

Centre for Social Innovation, Trinity Business School

Submission to the Department of Rural and Community Development on the Draft for Public Consultation RE: National Social Enterprise Policy for Ireland 2019-2022

Trinity Business School's Centre for Social Innovation (CSI) is a research centre with expertise that encompasses the areas of social innovation, social enterprise, philanthropy, venture philanthropy, social investment and impact measurement. This submission, in response to the Draft National Social Enterprise Policy for public consultation, draws on our own engagement with social enterprises in Ireland and internationally, and on the academic literature and research on social entrepreneurship. We have been interested in the Irish government's proposed policy especially since our participation in the consultation workshops in Athlone and Dublin. We were pleased to meet Brendan Whelan and Lorraine Corcoran in 2018 – we hope our contribution at that time was useful. Our submission looks at four areas of relevance to the draft policy:

1. The definition applied to social enterprise in the draft policy which is at odds with international and academic definitions and with the reality of Irish social enterprises on the ground.
2. The absence of acknowledgement of the role of venture philanthropy, social and impact investment (and the related activity of impact measurement) and its value in a national policy on social enterprise
3. Our experience of teaching social entrepreneurship.
4. Some observations on international practice and methodologies of mapping social enterprises, relating specifically to point 20 in the consultation paper and noting our own work in looking at functional social enterprise criteria.

1. Definition applied to social enterprise

While this policy document is overall quite comprehensive, one major issue is that it locates social enterprise as a subset of the nonprofit sector and thus excludes much of the current and potential future social enterprise (SE) landscape in Ireland. The only difference between the proposed definition and that of an Irish charitable organisation is the inclusion of the attribute that a SE "pursues its social objectives by trading – or having an ambition to trade". We feel this is detrimental to social enterprise in Ireland owing to its lack of distinctiveness and to the restriction on economic return, and is counterproductive in light of the stated policy objectives to create awareness of, and to grow and strengthen, social enterprises. It is also not in line with other national approaches (e.g. UK, US, Australia, Canada, Vietnam, New Zealand, etc.), with international initiatives (e.g. Benefit Corps), and is not in line with international research on social enterprise. Specific observations are:

The proposed definition leaves out social businesses, co-operatives and individual social entrepreneurs.

It channels social enterprise SE start-ups and entrepreneurs down the route of becoming companies limited by guarantee (quite different from the UK CIC model) and charity registration, which is frustrating and not always the best option, particularly if the social enterprises are seeking (social) investors.

Social enterprises need non-financial expertise and flexible combinations of philanthropic and investment funding in their early stages if they are to maintain a focus on maximising social value and avoid mission drift towards prioritising income generation (Expert Group 2018, p16). However, this proposed definition excludes the possibility of impact investing. Considering that impact investment is a growing trend, and that Ireland's first impact investment fund (Venture Wave) has just launched, it seems counterproductive to exclude forms of social enterprise that might access impact investment funds and stifle the pipeline of potential investments.

Bottom of page 6: "The definition used is consistent with definitions of social enterprises at EU and OECD level." This is not the case, as per the definition of Social Enterprise found in the EU Commission's (2015) "Map of Social Enterprises and their Eco-systems in Europe" and as we discuss in more detail below.

We provide below information on five different approaches to social enterprise in the international and EU contexts – and indeed, all of which are found in Ireland.

The policy document uses only the term 'social' and needs to qualify that this includes societal and environmental dimensions.

We recommend the following specific changes.

Page 6. Definition: "A Social Enterprise is an enterprise whose objective is to achieve a social impact rather than making a profit for its owners or shareholders." We suggest replacing "whose objective is to achieve ..." with "...whose primary purpose is to achieve"

"It pursues its social objectives by trading.... On an ongoing basis through the provision of goods and/or services, and by reinvesting any surpluses made into achieving its social objectives." The specification of "any surpluses made" removes the possibility of impact investors supporting social enterprises who want any financial return on investment. It is a shame to cut off that possibility from the outset. We suggest saying "...and by reinvesting some or all surpluses made...."

The final paragraph of the definition specifies "voluntary board". Again this limits social enterprises to Companies Limited by Guarantee. This seems unnecessary and limits the pool of expertise that SEs could draw from throughout their development.

Definitions in literature and in other countries

There has been extensive academic analysis of the different approaches to social enterprise in different countries and regions (e.g. Kerlin, 2010; Mair, Battilana, & Cardenas, 2012), with much of that focusing on Europe and America (Baglioni, 2017; Borzaga & Defourny, 2001; Defourny & Nyssens, 2010, 2012). Much of the scholarship around social enterprise has consisted of attempts to define the term (e.g. Peredo & McLean, 2006), understand its emergence (Kickul & Lyons, 2012), develop theory (Brooks, 2009), and create typologies (Defourny & Nyssens, 2017; Gordon, 2015; Mair et al., 2012). The result is a range of different conceptualisations of SE.

Five Types of Social Enterprises: based on the literature, we distinguish five forms of Social Enterprise, all of which apply to Ireland:

1. The commercialisation of non-profit organizations (Defourny & Nyssens, 2010; e.g. Maier, Meyer, & Steinbereithner, 2014)
2. The innovative individual/ 'start-up' approach, focuses on innovative individuals, social entrepreneurs, who bring new and different ideas to social challenges. (Bornstein, 2005; Drayton, 2006; Hoogendoorn, Pennings, & Thurik, 2010; Sharir & Lerner, 2006).
3. Public Sector Social Enterprises deliver public services and often take the form of employment schemes (Defourny & Nyssens, 2010, 2017). Academic literature on social enterprise in Ireland has focussed largely on this approach (O'Shaughnessy & O'Hara, 2016). The draft National Policy focusses on this approach.
4. The Social Cooperative Model (Defourny & Nyssens, 2017), or The Emergence of Social Enterprise in Europe (EMES) refers to democratically run businesses, such as cooperatives (Defourny & Nyssens, 2012; Hoogendoorn et al., 2010).
5. The Social Business Model refers to businesses with a social mission (Defourny & Nyssens, 2017). Following the famous advice of Porter and Kramer, many business aim to have 'shared value' beyond concern for profit alone (2011).

There are many examples of SEs in Ireland for all of these five forms. There are not distinct boundaries between the different types, but these five types are useful for characterising the full range of SE activity in Ireland. It would be our view that having a broader definition of SE that includes its various forms maximises the potential for value creation and economic sustainability.

Specifically, we would recommend that the definition of SE in Ireland follow that recommended by Akina in New Zealand as represented by the diagram below:



Figure 1: Types of social enterprises on the 'social-commercial' organisational continuum (Akina.org.nz)

2. Impact Investment

Impact investments are financial investments made with the "intention to generate positive, measurable social and environmental impact alongside financial return" ([Global Impact Investing Network - GIIN](#)). In 2019, the first comprehensive analysis of impact investors conducted by GIIN researchers identified 1,340 organisations worldwide managing \$502 billion of impact investment assets. Of these, 58% are in the US and Canada, but a large proportion (21%) are in Europe and the market is growing. We note that the growing phenomenon of impact investment is left out of the

proposed policy, and appears to be excluded from playing a role in the Irish SE sector. The first impact investment fund, Venture Wave, has recently opened in Ireland: <http://venturewave.ie/>. However, it is likely that this fund will find it difficult to generate ‘dealflow’ because there is no institutional form of - or support for - organisations that deliver social and/or environmental return *alongside* economic return. This appears to be a serious gap in Ireland’s strategy for Social Enterprises – effectively eliminating access to hundreds of billions of financial investment available for those organisations delivering a ‘blended return’.

Impact measurement: In addition to the need to accommodate the generation of economic returns to investors, the creation of a healthy and productive social enterprise sector requires that the measurement and reporting of their impact is credible, transparent and efficient. Furthermore, the Single Market Act II states that “The development of rigorous and systematic measurements of social enterprises’ impact on the community ... is essential to demonstrate that the money invested in social enterprises yields high savings and income”. Thus, for their own performance management purposes – and to satisfy investors and government funders – it is in the sector’s interest to adopt robust and comparable impact measures of the results of their activities on the communities and locations they target. Indeed, there are those who suggest that a reference to the measurement of impact is included as a key feature of organisations seeking to be classified as a social enterprise (see [Social Enterprise Auckland](#)).

We propose that the policy include support for developing and rolling out a simplified version of the GECES 2014 standard (adopted by the EC in 2014) for impact measurement to social enterprises along with funding to enable this initiative. A successful implementation of an Irish SE impact measurement and reporting framework would significantly enhance the performance of social enterprises and the potential for directed and effective social investment.

In addition to the above, we propose that the policy include a reference to a pilot ‘impact map’ that would help raise awareness of the impact and role of SEs in addressing social and environmental issues. There are a several examples of maps – generally referred to as ‘dashboards’ - that focus on indicators by geographical location, providing accessible data on wellbeing, homelessness, and other metrics that are relevant to the work of SEs. In addition there are a number of examples of maps of social enterprises (see <https://www.socialenterprise.org.uk/members-map> for a UK example) and the Centre for Social Innovation is currently advising on the development of a new one in Vietnam. However, the linking of the social and environmental ‘state’ of a location and the SEs operating in that location has not been done before and its realisation would raise the profile of SEs not only in Ireland, but globally, as an innovator in the SE Impact reporting space.

3. Experience of teaching social entrepreneurship

Academic staff from the Centre teach social entrepreneurship and social innovation at undergraduate (third and fourth year students) and postgraduate (MBA) levels in Trinity. We engage with young people who are interested in setting up and / or in working in social ventures. In brief, our experience is that they are not attracted at startup and pre-startup stages by a strict nonprofit model but are motivated to follow the path most likely to lead to results. As currently framed, this policy will neither support, nor resonate with, this cohort of budding social entrepreneurs.

4. Consultation point 20 and mapping studies in social enterprise

We have noted your point 20 “Improving data collection relating to the extent of social enterprise and the areas in which social enterprises operate” and contribute the following observations.

In 2018 Trinity CSI looked at three social enterprise mapping studies, all undertaken in Ireland around 2011. We found that the three studies yielded a mix of consistent and diverging findings. The three Irish studies were:

- [Clarke and Eustace study](#) undertaken on behalf of the Planet Network (subsequently merged into the Irish Local Development Network)
- Prizeman and Crossan, TCD study on Mapping Social Entrepreneurship in Ireland (privately available from us – see contact information below)
- [DKM consultants survey, undertaken for Clann Credo](#) and adopted, we believe, by the Social Enterprise and Entrepreneurship Task Force.

We have set out below a sample of the convergence and divergence of findings across the three studies.

Data cited in studies.	Clarke & Eustace n = 106	Prizeman & Crossan n = 194	DKM for Clann Credo n = 1420
Organisations five years old or less	11%	25.9%	Not collected
Average number of employees per social enterprise	15	16	18
Percentage of employees being part-time	53%	33%	2%
Traded income	88% cite some level of earned income. Mean level of traded income = 36%	69% of respondents cite earned income. 15.4% of respondents reliant on 100% [grant] funding.	Cite 63% as having no traded income in 2009. For remaining 37%, traded income amounts to mean 17% of turnover.
No of social enterprises in County Monaghan	24	Not collected	27
No of social enterprises in County Wexford	6	Not collected	30
Primary data sources	List supplied by third party/expert informants; criteria not specified. Required respondents to self-identify as social enterprises	Used in-house nonprofit database and external sectoral database. Required respondents to self-identify as social enterprises	Used statutory database and applied test-based criteria. Supplementary data (list) supplied by funding body. No self-identification required.

Table 1.

The comparison piqued our curiosity and we went on to review 12 social enterprise mapping exercises from around the world, focusing on their methodologies. We looked at both sector-led and academic work, and included studies from Canada, Germany, Portugal, Vietnam, the UK (and separately,

Scotland), Australia, New Zealand, inter alia. We have set out below our headline findings from this international review, drawing on terminology developed by Lyon and Sepulveda (2009).

Initial sources of data/lists used: with only one or two exceptions, we found that social enterprise mapping studies are weak in setting out their full methodology. In particular, few studies give an account of their sources of primary data, whether that is a list of identified social enterprises or more extensive institutional or statutory databases. In any event in many studies there appears to be reliance on single sources of data with the attendant risk of single source bias. Very many international studies use third party informants, usually an unnamed industry expert, either to validate or provide lists of social enterprises but little account is given of the informants or their own sources and selection criteria.

User-driven /self-identification criteria: a few international mapping studies, notably Australia's, rely on self-identification by social enterprises for inclusion in census-type studies and involve extensive social networking and snow-balling to achieve a comprehensive and representative population. Some other studies involve self-administered surveys which (tacitly or explicitly) require respondents to self-identify as social enterprises. In other instances, in countries where social enterprise is not a current term or is legally applied to a very narrow base (Vietnam, for instance), studies have been undertaken without using the term "social enterprise", casting a wide net across many different organisational forms, and identifying a social enterprise population on the basis of correspondence with defined ("test-based") social enterprise criteria.

Test-based criteria: indeed, many mapping studies apply test-based criteria to identify or isolate social enterprises and these tests can include legal structure, mission, autonomy, fields of activity and many others. However we have found such test-based criteria to be applied inconsistently across all international studies; the most prevalent test is that of trading income (either as a blanket principle or a specified percentage of turnover). Only one study was specific in limiting their definition of social enterprise to the nonprofit sector: this was a study from 2011/2012 from Alberta and British Columbia and we note that sector bodies in Canada and [the Canadian government](#) now admit a wider, cross-sector definition.

In light of the findings of our international review, we looked again at the three 2011 Irish studies through the lens of the findings above. We noted this in the last row of table 1 above and believe that different application of mapping methodologies account for the significant divergences in our Irish studies. For example, that many of the divergences among the three Irish studies arise from their using different sources of primary data and different expert informants. And we believe that some of the divergences among the three Irish studies arise from the application of different test-based criteria, specifically in the DKM/Clann Credo study.

Please note also that the Centre for Social Innovation is currently undertaking research using social entrepreneurial orientation **as a functional test of social enterprise** (that is, treating social enterprise as an activity rather than a structural form). It is too early to reach a view on the widespread application of this concept, but the Department is welcome to stay in touch with us on developments in this area.

In making recommendations to the Department about mapping, we have chosen not to recommend a specific methodology from another country: choice of methodology is necessarily driven by budgetary considerations. However we do propose that activities undertaken to profile, count or map social enterprises in Ireland need to :

- i. Have a transparent, documented methodology that identifies sources of primary data and identifies any expert informants used, their criteria and their own sources
- ii. Draw on multiple sources of primary data
- iii. Set out clear test-based criteria and provide a rationale for their selection
- iv. Until the term “social enterprise” is better established in Ireland, to avoid methodologies that require self-identification with the term.
- v. Be subject to peer review.

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If you would like further information on any of the points discussed above, please contact us:

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