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19 Management challenges for social enterprises

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Introduction

As the number of social enterprises in Europe grows, the managers who run them are faced with an increasingly difficult task. Not only must they establish their organisations and legitimate them, but they must also find suitable ways to manage their key assets including their social mission and efficiency constraints, committed volunteers and employees, and enlarged governance structures. As shown in previous chapters, social enterprises are different not only from for-profit and public-sector organisations, but also from traditional non-profit ones (Steinberg 1997). While traditional non-profit organisations still struggle with problems related to their multi-faceted identities (Young 2000), social enterprises are faced by tougher challenges. They embody a new form emerging in an institutional and competitive arena which appears to be rapidly changing, and in which they must frequently compete with public sector, for-profit and traditional non-profit organisations. They share with traditional non-profit organisations the problem of defining a perceived and recognised external and internal identity (Young 2000) which is harder to bring into focus because of the hybrid and poorly defined nature of the social enterprise form. This hybrid nature is reinforced by various factors among which the following are prominent:

- A social enterprise is 'essentially a (private) organisation devoted to achieving some social good' (Young 2000: 18) and which must furthermore incorporate, besides the traditional resources of non-profit organisations (donations and voluntary participation), commercial revenue (originating both from public and private customers and founders) and business activity. As Preston (1989a) shows, when modelling the behaviour of for-profit and non-profit organisations, non-profit organisations end up specialising in the production of goods with some positive externalities. This is consistent with the view set out in the theoretical chapters of this book insofar as social enterprises provide private goods with positive externalities or with a redistributive component, and therefore increasingly allow 'for private sector firms to compete by selling a similar good in the market' (Kingma 1997: 140). For-profit organisations may in fact provide the same good by

internalising positive externalities without undertaking any social role. For example, a for-profit organisation can compete with social enterprises in the provision of home-care services financed by a local authority, fulfilling the contractual agreement but without caring for the well-being of customers should they need an enriched service, such as more hours of care or a different interpersonal approach. It is for this reason that several authors argue that social enterprises should receive at least partial support from the public sector in dealing with these externalities which in themselves could be valued as positive outcomes of the actions of social enterprises.

- The problem is exacerbated if we consider that the notion of social good is in itself inherently ambiguous. Social enterprises are different from most traditional non-profit organisations because they do not usually produce public goods (non-excludable and non-rival in consumption), nor rarely collective goods (excludable, but non-rival in consumption), but mainly goods characterised by an individual demand associated with a perceived social utility. It should be noted, from this specific point of view, that the nature of this positive externality on the one hand gives rise to increased production costs, while on the other it depends on the preferences of external actors such as public authorities or local communities, and may change in time. This implies that a universal definition of social good cannot be provided unless it is restricted to specific institutional contexts, in both time and space.
- Their multi-faceted mission obliges social enterprises to consider how they can manage commercial activities, which by their very nature require adequate management practices which are typically oriented toward effectiveness and efficiency (Herman and Renz 1998), alongside free resources such as donations and volunteers' efforts and time. As social enterprises move from reliance on donations and funding (a characteristic of most traditional non-profit organisations, at least in the form which emerged in the US) to the delivery of goods and services, the balance shifts from advocacy and fund-raising activities to management of quality and customer satisfaction, which in turn require an increase in operational efficiency.
- Finally, most social enterprises are multi-stakeholder in nature and rely heavily on extended participation by workers, volunteers and/or customers. For this reason, their embedded goals may become even further confused by the need to combine different interests and balance them in the ongoing management of activities.

The hybrid nature of social enterprises resulting from these various factors raises an obstacle against the legitimisation of both social enterprises and their managers. Not yet fully legitimated, the identity of social enterprises is confronted by a scenario which is in itself challenging. The external economic, social, and political environment, more or less passively accepts the emergence of social enterprises, while those that have emerged must focus their strategies and

management clearly. However, neither the public-sector, the for-profit nor the non-profit literature on management provides models and approaches which can account for the specific nature of social enterprises. Public-sector models rely too closely on bureaucracy and simplification; for-profit models do not account for social mission and values; and traditional non-profit models often fail to deal with the efficiency constraints imposed on social enterprises, focusing on fund raising and social networking.

The key challenges to be addressed in establishing a new, more specific model of management for social enterprises are reviewed in this chapter in order to provide normative guidance for managers of social enterprises. First the external and internal challenges are identified, and analysis is conducted of the ways in which social enterprise managers can deal with them. After a review of the traditional non-profit management literature, the conclusion is reached that this provides inadequate models for the challenges faced by social enterprises. As the key areas demanding action by managers are explored, it is argued that social enterprise managers have been actively involved in issues which require external confrontation and lobbying. Nevertheless, it is the internal challenges that demand more attention because it is they that constitute the key competitive advantages of social enterprises.

1 Challenges to the evolution of social enterprises in Europe

The identity of European social enterprises overlaps with that of many of the existing providers of social services. Social enterprises are an emerging form, and they have been, and continue to be, subject to all the constraints consequent on their lack of legitimisation in the institutional environment (Scott 1995; Suchman 1995), and sometimes to attempts to prevent their legitimisation by established and pre-existent competitors. The previous chapters of this book, as well as other recent studies (European Commission 1999), reveal that social enterprises, in their collective effort to gain recognition, and thereby ensure the resources for their growth and diffusion, must confront several challenges, most notably:

Challenges re shaping a supportive legislative and regulatory environment

The social nature of social enterprises is not yet taken for granted. Although in some countries, social enterprises have been able to gain tax exemptions or priorities in bidding for services on the basis of their status as non-profit organisations, current legislation is still far from defining a clear support framework for social enterprises. The experience of recent years demonstrates that when recognition (be it complete or partial) has been accorded to the specific nature of social enterprises, the contribution to their evolution and growth has been significant. By contrast, the results have been disappointing when account has not been taken of these specificities. There is, therefore, still a long way to go.

Challenges re ensuring the quality of products and services

The particular nature of social services requires social enterprises to invest constantly in the quality of the service delivered to customers. A high and stable level of quality is a crucial requirement for social enterprises to be able to compete effectively with public-sector, for-profit and traditional non-profit organisations. Social enterprises can profit from their closeness to customers and local communities, but they should be aware that the constant delivery of high-quality services requires appropriate investment.

Challenges re upgrading skills and jobs

One of the major areas of investment to ensure quality is skills and human resources (particularly in a context of growth). Service organisations rely heavily on the expertise, skill and motivation of employees. Social enterprises must better organise the training of their workers and volunteers, devising programmes for the improvement of workforce skills. On the one hand, they must devote a larger share of resources to development; on the other, they might sponsor the development of specific graduate and post-graduate programmes.

Challenges re securing management expertise and support

In their early stages, all organisations strive to attract people with the competencies and skills that they require. Social enterprises are a new form of organisation and for this reason they require professional expertise and support to enhance their viability. A key aspect is the role of leaders and founders of social enterprises, who must improve their managerial competence or delegate control to more professional and skilled individuals.

Challenges re financing

Though some studies appear to demonstrate that the capital requirements of social enterprises are limited, and that they are easily fulfilled once the start-up phase has been completed, financing may be important; especially when, as in traditional co-operatives, self-financing is difficult and the financial structure tends to be undercapitalised. Because social enterprises are a new form, traditional bankers and funding institutions find them difficult to analyse and interpret. Developing a collective structure to finance start-ups and growth processes would greatly foster the sector's development.

Challenges re developing networks and co-operations

A condition for the creation of joint structures of financing is the development of network-based relations of support among social enterprises, both locally and globally. Whilst limited size facilitates keeping customers closer to social enterprises, it constrains the ability to exploit economies of scale and to

undertake new ventures, and it may prevent a more proactive approach being taken to strategy-making. Creating second- and third-level organisations is a way to obtain the advantages of size, including economies of scale, slack resources, and knowledge sharing, and to ensure the availability of additional resources to sustain innovation and development, without losing the advantage of small size.

Challenges re establishing adequate governance structures

Social enterprises must devise an architecture which reflects the existence of different stakeholders, with different interests, while preserving their democratic and locally bounded organisational structures. This is sometimes obstructed by the local institutional environment, which may at times impose constraints on the availability of legal forms.

On closer inspection, the challenges confronting social enterprises can be divided into exogenous and endogenous. Exogenous challenges, such as financing and legislative actions, cannot be fully controlled or managed by social enterprises, but at most can be influenced and lobbied for. Endogenous challenges, by contrast, can be affected by the actions of social enterprises, and especially by their leaders and managers. Endogenous challenges depend on the ability of social enterprises and their managers and leaders to enhance the legitimation and operational effectiveness of these forms. To this end, however, managers of social enterprises¹ must identify the key areas of intervention and acknowledge the highly specific nature of the organisations that they manage. Any failure to do so may give rise to painful mistakes,² which may undermine the more widespread legitimation of social enterprises, which is after all, the main challenge that confronts them. There is, therefore, a daunting array of issues to deal with. Social enterprises managers seeking answers to how they can cope with these challenges might look at the existing literature on the management of non-profit organisations. However, as the following sections will show, this is not a satisfactory solution.

2 What can we learn from traditional non-profit management practices?

The current literature on the management of non-profit organisations addresses the main challenges to social enterprises only marginally. The principal reason is that this literature is largely concerned with the problems of traditional non-profit organisations, and is mainly concerned with North America. These organisations are, on average, larger, and they rely more heavily on traditional management techniques, supplemented by fund-raising and volunteer management. The predominant view of the non-profit organisation is that it is a donative form, and when it evolves into an entrepreneurial form the common view is that the risks outnumber the advantages (Hansmann 1980). For

example, Pappas (1996) describes the problems of organisational change in non-profits as a consequence of greater demands for reliability and accountability. After detailed analysis of these changes, she describes non-profit organisations as hierarchically driven and too internally focused, and argues that they should shift to a service-oriented model more consciously driven by the market (Pappas 1996: 50).

Allison and Kaye (1997) deal with the issue of strategic planning for non-profit organisations. Their study concentrates on larger organisations which are involved in cost-benefit analyses and develop formal strategic plans. Jeavons (1994) emphasises 'charity' among the values pursued by the ethical management of non-profit organisations.³ He writes: 'many of these organisations depend on the generosity of their supporters for their existence, and ought to display such generosity themselves' (Jeavons 1994: 199), and 'the basis of much of these organisations' support is the expectations that they will be vehicles for building a more caring, more just society' (Jeavons 1994: 200). Moreover, traditional non-profit management approaches view non-profit organisations 'as necessarily hierarchical, with the board of directors in the superior position' (Herman and Heimovics 1994: 138) and managed by chief executives hired by the board. Boards are usually composed of volunteer leaders responsible for ensuring that the organisation fulfils its mission. As a consequence, these approaches to management are extremely difficult to adapt to the management of social enterprises, since the governance structures, mission, goals, roles and organisation models are different.

3 Looking within for competitive advantage: managing human resources

Although it is evident that a clearly-defined identity is important when social enterprises interact with the public-welfare system, and with their customers, we contend that it may prove equally important when social enterprises interact with potential paid and volunteer workers. The kind of customer legitimation required for social enterprises to evolve depends on their ability to deliver services more effective than, and at least as efficient as, those provided by traditional non-profit, for-profit and public-sector organisations. At the same time, social enterprises must preserve their social nature, embedded in positive externalities and in the distribution of the additional value thus created to their customers. The values of social enterprises, their operating size, their relationships with communities, customers and employees, and their history, all impose strict limits on the extent to which they can imitate the leadership and management styles prevalent in traditional non-profit, for-profit and public-sector organisations.

On the one hand, the predominance of the New Public Management view of administration causes problems. Like it or not,⁴ efficiency is an undisputed criterion in choices affecting the distribution of public resources. The privatisation of key welfare system activities will attract for-profit organisations (a clear example

being the evolution of the healthcare system in the US – see Scott *et al.* 2000); and competition from alternative providers will force social enterprises to improve their internal efficiency. The same kind of pressure is already being applied to social enterprises which rely heavily on revenues from customers. On the other hand, social enterprises must enhance their competitive advantage in managing human resources. Different management styles are required to maintain a competitive advantage based on workers' commitment and involvement, as public-sector and for-profit organisations shift to a leadership style which emphasises participation and identification with a mission. The feature common to all social enterprises is the necessity to maintain a close relationship among values, mission, and organisation. The value-driven employee of a social enterprise wants it to manifest a consistent set of values, norms, and organisational practices. A new governance and organisational form is needed, in which the workforce find:

- greater autonomy;
- a chance to participate in decision-making and ongoing management;
- respect for people and their expectations;
- a balance between efficiency and social mission;
- closer attention to customers and societal issues;
- a feeling that one personally owns the organisation (economically and psychologically);
- emotional and technical leadership; and
- the fulfilment of a broad array of personal needs and desires.

4 Management of social enterprises: how to face the main external and internal challenges

In the light of the foregoing discussion, it appears that the role of managers in social enterprises at their present stage of development is to establish legitimacy externally and internally. Whilst external legitimation has been partially acquired and may benefit from the profound changes taking place in European welfare systems, internal legitimation requires an endeavour to identify the key characteristics of a new organisational form. Sole reliance on the spontaneous nature of the values embedded in the mission of social enterprises when managing their key assets may prove to be a risky strategy. However, it should be pointed out that our research shows that social enterprises are adapting to the institutional framework in which they operate. Consequently, the core characteristics of the social enterprise organisational form have become embedded in a variety of specific, local organisational forms. These differences entail a variety in management styles and behaviours.

In the next three sections we will examine the main challenges faced by social enterprise managers, and the strategies with which they can respond at three levels: 'at the gate', 'at home' and 'from within'.

At the gate: challenging the external role of managers

Since their inception, the managers of social enterprises have had to cope with a largely unenthusiastic external environment. In several European countries, the rise of social enterprises has been perceived as eroding the traditional public-sector role in welfare, and as a threat to long-established non-profit organisations. Social forces like the trade unions have repeatedly accused social enterprises of taking work and activities away from the public sector and, if not actively at least passively, they have opposed their growth. For this reason, the managements of social enterprises have concentrated on the external arena, in order to lobby politicians and regulators and in order to create a shared, positive perception of their identity in society. Many managers have been actively involved in this debate, because they not only run social enterprises but also were their founders and volunteers, and therefore have a marked sensitivity to social issues.

Although social enterprises have increased in importance throughout Europe, the external role of their managers is still crucial, given that the legitimisation process is far from complete. The lack of clear policies to sustain social enterprises, and the need for resources and financing which are sometimes provided through parallel and not completely appropriate channels (for example, the use of employment subsidies to organise the provision of social services), continue to be the key factors in the evolution of social enterprises. One of the major obstacles lies at the European level, where social enterprises are still too different to establish themselves as a new, legitimated form with a single identity. They must create and enforce a common identity by adopting common governance structures and working for a shared definition of the distinctive features of a social enterprise. Networking was one of the first answers to these common problems, and it proved to be effective, but more effort is required in this direction.

The European context is now completely different from what it was ten to fifteen years ago. From a social movement, social enterprises have grown into (even in the opinion of most policy-makers) a socio-economic reality which can leverage the resources that it creates such as employment and social benefits, to increase its power and legitimacy. This requires a shift from a claimant stance to negotiation, partnership and consensus, and a different attitude towards key social actors including citizens, the public sector, social forces and movements. As regards the role of social enterprise managers, three levels of intervention can be identified, viz. society at large, the public sector and social forces and movements. The key actions with respect to these three levels vary, and they are now explored in greater detail.

Managers to society at large

Social enterprise managers must continue to devote their time and energies to establishing cognitive legitimisation for their organisations, so that social enterprises become a widely recognised organisational form. This requires effort at external communication at both the local and European levels. Important results could be achieved by organising research and events intended to communicate

the identity and goal of social enterprises. At the local level, social enterprises should invest in the innovation of service delivery and monitor the evolution of social needs. Moreover, these characteristics should be reinforced by means of service agreements or social reports. The accountability of social enterprise managers is usually enforced in order to counteract the risk of opportunism, although this requirement changes when we move from social enterprises which rely mainly on donations or public funds to social enterprises which operate by selling services directly to final customers, through vouchers or direct payments. Whatever the case may be, closer links with local communities would undoubtedly be to the advantage of social enterprises in their quest for a widely recognised identity.

Managers to the public sector

Social enterprise managers must uncouple their practices and attitudes from those of public-sector managers. They run private organisations with a social mission, and although the public sector will remain a major actor in the provision, or at least the financing, of social services, it cannot be considered to be the only, or even the major, stakeholder. Social enterprise managers must continue to provide the public sector with innovative projects and a broader view of the evolution of social needs. Autonomy and an ability to devise new markets and new strategies are crucial for the legitimisation of social enterprises with respect to public-sector organisations. Social enterprises are at risk of a reaction by the public sector, which may seek to gain direct control over them. The consequences would be the hampering of innovation and the confinement of social enterprises to the organisation of a secondary labour market.

Managers to social forces and movements

Social enterprise managers should not forget that the social mission of their organisations is a key characteristic of their identity creation process. If this is removed, social enterprises could be left with an identity that wholly overlaps with that of traditional worker or consumer co-operatives or for-profit organisations, and that would obviously mean the destruction of the social enterprise's identity. In some countries of Europe, this process is particularly difficult because social enterprises are rooted in cultural movements which share contempt for management and economics. The very idea of using revenues and business as a way to achieve social goals is considered at best a heresy. None the less, social enterprise managers need to keep social forces and movements within their scope and reinforce their social mission.

At home: challenging the internal role of managers

Moving to the internal challenges for social enterprises managers, two issues appear critical, given the present state of such organisations. These are governance

structures and human resources management. Besides improvement of the internal effectiveness of these forms, we argue that even a share of external legitimation will be determined by the ability to define governance structures and human resources models specific to social enterprises and different from those of other organisational forms. The issue of governance structures intertwines with the heterogeneous nature of stakeholders and their different goals. Governance structures should bear in mind that the relevant stakeholders, such as employees, customers, and the public sector, are diverse, and that their expectations with respect to social enterprises should be incorporated into management goals and balanced.⁵ For example, it is evident that voluntary workers are needed to counterbalance the increasingly productive nature of social enterprises, to foster innovation (by providing slack resources), and to prevent the dismissal of the social mission and values.

Managers must recognise the specific nature of social enterprises if they are to deal satisfactorily with the issue of governance. The naive idea that enforcing a non-profit distribution constraint can solve the issues of control is at odds with an institutional environment in which control over organisations follows a radically different logic from that predominant in the USA.⁶ In Europe, the variety of governance forms in social enterprises testifies to the search for an original model which can gain local legitimation. This variety is evidenced in the different forms assumed by social enterprises in the European countries, as described by the national chapters in this book. This variety notwithstanding, social enterprises have one distinctive feature in common, insofar as they do not have shareholders rewarded with profits. Hence a straightforward approach to governance within an agency framework lacks the key component of the shareholder as a principal. This is not to imply that social enterprises are left without a principal. If correct governance structures are defined, in fact, the principal role can be performed by customers, funding members, and employees.

This issue has been raised by several researchers (Hansmann 1996; Ben-Ner 1986), who have suggested alternative solutions. Moving from the theoretical point of view to a more practical one leaves us with a key question: who owns social enterprises? The clearest answer is forthcoming from the experiences of social enterprises described in the chapters of this book. Social enterprises are by their nature multi-stakeholder. If only one stakeholder predominates, the differences with respect to traditional co-operative forms or for-profit organisations fade, and the social function of social enterprises is blurred.

The multi-stakeholder approach to social enterprises (Borzaga and Mittone 1997) has a number of consequences for governance structures. From this perspective, a heterogeneous base of representatives within institutional bodies is able to exert control among different stakeholder groups and over managers of social enterprises (when these are appointed from outside the stakeholder base), preventing a betrayal of the mission and reducing asymmetries. The problem is that European social enterprises are at present a collection of slightly different specific national forms, adapted to local institutional and economic environments.

A solution to the issue of governance would be to establish structures which vary according to the prevalent nature of specific social enterprises. When the production of goods/services prevails, control over performance should be ensured by greater customer power in both buying services and participating in governance bodies, this latter solution being adopted when the quality of services/goods is difficult to determine *ex-post*. If donations and public funding are more important, an enlarged governance structure should be favoured, enabling all relevant stakeholders to participate in decision-making processes. When local regulations do not allow for a mixed governance structure and formal participation, as in Sweden, social enterprises must find a way to incorporate this heterogeneous base into their decision-making processes. Yet the role of volunteers and/or representatives of local communities should not be dismissed, since it may provide the impetus towards preservation of a social role for social enterprises, which otherwise would risk becoming less differentiated from traditional worker and consumer co-operatives or for-profit organisations (Alexander *et al.* 1999). Volunteers provide free resources which can be used to produce externalities or to ensure redistributive functions. The presence of volunteers in governance structures is absolutely strategic for those services in which these two components (externality and the redistributive function) are important.

A second challenge for managers is how they should deal with the highly distinctive nature of the relationship between employees and social enterprises. Social enterprises are in most cases labour-intensive organisations. Given their nature as service organisations, this feature raises a number of challenges as regards human resources management. Since employee morale impacts on the quality of the service as perceived by customers, the well-being of employees should be an important concern for social enterprise managers, who should realise that the advantage of a well-educated, motivated workforce may be eroded if it is not adequately maintained and reinforced.

The nature of the exchange between employees and organisations in social enterprises is enriched by the intrinsic value of socially oriented work. Theoretical analyses of employee attitudes and satisfaction in the third sector (Akerlof 1982; Preston 1989b; Handy and Katz 1998) provide strong evidence that the psychological contract between employees and organisations in social enterprises is of a different type.

Social enterprise workers have a mix of motives which differs from those of employees in for-profit and public-sector organisations. Intrinsic rewards play a major motivating role, while extrinsic rewards (namely pay) are apparently less important. Several empirical studies report that social enterprise workers appear to be more satisfied with their work than public-sector and for-profit workers, even when they earn less on average (Mirvis and Hackett 1983; Mirvis 1992; Preston 1990, 1994, 1996; Onyx and Maclean 1996; Borzaga 2000). Their commitment and satisfaction apparently derive from the ability of social enterprises to provide them with a more consistent incentive mix and with an organisational context which is itself part of that mix. Employees are attracted by a mix in which some of the intrinsic rewards studied with regard to voluntary

workers acquire greater value, and they prefer one which balances extrinsic incentives, like working hours flexibility or pay, with intrinsic incentives, such as autonomy, higher degree of participation, attainment of moral goals, and training and development.

The ability of social enterprises to deliver an incentive mix of this kind is the reason for their generally marked identification with distributive justice, or the individual perception of the existence of an adequate balance between effort and incentives (Greenberg 1990, 1993; Solari 2000). Besides distributive justice, social enterprises also appear to be characterised by a perception of a procedural justice indicative of an open and transparent organisation, one in which workers are informed about choices and the reasons for them. Thus, social enterprise workers perceive a higher degree of distributive and procedural justice compared to their counterparts in traditional non-profit, for-profit and public-sector organisations. An enriched incentive mix, participation, flatter hierarchical structures, and flexibility encourage this widespread perception. Distributive and procedural justice has been shown to have important consequences on employee satisfaction and commitment (Alexander and Ruderman 1987; Li-Ping and Sarsfield-Baldwin 1996). Managers must grasp the implications of these differences in their entirety, and adapt their style in order to foster workforce identification with the mission and value of the organisation, and they must also adjust their styles and organisational models to those preferred by employees, such as more autonomy, less hierarchy and more flexibility.

Despite the specific characteristics of the mix of motives of workers in social enterprises, two issues should not be overlooked. First, although pay does not appear to be a predominant motive, it still plays a role, which can be interpreted consistently with the hypotheses of Herzberg (1966) as a hygienic⁷ factor. Second, the more egalitarian wage structure in social enterprises is at present a source of perceived distributive justice, but it may prove risky as these forms evolve and with the natural change that takes place in motives as people grow older. As time passes, better-performing workers may be lured away by better-paid jobs in for-profit or public-sector organisations.

In many European social enterprises, worker participation seems to be a key characteristic and offers a potential competitive advantage over other forms with tighter governance structures. The literature on worker participation has highlighted the potential benefits of ownership (Defourny and Spear 1995; Kandel and Lazear 1992; Defourny 1990; Katz *et al.* 1985). Nevertheless, it should be borne in mind that researchers have shown that these advantages are not stable over time. Mirvis (1992) found that differences between non-profit and for-profit firms disappeared as a consequence of improved management in for-profit and a more competitive environment for non-profit organisations.

The action to be taken should involve investment in human resources management, including the following:

- *Reward mix:* managers should reinforce the incentive mix of social enterprises. This requires investment in the training and development of workers,

reinforcement of the social mission, more frequent opportunities for workers to interact with customers and their needs, as well as acceptance of a more decentralised structure, with greater autonomy for individual workers and more delegation.

- *Career planning and evolution of the psychological contract:* managers should identify career paths and the typical evolution of employee skills. Pearce (1993) considers the dynamics over time of the different types of motivation to be one reason for the high turnover among voluntary workers. Ageing plays a role, due to changing needs and desires of people. A key issue for managers in social enterprises is whether and how they can keep abreast of these changes by adapting their organisations over time. Given the recent history of the organisational form, the moment may not be far off when employees change at least some of their expectations toward social enterprises and ask for more attention to be paid to extrinsic rewards. A more mature workforce has needs different from those of the past, and it evaluates the mix of intrinsic and extrinsic rewards differently.
- *Communication and reinforcement of the vision and mission:* managers must constantly communicate and share the vision, or long-term view, and the mission, or shorter-term goals, of their social enterprises. This requires devising a communication policy (plan) which covers routine communication, inducement training courses, events and conventions. Internal news should be enriched so that information is shared on broader issues which affect the social enterprise as a whole.
- *Hiring and recruitment:* managers must take care to identify the characteristics of potential employees and devise hiring procedures consistent with internal requirements. The issue is a difficult one because it entails that attention must be paid both to knowledge, skills and abilities and to cultural/group compatibility. In a context of increasing demand for labour, the unavailability of skilled workers could seriously threaten the growth of social enterprises, and their ability to attract potential employees could be a key asset.
- *Training and skills development:* managers should acknowledge that social enterprises are ideal terrain for the development of skills both professional and personal. It is not uncommon for successful managers to leave for-profit organisations and work for large non-profit, mainly non-governmental, organisations. The reason for this is that non-profit organisations offer opportunities to enlarge the scope of management. This more challenging context should be valued by social enterprise managers and enriched by carefully designed training programmes which may even become part of the reward mix.

The importance of employees to social enterprises requires the latter to invest in human resource management. Recruitment, hiring, evaluation, development and the rewarding of employees should be designed in accordance with the above-listed principles. Overall, these instruments are still

relatively unsophisticated, but social enterprise managers should be mindful that a major contribution to the success of their organisations will be made by the development of human resource management strategies and by devoting time and effort to their development before it is too late.

From within: challenging leadership and management styles

Finally, the managers of social enterprises are caught between the need to decide and organise and the need to be perceived as participative and open to criticism. Although the majority of studies on leadership advocate a more open and direct relationship with 'followers', in reality the impact of authority and hierarchy within organisations is still greater than presumed. Hierarchy, though, is not completely consistent with social enterprises values and norms. How can a manager lead without a hierarchy?

The ideal social enterprise manager is probably a Theory Y type manager, who has a positive attitude towards people, encourages participation and learning, is open to suggestions and criticisms, and allows experimentation by his/her employees. Nevertheless, social enterprises require managers able to manage the slow institutional decision-making process by acting rapidly, which obviously implies ingenuity in the leadership style required to be effective. There are no shortcuts, insofar as social enterprise managers must meet both requirements, fostering participation and autonomy but aligning behaviours when this is required by the goals of the organisation.

Conclusions

The emergence of a new kind of management is paramount to the success of social enterprises in Europe. The characteristics of the role of social enterprise managers are different from those of their counterparts in traditional non-profit, public, and for-profit organisations. If the managers of social enterprises are to meet the challenges of the future, they must deal with those confronting them now. This will require a more active endeavour to establish social enterprises as a legitimate organisational form, both externally and internally. The latter has been underestimated, but it will require social enterprises managers to invest in the development of their skills. This endeavour should be matched by policies from universities and research centres aimed at developing a full body of theoretical and practical knowledge on the specifics of social enterprises.

Notes

- 1 It should be noted that most social enterprises are currently managed by their leaders and founders. Here the term 'manager' is used to emphasise their role in policy-making and decision-making, in short defining the mission and vision.
- 2 An example is the adoption of a model of relations with employees which is at odds with the mission and values of these social enterprises, such as that employed by some for-profit organisations. It is also a mistake to perceive the role of social enterprises as

simply an extension of the public-welfare system, or as an alternative which can easily be substituted by direct public intervention.

- 3 The other values are integrity, openness, accountability, and service (Jeavons 1994).
- 4 For a *caveat* concerning this blind reliance on the exclusive virtue of efficiency and 'the social' (Arendt 1958) see Alexander *et al.* (1999).
- 5 Note that, although these stakeholders are also present in for-profit organisations, the nature of their relations with social enterprises is specific, i.e. the very existence and development of social enterprises depends on their ability to involve all stakeholders in their mission.
- 6 It should be pointed out, however, that even in the USA the advocates of control exerted by stakeholders are growing in number (Ben-Ner 1986).
- 7 Herzberg (1966) identifies two factors which affect workers' satisfaction and dissatisfaction. While hygienic factors determine non-dissatisfaction, motivation factors facilitate increased commitment.

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