

17 The significance of social capital in the multiple goal and resource structure of social enterprises

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Introduction

Quite often, new forms of social and economic action have to be conceptualised and the groups concerned seek their own vocabulary. This is also the case with regard to the development of organisational forms of action which have been labelled as 'social purpose businesses', 'civic enterprises', 'community businesses', 'community wealth enterprises'¹ and 'social enterprises'. The challenge for analytical debates is that the term 'social enterprise' seems to blur exactly those frontiers which have been deliberately constructed – between action for the public good and private action, between social action as non-profit and enterprises as private market organisations.

The theoretical and conceptual sketch that we want to put forward suggests that to understand social enterprises we need to see them as organisations that intertwine a multiplicity of goals and resources. Such a theoretical orientation is to a large extent shared with others in the field that point to the role of non-market and non-state resources like donations and volunteering. It also underlines the fact that third-sector organisations can integrate various social goals, ranging from serving the poor to the delivery of public goods.

The argument proposed here is that studying specific resource and goal structures of social enterprises is particularly interesting when we take into account the mobilisation of social capital. Such an approach, by bringing into view the key role of socio-political components, such as the various dimensions of civic commitment which constitute social capital, helps to overcome the risks of a selective, restricted and merely socio-economic conceptualisation of both the mixed resources and the multiple goals of social enterprises.

In the first part of this chapter, we will try to clarify our notion of social capital, stressing that it is not a pre-condition for, but rather something co-produced by public policies (section 1). We then argue that by referring to the concept of social capital, non-market and non-state resources – which are very important for social enterprises – can be captured more widely, and include non-material resources like the readiness for civic commitment and partnership building (section 2). As far as the multiple goals and intended effects of social enterprises are concerned, we will show that many of them can be better under-

stood by using the concept of social capital. This makes it possible to take into account issues of power and civic commitment and thus to show that 'social utility' means more than merely rendering better services (section 3). Finally, we debate how the special link between the development of social enterprises and the use and cultivation of social capital might be better preserved and appreciated by public policies (section 4). But before unfolding these arguments, three preliminary remarks must be made.

First of all, although examples will be taken from one special field of action of third-sector initiatives (the area of social and occupational integration and job creation),² it is our opinion that, in principle, social enterprises as a specific entrepreneurial form of third-sector organisations can take shape in many fields and forms. They are not linked exclusively to matters of occupational integration, as is, for example, suggested in the study put forward by the OECD.³

Secondly, while these reflections on social enterprises will hopefully contribute to a better understanding of their role as part of an 'intermediate' social area, little will be said about the implications of the word *enterprise*.⁴ Perhaps this term mainly reflects a general trend in the last decade to take 'entrepreneurial' as a synonym for creative and innovative action as well as for the readiness to take responsibilities and risks in terms of 'social entrepreneurship'. A degree of entrepreneurial orientation would then be imperative for each and every organisation today, irrespective of its location in one or other sector, whether it is a charity or a social assistance bureau, a cultural association or a new computer shop. Only those third-sector organisations that are pursuing social goals and purposes and do so in an entrepreneurial way, would then qualify to be recognised as social enterprises. Obviously, there may often be a link between entrepreneurial and commercial orientation, and the subject of 'enterprising non-profits' (Dees 1998) gives rise to a broad number of critical issues, but these will not be studied here.⁵

Thirdly, it should be noted that this contribution concentrates on analytically defining the specificity of social enterprises as third-sector organisations. It does not provide a historical argument concerning the 'why' and 'when' of such institutional forms. However, by highlighting the impact of social capital and civic commitment, it is possible to make clear implicitly that the development of social enterprises is a much more political and contingent matter than economic analyses of institutional choice might suggest.

1 Social capital

The term 'social capital' refers to elements like trust, civic spirit, solidarity, and the readiness to associate and to build and maintain communities (Coleman 1988; Putnam 1993, 1995). According to Putnam, these elements represent the historical product of an overall well-functioning society, both on the local and the national level, and a degree of positive and 'civilised' interplay of economic, social and political institutions in a defined territorial and local context. As has been made clear in Putnam's study of social capital as a key element for societal

development in the Italian regions, the forms of trust and association which are decisive are those directed to the public sphere and which represent the 'weak ties' of secondary associations, cutting across social cleavages and helping thereby to strengthen what he calls 'civic commitment' (Putnam 1993: 175). Putnam's concept⁶ does not include every form of trust and association – associations without any link to the public sphere of civil society, like for example, clan building, individual networking or closed family networks are excluded.⁷ About the North–South division in Italy, which he studied, Putnam remarks at the end of his book that 'those concerned with democracy and development in the South should be building a more civic community. ... Building social capital will not be easy, but it is the key to making democracy work' (Putnam 1993: 185).

It is not difficult to imagine the close relationships between the development of social capital and that of third-sector organisations. Indeed, third-sector organisations are sometimes labelled as 'civil society organisations' (Salamon and Anheier 1997). Civic associations can rightly be seen as typical and central forms of associating, creating trust and strengthening attitudes which are helpful for civic communities. This is especially clear in that part of the third sector where organisations raise their voice for broad social and public concerns and where their services clearly go to groups in special need. However, it is not always so clear in those parts of the third sector where fairly strong groups voice their partial concerns and organise group-related goods and services in order to dissociate from the surrounding political community.⁸

Putnam's portrait of the relationships between 'good government' and social capital-building involves some points that are unclear. On the one hand, he seems to acknowledge that state policies and forms of governance do in fact play a role in building social capital. On the other hand, his discourse suggests that social capital can be seen as a kind of precondition for economic development and good governance, created in society and by society. In reality, as some critics with an eye on history have noticed, 'the causal relationships between good government and civil society were anything but unidirectional' (Tendler 1997: 156). Politics and the action of governments do in fact influence the ways organisations in civil society act and the degree to which they use and cultivate social capital. Whenever governments by their style of action promote deliberative politics, they support types of trust-building which cut across closely knit but segregated networks in society. State policy can greatly influence the degree to which social organisations are oriented to the public good instead of being mere lobbyists. It can also encourage the dynamics which make neighbourhood organisations sensitive to politics and to the needs of other groups instead of merely defending a narrow conception of their own interest.

Social capital, therefore, by contributing to a more civic society, might be better understood as a co-product than a precondition of state policies.⁹ Given the strong mutual links between the development of democracy, the interventions of state policies and the development of civic communities and social capital, it might be more accurate to speak of 'civic capital' (Evers 1998). This would, additionally, make clear that not every form of trust and association is to

be covered here insofar as one can also conceive of historical developments where the interplay of authoritarian politics and the mere self-defence of social groups creates trust within social, cultural and ethnic communities in a fragmented society. But the general trust needed for bridging social cleavages will hardly come about without corresponding developments in overall policy. We will stick, however, to the label of social capital because it has been so widely popularised.

According to Putnam, wherever 'civic communities' have developed, private economic action as well as public government can gain efficiency by 'capitalising' on them. But to what degree and in what ways do market actors contribute as well to the *reproduction of social capital*? While there is no doubt that they 'consume' such capital, whether their way of using also contributes to reproducing it is more questionable. Companies can use the broad commitment of their workers but at the same time instrumentalise them in such a way that often too little time and energy is left for them to act as citizens. Yet, good and reliable administration as well as private enterprises guaranteeing a decent job and income to citizens can be seen as indispensable (even though this may not be sufficient) for promoting a more 'civil' society and the reproduction of social capital.

In summary, we have presented some reasons to justify our understanding of the term 'social capital' in the sense of 'civic capital'. Used in this way, the concept of social capital highlights the role of broader political factors, both in terms of their general role in creating trust and associability as well as in terms of their role in shaping the orientation and behaviour of groups and associations in society. Social capital is then to be understood both as an indicator of the degree of development of a civic society (constituted both by social and political action) and as a way to debate civic commitment with an eye on economic development and governance.

2 The key role of social capital in the mixed resource structure of social enterprises

In the debate on third-sector organisations, the notion of a resource mix has little by little won acceptance. The concept of an 'independent sector' where neither any element of the world of markets nor any resource flow from state institutions plays a role has proven inadequate.

In reality, offering a service for social purposes and getting a fee are two options that need not be mutually exclusive. A vast majority of third-sector organisations producing goods and/or services partly rely on *incomes from sales to customers*. These incomes can be derived from private or public organisations, individual users and consumers, but also from state institutions that refund them (at least partly) for the services provided. Among social enterprises offering services for social and occupational integration or concerned with job creation, a certain degree of income by sales often constitutes one of the reasons for calling them 'enterprises'.

Another part of the resources of social enterprises are those granted by state institutions and municipalities in *acknowledgement of third-sector organisations' contribution to the public good*. These resources usually take the form of grants and/or special tax concessions. This source of income should be separated (even though this might often be difficult) from what is earned through contracts for the provision of specified and limited services. Through grants, subsidies for start-up investments, tax exemptions and other similar types of public resources, political authorities acknowledge the organisation's social purpose and orientation. Hence the provision of special procedures for reaching the status of a charity or an organisation for the public good. Social enterprises which offer services for occupational integration or try to create jobs often receive such types of state support because it is felt that they are doing more than, or acting differently from, a private agency which might perhaps restrict itself to picking out the easiest tasks and persons. One must, however, keep in mind that the acknowledgement of the special status of 'public utility' implies a certain ambivalence. In fact, the special purpose of a singular association is not necessarily in line with the notion that the broader public or the policy-makers have of the public good. Therefore, the accommodation between the views of the association and the public authorities 'on the contested nature of the public good' (Mansbridge 1998) is of crucial importance.

The two aforementioned types of resources are well known as constituent elements of the mixed resource structure of third-sector organisations. What is unusual is the demarcation line that we have drawn. We do not distinguish between state and market resources, but between resources which are a remuneration for specific sales of services on the one hand (a kind of market income which can come from both public and private partners) and resources which are obtained within the framework of a state-channelled reciprocal support, in exchange for the contribution to common good issues by third-sector organisations, on the other hand.

The third element in the resource mix of social enterprises – what we have called *social capital* – is very often underestimated. If civic support is mentioned at all among the resources of third-sector organisations, it usually only gets noted in very technical and organisational terms, such as income from donations and support by volunteers – often counted as an equivalent to hours of paid work.¹⁰ In reality, the level of donations and voluntary engagement may be an important indicator for – but should not be confused with – the broader set of social and political resources that are mobilised. The success of a social enterprise for social and occupational integration and job creation, for example, depends on many non-governmental and non-market resources, including the following: it needs good informal contacts with the political and the business community; it builds on a unique level of trust achieved over time; it will have the best chance of success if it is solidly rooted and embedded in the local community; in order to be able to reinsert people, building up partnerships and projects with various economic and social partners will be a key issue. This list of forms and aspects of social capital resources is far from exhaustive.

Conceptualising these resources as social capital has two advantages. Firstly, this concept provides an effective means of taking into account a broad array of resources, in addition to income from sales and state support, giving them that impact and significance which is missing when only enumerating singular items like donations, volunteers etc. Secondly, it indicates the key role of a number of non-material social and political factors, which nevertheless can materialise as an economic and financial advantage to social enterprises. Thus the notion of social capital can bridge socio-political and socio-economic perspectives on the third sector and on social enterprises.

What is important to note is the fact that, while third-sector organisations may survive with minimal public support and without income from sales, a certain level of social capital resources is absolutely critical for their survival as social and civic organisations. A foundation can go on as long as there is a fund, but the social echo and support is finally decisive for its real status, i.e. being a social enterprise or not. Similar arguments can be made for the social welfare organisations in Germany. Even though they are still classified as third-sector organisations, they have turned into para-statal organisations insofar as they have lost all kinds of civic support (although, obviously, this does not mean that such resources are gone forever).

It can be argued that features like state grants and social capital taking the form of trust and support by local social partnerships can also be found in the resource basket of private businesses. Consequently, neither the resource mix nor its social capital elements could thus be considered as characteristics of third-sector organisations in general and social enterprises in particular. In the framework of this article we will restrict ourselves to three remarks on this.

First of all, as far as public resources are concerned, we have highlighted those that acknowledge the broader social utility (verified in a formalised process) of an organisation. These kinds of grants, which differ from subsidies, are not to be found in the resource structure of private enterprises. Giving subsidies to private capital in order to boost employment or to help stabilise a regional context is a different thing; the social effects of the for-profit enterprise that are acknowledged through this kind of public support are merely implicit and undeclared side-effects.

Secondly, even though private business can, in general, profit from social capital, some forms of social capital (such as volunteer support or donations) are not available to the private sector.

Finally, it has to be acknowledged that there is some truth in the argument that mobilising social capital is not an exclusively third-sector phenomenon. We have already underlined the fact that one cannot easily draw sharp demarcation lines between the private sector, the state/public sector and the third sector. There are highly locally embedded (Granovetter 1985) types of business, trade and commerce, and forms of local and ethnic economy, where the for-profit orientation is remarkably limited by the implicit indebtedness to local social and cultural norms and ties, which express purposes and concerns of the local community (Barber 1995). Local people may voluntarily support small private

businesses as a part of their local economy. In fact, many small and medium enterprises in the traditional private sector will share this feature of local embeddedness with many third-sector organisations, a feature that can be seen at the same time as a special constraint for choice and mobility (Weisbrod 1998b) and as a special (social capital) resource. Whether an enterprise is private or third sector does not matter that much here.¹¹

In summary, third-sector organisations build on a particular mix of multiple resources that entails a good deal of non-market income and support in addition to public grants. While many contributors to the debate do acknowledge this, they usually narrow down the non-state and non-market components to some selected material features like donations and volunteering. Introducing the concept of social capital makes it possible to better take into account that part of the resource structure of third-sector organisations/social enterprises which comprises both monetary and non-monetary elements, such as trust, sociability, the readiness for dialogue and co-operation.

3 Social capital as a part and product of the multiple goals and commitments of social enterprises

The specificity of third-sector organisations is classically reduced to their being not for-profit. When an organisation does not work for profit this means, first of all, that a clear and dominating point of reference is not available. When there is such a point of reference, it can help in adjudicating the usefulness of an action. In a for-profit enterprise, it will be easier to delimit the realm of action, e.g. whether one should offer a free service to a community will be discussed in the light of one clear dominating purpose. The dominance of a for-profit-orientation is thus likely to lead to a much more instrumental type of action and orientation. Not-for-profit orientations are comparatively less targeted and more 'expressive'. This creates a more open and diversified structure of effects and a rhetoric that is different from that for organisations centred on shareholder values. Such purposes and effects are, largely, parts of the declared goals, but even if not officially declared as goals and purposes, they may give more room for community-related effects. The opportunities and difficulties encountered by organisations with a social purpose are based on the fact that there are many potential sub-purposes and that there is no simple criterion for arranging them in a hierarchical order. This can possibly result in community-oriented goals being more easily integrated into the package of a social enterprise's declared goals.

Weisbrod has found, as an economist, an expressive way to mark the difference between for-profit and not-for-profit organisations, stating that there are 'two models of organisational behaviour'. He introduces the distinction between 'profit maximisers' and 'bonoficers', the latter term being used as another name for third-sector organisations. In contrast to the former, the latter 'might seek to generate less than maximum profit, while engaging in activities that are socially desirable but unprofitable' (Weisbrod 1998b). Third-sector organisations are a

way to address the need for public goods of communities which are smaller than a governmental/administrative unit, or which are delineated differently, such as special cultural or ethnic groups which are not represented by the 'median voter'.¹² In both cases the aim of making a surplus need not be excluded, but it is counterbalanced by the commitment to other, social goals.

By now it should be clear what a multiple structure of goals as a hallmark of third-sector organisations and social enterprises might mean, even though the issue of social capital has not yet been mentioned. What might then be the analytical benefit of introducing the notion of social capital? In order to answer this question, it is useful to remember the limitations of an economic approach, no matter how sophisticated it might be. Even Weisbrod's approach has shortcomings insofar as he introduces the broad concepts of 'activities with social utility' or of a 'public good', but these get mostly translated into issues of good and service provision. This leads to neglecting other activities which might serve the public good as well, although in a less material way – activities with social, political and democratic concerns. The struggle for a more democratic decision-making process is very often one of the (explicit) goals of many third-sector organisations. The way third-sector organisations structure themselves and the ways in which they search for co-operation with others may make them work as kinds of 'schools of democracy' (Cohen and Rogers 1994). The action carried out by a third-sector organisation is often more than the sum of single services provided for individual clients, in that it is focused on groups, communities and social problem areas. Including active citizens and volunteers as participants and co-producers does not only represent comparative cost advantages for the organisation, but also strengthens trust and civic commitment.

Obviously, these types of goals and these ways of operating an organisation are very important for social capital-building. Social capital, like other capital, is reproduced, maintained and even extended when working with it. Consequently, there is no clear separation between using and creating social capital when, for example, addressing the local public's willingness to make donations or to support in any other way a specific project. Local initiatives usually have a complex mixture of goals. In some cases the moral and democratic aims of these organisations may be silent and implicit ones. In other cases the building of partnerships and local networks and alliances may also be seen as a purpose in its own right and not merely as an instrument in the pursuit of the social and economic goals of the organisations.

Taking social capital-building as a term of reference offers the advantage of making it possible to take into account not only the social and economic goals of the organisation, but also the other dimensions and effects of its activities, which are specific to social enterprises.

This may also help to sensitise us to the organisational challenges linked with the aim of balancing multiple goals and commitments that have an economic, a social and a civic dimension. This is somehow different from and goes beyond the seemingly clear and single 'non-distribution constraint'. One of the ways that the commitment to various goals of different kinds can be safeguarded is by an

organisational structure that involves various stakeholders, including: social groups, public authorities, and groups with a particular ideological background or linked with a social movement. This multi-stakeholder construction is one of the frequent features of social enterprises (Pestoff 1996; Krashinsky 1997; Borzaga and Mittone 1997), and it helps in creating and maintaining the commitment of various organisations and institutions within a civic community. The board of representatives can, for example, include members from trade unions, chambers of commerce, churches, voluntary organisations, the municipality, etc. Social audits and similar institutional features of democratic control can also help to prevent third-sector organisations and social enterprises from becoming 'single-mission organisations', or from being reduced to their economic and social dimensions (Pestoff 1998).

The example of social enterprises for job creation and for social and occupational integration¹³ provides a good illustration of the argument developed here. Obviously, a major goal of the organisation will usually be to enable people to find a way back into the ordinary labour market – by means of advice, training etc. However, there may be other complementary goals, such as creating new and additional working places in fields of activity that address particular local needs, and this creation of additional working places is often put into the perspective of promoting a more socially inclusive and labour-intensive type of socio-economic development. This is also often associated with attempts to upgrade the territorial environment or the local social infrastructure, which presupposes that the actors are in touch with the individual and social needs in a given community. Finally, the organisation will seek to achieve a certain level of self-financing and independence through income from sales.

The social and economic activities and services just mentioned might have by-products influencing the stock of social capital, but beyond this, there may be other civic and democratic issues directly linked with social capital-building. For example, the working conditions within the initiative may seek to encourage personal development; the initiative can participate in local democracy, strengthening debates and co-operation on the social, the cultural and the political levels; or the social enterprise may take part in creating a local pact for work and integration among different social partners and the public authorities, which improves their common working conditions. What is important here is the fact that within social enterprises, all these concerns are usually not just by-products of a type of action centred on profit-making, nor are they the mere outcome of constraints laid on the organisation from outside, by state rules and regulations. On the contrary, such aspects are among the aims set by social enterprises in the interaction with their environment.

However, one should not forget that the number and relative impact of the various activities and goals can result in conflicts and can change over time. Taking for example the economic and social goals, the purpose of setting up better community services can be prior to, and in conflict with, the goal of occupational integration. Painful conflicts often arise between the goals of surviving and strengthening an initiative's own economic potential, on the one hand, and

the responsibilities taken for the weak members of a community, on the other. For some initiatives, questions concerning the civic culture and their commitment to it may be secondary, while others will try to broaden their legitimacy and trustworthiness by declaring openly their commitment to more democracy in (local) decision-making and criticising politicians or representatives of the business community who deny their responsibility towards the public good.

The differences between social enterprises and commercial organisations (characterised by limited and clearly delineated products) have been made clear in the beginning of this chapter; but it could be argued that the strong social capital-building effect of social enterprises also holds true for state/public organisations and action. Basically, this should not be denied. Once again it shows the existence of a gliding zone between what is usually called the 'public sector' and the 'third sector'. However, differences between the two sectors exist. As far as the structure of goals and the impact of social capital are concerned, these differences may be influenced by various factors.

Firstly, the more an organisation, or the service it provides, represents general nationwide norms and values and the more a society is differentiated or fragmented, the more the public service offered to citizens may represent a central government's aspirations against local needs, preferences and opinions. It may then build on social capital as it is embodied in the general trust of people as citizens, but it will encounter difficulties in winning local trust and support. Decentralising and increasing local autonomy may be a way to deal with this problem. This solution is most prominent in the Scandinavian countries, where decentralisation acts to some degree as a functional substitute for coping with diversity by leaning on third-sector organisations. Likewise, public schools can be oriented towards the community, and local urban planning offices can take an enabling approach. Yet they do so only to the extent to which they learn to resocialise, or to get locally rooted, and thereby lower the differences and the obstacles to organisations based in the third sector, operating in and by the community.

Secondly, public services, in contrast to those which are based in the third sector, can try to become more efficient by limiting their goals and resources and likewise the accompanying constraints. The exclusion of volunteering, full reliance on one type of resource – public money – and focusing on a small number of clearly delineated goals can be considered as positive criteria, which distinguish between a public social service sector and 'voluntary amateurism'. The advantages of such an orientation cannot be easily denied; such one-dimensional and standardised structures are often especially robust. But serving the public good in this way also induces costs and losses, especially when compared with what third-sector organisations, sticking to their multiple goals and commitments, may achieve when it comes to pursuing a broader set of goals, mobilising more of the available social resources and being more in touch with local needs and preferences.

In summary, third-sector initiatives in general, and social enterprises in particular are characterised by a fairly open structure of multiple goals and

commitments. The usual way of discussing them is, however, to highlight only some of their dimensions – usually the tension between the more narrow economic and social goals and the broader ones of social utility and the consequent activities for the public good. Taking into account social capital-building as one of the goals of third-sector organisations, helps to give more visibility to a number of their civic concerns and effects which correspond to a broad notion of the public good, including the democratic dimensions. Social capital-building may be an aspect of the social embeddedness and of the manifold and diffuse (side-) effects of such types of action and/or it can become an explicit goal and purpose of the organisation.

4 The influence of public policies on the third-sector's mobilisation of social capital

In the first section we have already argued that the third sector's capacity to create social capital is very much dependent on the framework set by political institutions and on their interventions. The degree to which an environment is positively oriented to the development of third-sector organisations/social enterprises strongly depends on the prevailing types of public policies and of governance. Given this importance of politics and governance, one can say that in a particular sense social capital is constructable. We thus think that recent approaches, which discuss social capital as an asset of societies and local communities, which can be developed intentionally, are right. As a consequence, the preservation and the building of social capital may be considered as a key issue for social and community development strategies (Gittell and Vidal 1998).

In this perspective, the potential for the creation and maintenance of social enterprises depends very much on the surrounding local environment and on the attitudes of the groups and citizens concerned, including civic organisations, the business sector and political and administrative organisations. One can admit that a social enterprise can be a singular phenomenon in an uncaring environment, kept alive only by its direct members and some few channels of support from an administration and a grant. But it can obviously operate far better in an environment with rich and manifold responses and a variety of interrelations. What then should be avoided and what can be done by governments? Two general imperatives follow immediately from the arguments developed above.

First of all, public partners, beyond laying the basis for generalised trust, should develop types of policy-making and programmes which clearly acknowledge and reward the mobilisation of social capital by social enterprises and organisations, instead of taking it for granted. Even if the public authorities may only be interested in a particular service provided by a social enterprise (for example training measures for the long-term unemployed), they should also be sensitive to the conditions needed to preserve such organisations and to facilitate their operations. From such a perspective, special attention has to be given to types of participation in social enterprises that rely on voluntary work rather than on paid jobs. Voluntary work implies participation out of commitment

rather than a need for income. It is likewise important to focus on networking and building partnerships instead of seeking best offers on competitive social markets. Furthermore, public authorities should consider what tasks social enterprises can do better than commercial organisations because of the social capital resources at their disposal. For example, if social enterprises can achieve particularly good results in creating and making use of the commitment and trust of other social and economic partners (e.g. making use of voluntary work, activating churches, trade unions and chambers of commerce), maybe they are also more credible when it comes to contacting and to resocialising or reactivating a clientele – discriminated groups, ethnic or local communities, marginalised people – which is at first suspicious and distrustful. Thus, in the area of policies for social and occupational integration, for example, the key role of formalised partnerships for local development and employment (Midgley 1995) – as suggested and illustrated in various EU documents¹⁴ and also recently in OECD studies¹⁵ – should be acknowledged. The same holds true for partnerships with ordinary enterprises and for the creation of informal networks of committed local key persons.

Secondly, public authorities should evaluate what they want to get from social enterprises and whether easy-to-measure short-term effects should be the only criteria when it comes to selecting partners and designing contracts. There is currently a dominant tendency throughout Europe towards creating 'social markets', where public authorities as purchasers and regulators co-opt private services, be they commercial or not-for-profit, and where the provider organisations are seen as competitors which may have completely different histories but which share the same mission. Under these conditions, it seems legitimate to treat all organisations alike, so that grants for not-for-profits are then clearly an element of unfair competition. Within such a quasi-market framework,¹⁶ a multiplicity of goals and the tendency of third-sector organisations not to concentrate exclusively on the marketing of some clearly delineated products will be seen as a genuine weakness. Hence, the general trend towards strengthening partnerships and contracts with organisations that concentrate on few and delimited goals and working tasks as well as measurable short-term results. (For example, in the field of social enterprises for social and occupational integration and job creation, this would be a focus on the number of individuals taken out of social assistance and brought back into the job-market.) In fact, for this type of social problem-solving strategy, highly professional and commercial organisations may be more suitable. Social enterprises are a better alternative when the products requested by the public authorities are more complex and entail civic and political dimensions. Tasks related to urban renewal, revitalising the local economy and community building are examples. A key issue here is the need to rebuild a degree of trust and openness between different scenes, actors and groups in the respective city-quarter. This is something that private, for-profit, organisation can hardly bring about by their operations; it must already be in place or otherwise they will have difficulties in taking effective action. In contrast, third-sector organisations and social enterprises can integrate such tasks into their agenda.

The pursuance of complex aims and activities must however not prevent an organisation and its political and administrative partners from setting precise goals and being accountable for them. It is important to define clearly and even to quantify (wherever possible) the by-products for the public good, the community and social capital-building which are brought about by third-sector organisations and which work as a kind of 'competitive advantage' for them. These can include e.g. social integration in a neighbourhood, stimulation of local action groups, and participation in boards and planning forums etc. Often, such activities which accompany the development of social services and facilities have been taken for granted or assumed as immeasurable. If they are to be acknowledged and remunerated, they must however be defined as clearly as possible, and sometimes even 'prized'. Social enterprises could then earn incomes from different partners for achieving different goals. Some resources could come from private organisations, public authorities and consumers for specified services rendered, while others could come from public authorities or the public itself for performing well with respect to social and democratic goals and needs. Obviously, there is a limit to such a strategy of singling out, measuring and pricing broader concerns, especially when they have a heavy political-democratic component. Social enterprises can contribute to making democracy work, but this should not be confused with a measurable working task to be priced like others. Perhaps it is the awareness of this fact that is mirrored in the long-standing practices of rewarding third-sector organisations with an unspecified grant for contributions to the public good which cannot be singled out and priced in a contract.

In summary, one can say that the future of social enterprises (and of third-sector organisations in general) largely depends on the evolution of public policies. In this respect, two issues will be of particular importance. The first one is the ongoing trend towards underrating or even giving up the goal of building a civic society which can be a partner in developing public policies. Consequently, public policy-makers often forget association-building, civic commitment and co-operation in partnerships – the very basis and strength of social enterprises. Social organisations and enterprises may be considered as additional service providers with social goal constraints laid on them by contracts and regulations, but they will then not be appreciated as organisations which, through their link with social capital-building, have particular strengths and weaknesses.

The second crucial point for the future of social enterprises is the degree to which public policy defines itself in terms merely of the management of singularised and tightly delimited goals, rather than in terms of agenda-building which entails long-term commitments, which are difficult to measure. This factor will be decisive for the political acceptance of third-sector organisations that pursue a rich set of multiple goals (economic, social, civic and democratic), which have been articulated here under the label of social capital.

Such critical questions must, however, be addressed also to third-sector organisations themselves. For many of them, assimilating the priorities and style of action of public administrations or commercialising seem to be the only conceiv-

able choices. There are, however, opportunities to develop in a different way. By mobilising and highlighting exactly those resources on which their commercial competitors cannot rely – e.g. voluntary commitment and various forms of community support – they can not only stand competition but also better their status as partners in public policy.

Notes

- 1 For an overview of labels see BAG Arbeit e.V. (1997).
- 2 The main reason for this choice was that we had the opportunity to carry out in-depth research about that field as part of an international project and related studies. See Evers *et al.* (2000).
- 3 OECD (1999: 57).
- 4 See the introduction to this book by Defourny, as well as Badelt (1997).
- 5 For an analysis of these trends and problems, see Dees (1998) and Weisbrod (1998a).
- 6 In contrast e.g. to Coleman (1988).
- 7 For a similar orientation within the German discourse see Offe (1998); for international differences with respect to trust, see Fukuyama (1995).
- 8 See the illustrative examples given with respect to wealthy US neighbourhoods in Reich (1991).
- 9 For a further debate, see Levi (1996), Skocpol (1996), Haug (1997) and Harriss and de Renzio (1997).
- 10 See e.g. the OECD report on social enterprises (1999).
- 11 Kramer (1998); see also the contribution by Laville and Nyssens in this book (Chapter 18).
- 12 Weisbrod (1974); for an overview of the debate, see Hansmann (1987).
- 13 For a more extended debate and further illustration see Evers and Schulze-Böing (1999) and their contribution in this book (Chapter 16).
- 14 European Commission (1996); O'Conghaile (1997).
- 15 OECD (1998; 1999).
- 16 For a critical review, see Evers (2000).

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