SEs. In the case of the basic human rights, related services such as health, education, homelessness, human trafficking, democracy, etc., systemic level cross-sector collaboration is

present. There is involvement at the country level to make a difference in the socio-economic and socio-political levels.

All three types of SEs mobilize social **capital**. *Grassroots transformation* type leverages all four capitals and *trading for social cause* type leverages social and financial capital.

4.4. A note on the second-stage study

The types presented in this paper describe some US-based social enterprises. The first-stage study explained why and how social enterprises come to be and sustain themselves in the domain. I looked at a broad range of self-identified social enterprises whose information was publicly available; therefore, in the first-stage study, SEs from outside the US were used as well. That study included, in addition to the ones described in this paper, a fourth type—what I call the “*social intrapreneur*” type. These are individuals who work within a system or entity to create innovative changes and show the characteristics of social entrepreneurs identified in the literature. Because the ICSEM project is about social “enterprises”, i.e. entities engaged in SE activities, I did not include this fourth type in this paper.

4.5. Implications and need for future study

The typology of SE in the USA presented in this paper needs further testing using the distinguishing variables—role, organizational proximity, and benefit proximity. A broader sample of social enterprises may be used to test these types and to identify other distinguishing variables. Examples include co-operatives, community organizations, local government entities, etc. As a next stage, a cluster analysis of a large sample of SEs using these variables may be undertaken to develop, test, and refine types.

5. CONCLUSION

The origins of socially entrepreneurial activities have often been found in unacceptable human, social, or environmental conditions. Because of the nature of these problems and since the resources available to solve them are often limited, the social entrepreneur looks for innovative solutions. These solutions come from within or outside of an existing system or organization. Public sector innovations are an example of intrapreneurship attempts to innovatively solve problems within a system or sector. For many, the systems or sectors do not offer solutions to the problems they find in the society for various reasons. The social entrepreneur therefore looks outside the system, and creatively and persistently mobilizes and utilizes resources to find solutions. These social entrepreneurs are described as the “*bricoleurs*”, change makers, catalysts for creative destruction, etc. (Gundry et al. 2013). They often go out on a limb, take risks, experiment, deal with resistance and adapt. When the experiment pays off, the social entrepreneur is faced with the challenge of sustaining and scaling the activity. Persistence requires organization. Through their ingenuity, through organizing, and/or through capital market mechanisms, these social entrepreneurs find ways to sustain the activity financially and to scale impact. In the absence of prescribed forms for social enterprises in the US, these entities adopt the organizational forms that best empower and enable their activity.

A descriptive typology of social enterprise in the USA was put forward in this paper. The SE types were developed in two stages. As explained in Appendix C, a systematic and rigorous inductive approach was used to develop a hypothesis or explain phenomena. The SE types

presented here form a hypothesis that may be tested in a large-scale quantitative study. For the ICSEM study, 11 US-based social enterprises were used to test the types I developed in the first-stage study. These types seem to show certain distinguishing characteristics in terms of the socioeconomic roles played by the social enterprises. These types are: *trading for social cause*, *grassroots transformation*, and *social advocacy*. The distinguishing characteristics are the role played by the SEs, the organizational proximity, and benefit proximity.

The SE's role, organizational proximity (between the investor or social entrepreneur and the beneficiary), and the benefit proximity (direct or indirect nature of benefit to stakeholders) may provide a distinction to define the type of SEs. A distant investor/consumer interest to contribute to a cause mimics a commercial enterprise (*trading for social cause*) where agency is at play. *Grassroots transformation*-type SEs create social change to benefit a particular population or stakeholders at the grassroots level. Benefit to the stakeholders accruing from their work is direct, and the SE-beneficiary distance is close, because these SEs work directly with people at the grassroots level to solve a problem or to change behaviors. The *social advocacy* type may work with stakeholders at grassroots level to benefit the population indirectly by deriving larger systemic changes. The predominant form of SEs is nonprofits (with the exception of some *trading for social cause*-type businesses). While the data for SE research therefore may come from this area, the challenge is to identify the SEs among the vast constellation of nonprofits. SEs identified by the variables of role, organizational proximity, and benefit proximity presented in this paper may be of some help to distinguish types.

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APPENDICES

Appendix A - Summary data for some SEs from the sample

Table 2: "Trading for social cause" type

Characteristics (indicators or variables)	SEs	
	TOMS	Women's Beans Project
Role	Support cause	Support cause
Organizational (SE- beneficiary) proximity	Distant	Distant
Benefit proximity	Indirect	Direct
Legal forms	For-profit company	Nonprofit
Earned income	Yes	Yes
Innovation	Yes	Yes
Cross-sector collaborations	No	No
Capital	Financial, social	Financial, social

Table 3: "Grassroots transformation" type

Characteristics (indicators or variables)	SEs	
	Vision Spring	Water for People
Role	Grassroots local solutions	Grassroots local solutions
Organizational (SE- beneficiary) proximity	Close	Close
Benefit proximity	Direct	Direct
Legal forms	Nonprofit	Nonprofit
Earned income	Yes	No
Innovation	Yes	Yes
Cross-sector collaborations	Yes	Yes
Capital	Financial, human	Financial, social, political

Table 4: "Social advocacy" type

Characteristics (indicators or variables)	SEs	
	Polaris Project	International Center for Transnational Justice
Role	Social transformation	Social transformation
Organizational (SE- beneficiary) proximity	Close	Close
Benefit proximity	Indirect	Indirect
Legal forms	Nonprofit	Nonprofit
Earned income	No	No
Innovation	Yes	Yes
Cross-sector collaborations	Yes	Yes
Capital	Social, political	Social, political

Appendix B - Sample social enterprises used in the 2nd phase of the research

Donor's Choice
Global Footprint Network
Humane Farm Animal Care
International Center for Transnational Justice
Kiva
Network for Good
Polaris Project
TOMS
Vision Spring
Water for People
Women's Beans Project

Appendix C – First-stage study

A broad range of self-identified social enterprises whose information was publicly available was selected for study in the first stage. The results included, in addition to the three types described in this paper, a fourth type—what I call the “*social intrapreneur*” type. These are individuals who work within a system or entity to create innovative changes and show the characteristics of social entrepreneurs identified in the literature. Because the ICSEM project is interested in social “enterprises”, i.e. entities engaged in SE activities, I did not include this fourth type in the paper. For a fuller context of my research, a brief description of the first-stage study—data sources, method of analysis—and of the fourth type (that of *social intrapreneur*) are presented below.

Data sources

The data for my research aiming to identify types of SE came from three different sources: published literature, directories of social enterprises available on the Internet, and information from the social enterprise proxy organizations, such as the Social Enterprise Alliance, Ashoka, and Skoll Foundation. A list of directories of social enterprises available at the website of the npEnterprise Forum, a list serve partner of Social Enterprise Alliance, was highly resourceful. I also looked at a number of directories to identify social enterprises. These directories include Give to Get Jobs; Clearly So (UK); Directory of Social Enterprises, Colorado; Buy with a Heart, Rhode Island.

Some of the abovementioned directories had added purposes. The social enterprises listed in Buy with a Heart and Give to Get Jobs are examples. These directories helped “market” the social enterprises and helped them to mobilize funding. For example, Give to Get Jobs connects the employers who give back to the community with individuals who look to work for such businesses. They also connect the donors and beneficiaries by using portals the benefiting nonprofits can use to tell stories. This helps the donors see the direct impact of their giving. Buy With a Heart offers to donate a percent of transaction value to a cause if viewers patronize the social enterprise businesses from the directory.

Numerous similarities and a few variations between characteristics of social enterprises from the various sources were found. The variations were for the most part explained by the definition of SEs used, forms under which they operated, or the purpose of these lists. For example, the directories included entities that operated as small businesses, nonprofits, L3Cs, and B corporations. Further, if the purpose of the list was to provide visibility and enhance revenues for the social enterprises, the listed entities were small businesses only.

Every single social enterprise directory and all proxy organizations defined the term *social enterprise*. For some of these directories, the definitions were the criteria for inclusivity in the database. Social enterprises and social entrepreneurs voluntarily submitted names to these directories. Further, these sites invited social entrepreneurs and viewers who knew of social enterprises that were not listed in their directories to submit entries. Whether these submissions were tested for meeting their set criteria or definition is unknown.

Analysis of data

In the first phase, I began the analysis by searching the sources for any kind of information that helped me to understand the role of the social enterprises. This open coding helped me identify ideas and concepts that led to more selective data analysis. The process led me to focus on a number of different characteristics or variables, including products or services offered by the social enterprise, populations served, location of beneficiaries, funding sources (invested capital, donated funds, or other), business model or approach to problem solving, use of markets for trade if applicable, and form under which the social enterprise operated. A significant number of SEs were incorporated as 501(c)3s, a few as L3Cs, and others as small businesses. A few website directories of SEs included B corporations. B corporations are those companies certified by a third party (B Lab) as adhering to certain corporate responsibility standards. In the UK, social enterprise activities were conducted within specific organized forms created for the purpose.

The general characteristics of social enterprises listed in the proxy organization websites were more alike than different. The Skoll Foundation list of social entrepreneurs was made up mostly of nonprofits with a handful of exceptions that were either fee-for-service organizations or nonprofits with some earned income. The areas in which the social entrepreneurs worked included education, economic opportunity, health access and treatment, peace, human security, water, sanitation, sustainable markets, human rights, and food. Information about the social entrepreneurs was available on their websites, complete with annual reports. The Social Enterprise Alliance member list was unavailable to the public but a list of examples was published on their website. These examples included for-profit enterprises, nonprofits, and nonprofits with earned income. Ashoka recognized fellows who worked in the areas of health, civics, human rights, education and training, economic development, and the environment. Nearly 3,000 members from 70 countries were listed on their website. Ashoka invests in individuals with ideas for social transformation. To them, this is considered a venture. They select social entrepreneurs to support based on a number of criteria: new idea, creativity, entrepreneurial quality, potential for social impact, and ethical fiber (<https://www.ashoka.org/support/criteria>). They also promote a network of social entrepreneurs to help learn from each other, and they build sector infrastructure by providing seed capital and helping social entrepreneurs find and maintain strategic partnerships with business and civil society sectors. The focus is the making of social entrepreneurs and building the scaffolds necessary to support their work.

The above three proxy organizations appear to play certain synergistic roles in the making of a social enterprise domain. Ashoka's role is in investing in social entrepreneurs with a grassroots focus, while Skoll Foundation provides the visibility, financial support, and network opportunities for growth. Social Enterprise Alliance is a network organization that promotes the field and helps spread the idea.

The result of this analysis is the emergence of the following types, which explain why and how social enterprises come to be in the domains examined: to support a cause, to enable grassroots local solutions, to advocate for social transformation, and to create systemic change. The types are *trading for social cause*, *grassroots transformation*, *social advocacy*, and *social intrapreneur* respectively. Some markers—breaking traditions, creative giving, experimenting, social risk-taking, and co-opting—help explain these types; they explain what goes on in the making and sustaining of social enterprises and how they find a place in “form” and “identity” in the universe of enterprise activities. In addition to these markers, I

identified certain other variables that helped me to distinguish these types. They are role, organizational proximity, and benefit proximity.

Social enterprise activities begin with an idea to solve a problem or meet a certain unique need that the existing sectors of the economy or the “systems” are unable to meet. The social enterprise emerges as it is organized, finds its place and situates itself in an organizational milieu. Some social entrepreneurs work within the system to make changes—the “*social intrapreneurs*.” Florence Nightingale is a popularly used example of an individual working within a system. There are others who begin their work outside of these systems or sectors because none of these systems can solve the problems they are seeking to resolve for various reasons. Polsby’s (1984) public entrepreneurs and Roberts and King’s (1991) policy entrepreneurs are other examples.

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