

Stryjan, Yohanan

**Working Paper**

## The practice of social entrepreneurship: Theory and the Swedish experience

Wismarer Diskussionspapiere, No. 08/2005

**Provided in Cooperation with:**

Hochschule Wismar, Wismar Business School

*Suggested Citation:* Stryjan, Yohanan (2005) : The practice of social entrepreneurship: Theory and the Swedish experience, Wismarer Diskussionspapiere, No. 08/2005, Hochschule Wismar, Fachbereich Wirtschaft, Wismar

This Version is available at:

<https://hdl.handle.net/10419/23317>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



**Hochschule Wismar**

University of Technology, Business and Design

**Fachbereich Wirtschaft**



**Hochschule Wismar**

University of Technology, Business and Design

**Faculty of Business**

Yohanan Stryjan

The practice of social entrepreneurship:  
Theory and the Swedish experience

Heft 08 / 2005



**W**

**D**

**P**

**Wismarer Diskussionspapiere / Wismar Discussion Papers**

Der Fachbereich Wirtschaft der Hochschule Wismar, University of Technology, Business and Design bietet die Präsenzstudiengänge Betriebswirtschaft, Management sozialer Dienstleistungen, Wirtschaftsinformatik und Wirtschaftsrecht sowie die Fernstudiengänge Betriebswirtschaft, International Management, Krankenhaus-Management und Wirtschaftsinformatik an. Gegenstand der Ausbildung sind die verschiedenen Aspekte des Wirtschaftens in der Unternehmung, der modernen Verwaltungstätigkeit im sozialen Bereich, der Verbindung von angewandter Informatik und Wirtschaftswissenschaften sowie des Rechts im Bereich der Wirtschaft.

Nähere Informationen zu Studienangebot, Forschung und Ansprechpartnern finden Sie auf unserer Homepage im World Wide Web (WWW): <http://www.wi.hs-wismar.de/>.

Die Wismarer Diskussionspapiere/Wismar Discussion Papers sind urheberrechtlich geschützt. Eine Vervielfältigung ganz oder in Teilen, ihre Speicherung sowie jede Form der Weiterverbreitung bedürfen der vorherigen Genehmigung durch den Herausgeber.

Herausgeber: Prof. Dr. Jost W. Kramer  
Fachbereich Wirtschaft  
Hochschule Wismar  
University of Technology, Business and Design  
Philipp-Müller-Straße  
Postfach 12 10  
D – 23966 Wismar  
Telefon: ++49/(0)3841/753 441  
Fax: ++49/(0)3841/753 131  
e-mail: [j.kramer@wi.hs-wismar.de](mailto:j.kramer@wi.hs-wismar.de)

Vertrieb: HWS-Hochschule Wismar Service GmbH  
Phillipp-Müller-Straße  
Postfach 12 10  
23952 Wismar  
Telefon: ++49/(0)3841/753-574  
Fax: ++49/(0)3841/753-575  
e-mail: [info@hws-startupfuture.de](mailto:info@hws-startupfuture.de)  
Homepage: [www.hws-startupfuture.de](http://www.hws-startupfuture.de)

ISSN 1612-0884

ISBN 3-910102-64-6

JEL-Klassifikation L31, L33, L14, H42

Alle Rechte vorbehalten.

© Hochschule Wismar, Fachbereich Wirtschaft, 2005.

Printed in Germany

## **Contents**

<b>1. Abstract</b>	<b>4</b>
<b>2. Introduction: Reframing social entrepreneurship</b>	<b>4</b>
<b>3. Social entrepreneurship and social capital: a first look</b>	<b>6</b>
<b>4. Social enterprises in Sweden: some examples</b>	<b>8</b>
4.1.Welfare co-operatives: the pooling and conversion of entitlements	9
4.2.Social co-operatives: a low-key integration strategy	11
4.3.Community Development Enterprises	18
<b>5. Discussion</b>	<b>22</b>
5.1.Embeddedness revisited: institutions, resources and the social context	22
5.2.Social entrepreneurship and social capital revisited	24
5.3.Positioning Social Entrepreneurship	28
<b>References</b>	<b>31</b>
<b>The Author</b>	<b>33</b>

These mechanisms of coupling and decoupling that define the boundaries of trust and social affiliation must become central matters for a theory of economic institutions

(Granovetter 1992)

## 1. Abstract

The notion of social entrepreneurship has gained increasing recognition in the last years, both as an increasingly visible mode of economic action, and as an important policy tool. The paper outlines a typology that departs from a Schumpeterian view of entrepreneurship, that centers on the creation of new combinations of resources, and focuses on the nature of actors engaging in the pursuit, and the nature of resources mobilized. The analysis is illustrated by case study material on social enterprises that operate on the boundaries of the Swedish Welfare State, and historical examples taken from co-operative enterprises. Social entrepreneurship may be mapped on such a typology as a category of entrepreneurship that primarily (a) is engaged in by collective actors, and (b) involves, in a central role in the undertaking's resource mix, socially embedded resources. Social entrepreneurship that involves (or centers on) a business activity is one important subcategory of the field. It necessarily spans the boundary between different rule regimes that define resources and their utilization (cf. Polanyi 1944/2001: 57). The core business activity would thus involve the tapping of socially embedded resources and their conversion into (market-) convertible resources. As importantly, to ensure the undertaking's (or enterprise's) survival over time, it would also be expected to contribute to the replenishment of such resources, reconverting market resources into social capital.

## 2. Introduction: Reframing social entrepreneurship

The notion of social entrepreneurship, and the manifest linkage between social entrepreneurship, social change and economic development have attracted increasing interest in recent years from scholars and policy-makers alike. A generally accepted definition of the concept and a conceptual framework in which it could be integrated are, however, still lacking.

It is possible to distinguish two approaches in the growing literature on social entrepreneurship. Both emphasize the social desirability of the initiatives studied, though from slightly different angles:

- a) Focusing on intentions and outcomes: "Innovative efforts to solve persistent social problems of poverty and marginalization that, to some extent, have been successful in increasing their impact and catalyzing social trans-

formation.” (Alvord/Brown/Letts 2004: 137).

- b) Focusing on opportunities, in an adaptation of Venkataraman’s (1997) approach to the realities of social enterprising: Social entrepreneurs are “People who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet and who gather together the necessary resources /../ and use these to ‘make a difference’.” (Thompson/Alvy/Lees 2000).

Since desirability is very much in the eye of the beholder, setting social desirability (and, implicitly, on success) as a criterion is ontologically problematic. Socially embedded initiatives (whether we consider them entrepreneurial or not) may catalyze social change or enhance stability in a given society. Both change effected and/or stability preserved may, in turn, be judged ‘desirable’ or ‘undesirable’, by different observers, contingent on their attitude (consider the alternative causes of ‘right to life activism’ vs. voluntary abortion clinics). While the activities of many social entrepreneurs *may* contribute to social policy goals, this is by far not true for all, and definitely not all of the time, since both society and social policy change constantly. Comparative study of cases of social entrepreneurship in different societal settings requires a theoretically robust definition that would make it possible to approach a broad range of cases of social entrepreneurship quite independently of the researcher’s worldview, or of the policies pursued in any given society.

The approach outlined in this paper proposes a focus on the social entrepreneurs’ mode of action, rather than this action’s objective, motive or social justification. The pursuit follows Schumpeterian view of entrepreneurship that centers on the creation of new combinations of resources by discrete actors (1934). A firm is primarily a combination of resources, or, more precisely, of the “services” (i. e. actual inputs) that can be extracted from those resources (Penrose 1959/1995). Identifying these ‘extraction’ possibilities, and (re)combining them in new configurations is the central function of the entrepreneur. It is suggested, accordingly, that a search for a definition ought to focus on *the constitution of the actors that engage in the pursuit, and on the nature of resources mobilized*.

Considered in this fashion, social entrepreneurship is not defined by its ‘usefulness’ to others than those who engage in it, nor constrained to any one particularly ‘social’ form of enterprise (e. g. non profits, charities or social enterprises). Nor is it restricted to a narrow range of activity. Entrepreneurship literature is often drawn towards the spectacular, the successful and the highly visible. A similar bias for high profile social achievements is apparent in case-study selection by students of social entrepreneurship as illustrated by Alvord/Brown/Letts’ 2004 study, quoted above. Highly interesting applications of social entrepreneurship were also documented outside the social field proper: in grand corporate strategy (Granovetter 1992) and grand institutional

design (Djelic 1998; 2003)<sup>1</sup>. This paper attempts to explore the nature of social entrepreneurs' achievement, in quite different circumstances. Rather than exploring the spectacular, the path chosen here is nearly the obverse – exploring manifestations and problems of entrepreneurship in some of the arenas *least* commonly associated with entrepreneurship, namely, issues of co-operative mobilization, co-operatives that deal with social services, and with the rehabilitation and employment of those excluded from the labor market due to mental illness or other functional impairments. Limited economic scope of activity and unglamorous fields of operation notwithstanding, such initiatives pose a considerable theoretical challenge. In an important sense, these cases provide an illustration of entrepreneurship stripped to its essentials. Innovation, a central element of entrepreneurship (cf. Schumpeter 1951/89), manifests itself in our case primarily through ingenuous ways of assembling and utilizing available resources to form enterprises – from unlikely elements, and against all institutional odds.

The article is organized as follows: some initial considerations, that depart from a discussion of social capital, and its relationship to social enterprising are presented in the next section (3). Practical applications of a resource-based approach to the study of grass-roots enterprising in Sweden will be presented in section (4). The selection proceeds from rudimentary cases (that are organized around a single process of resource conversion) to more complex ones, and is aimed to highlight less evident aspects of social entrepreneurship. The themes highlighted in this section are integrated into a tentative model presented in the closing section that re-examines the relationship between social structure, entrepreneurship and resources. A tentative mapping of social entrepreneurship's positioning in the general field of entrepreneurship research is outlined in the closing comments.

### **3. Social entrepreneurship and social capital: a first look**

The ability of actors to mobilize resources by virtue of their social affiliations is often referred to as social capital (Portes 1998: 6). Coleman (1987, 1988) suggested that a high level of reciprocal ties between members of a community and the presence of social norms facilitate action, and thus are conducive to higher economic achievement, and proposed the label of 'social capital' to this generally positive ambience. Later work by Portes/Sensenbrenner (1993) and by Bourdieu (1985) elaborates the concept in somewhat divergent directions, though with a principal emphasis on individual (and household) achievement. Bourdieu speaks about "a durable network of more or less institutionalized relationships of mutual acquaintance and recognition" and the

---

<sup>1</sup> Dealing with the forming of General Electric, and the post-war Americanization of the French industry, respectively.

ways in which these are appropriated and drawn upon by individuals and groups in pursuit of their own ends, while Portes, and Portes/Sensenbrenner turn their attention to the social control aspect (through norms and configurations of social ties) of social capital, and the mechanisms through which it is attained<sup>2</sup>. Though Bourdieu emphasizes competition, while Portes, Sensenbrenner and Coleman consider social capital to be a public (i. e. non-competitive) good, all authors focus on social capital's role in facilitating individual (or sub-group) achievement, within the context of a given community. Simplifying the issue somewhat: While Coleman, Portes' and Sensenbrenner aim to provide an explanation to why certain communities appear to be more conducive of achievement than others, Bourdieu's question is why some individuals in a given community achieve more than others. The possibility of aggregating individual achievement into community welfare is indirectly allowed for by both Coleman and Portes' approaches, and indirectly hinted at in the illustrations provided in the articles.

Putnam's (1993b) seminal work *Making Democracy Work* contributed to spreading the concept outside strictly academic circles, and indirectly shifted the focus of discussion from the analytical to the prescriptive and thus, to the domain of policy formation and implementation<sup>3</sup>. The study of diffuse "features of social organization, such as trust, norms and networks", is expanded in Putnam's research so as to include their formal (and, thus more readily measurable) expressions, such as the incidence of associations and voluntary organizations. The level of social capital in a given community is generally seen by Putnam as enhancing economic welfare and civic governance, and leading to "a prosperous community" (cf. Putnam 1993a). Moreover, a claim is made to the effect that such findings are generalizable across entire nations and regions.

A basic weakness that is shared by all approaches (pointed out, but not resolved by Portes (1998)) is the arbitrariness in delimiting the relevant social context/community whose social capital is being mobilized. The different undertakings documented derive their support from (or are facilitated by) social contexts that are delimited or enlisted in radically different ways, and that may cut across other pre-existing boundaries. The problem is particularly evident in

---

<sup>2</sup> We begin by redefining social capital as those expectations for action within a collectivity that affect the economic goals and goal-seeking of its members, even if these expectations are not oriented towards the economic sphere. This definition differs from Coleman's, where the emphasis is on social structures facilitating individual rational pursuits. (Portes/Sensenbrenner 1993: 1323).

<sup>3</sup> For a broad review of the concept's theoretical roots and current uses, and a critique of Putnam's approach, see Portes (1998). Portes' criticism is directed to the logical structure of Putnam's analysis. Nonetheless, he concedes (1998: 21) that redefining social capital as a property of larger aggregations is thinkable in principle.



the cases in which a supporting community first emerges as a result of the initiative being discussed.

Furthermore, most approaches focus, quite one-sidedly, on the way in which social capital facilitates action, and/or paves the way to economic resources. Seemingly, social capital is drawn upon at will by actors in a direct manner, while its reproduction comes as a side effect of economic or social activities (Coleman 1988). The obverse patterns, of purposive formation and maintenance of social links, and the investment of physical resources in such pursuits are largely unexplored.

Entrepreneurship is one of the concepts that span the gap between the conceptual domains of social capital and that of economic performance and 'conventional' capital. The prime objective of the paper is to explore the relevance of this positioning for the practice of social entrepreneurship, rather than to trace or resolve the evident definition- and measurement problems that the 'social capital' concept gives rise to. Consequently, I resort to the concept in this paper, somewhat in Coleman's (1988) spirit, as a convenient shorthand label for the stock of social ties that make up a community, and "an aid towards making the micro-to-macro transition without elaborating the social structural details through which it occurs" (1988: S101). The focus, however, is on purposeful action, rather than on the structure surrounding it. In a reversal of Portes/Sensenbrenner's stated goal of exploring 'how structure constrains, supports individual goal-seeking behavior' (1993: 1321), the ambition here is to explore "how agents (individual or collective) purposively attempt to generate and avail themselves of social structural features in order to further their own pursuits, and how resources are both mobilized and invested in this pursuit".

#### **4. Social enterprises in Sweden: some examples**

The Swedish institutional set-up and organizational tradition differ significantly from both the American one and from those of most European countries (except the Scandinavian countries, though important differences exist even there), yielding a significantly different array of organizational forms and practices. A detailed discussion of the normative and organizational underpinnings of the Swedish Model lies beyond the scope of this paper. The following features are most salient for our discussion:

- a) Strong emphasis on mutuality, self-help, and a clear preference for the association as the "right" form for social organizing is coupled with a highly reserved attitude towards charity (the term has clearly derisive connotations in Swedish usage), charitable organizations and donations, that is also reflected in the taxation system (Quarsell 1993, Lundström/Wijkström 1997).
- b) An extensive welfare system with a strong emphasis on individual entitlements (Stryjan 1994) and a tradition of solving social problems and an-

swering needs through public (rather than private) intervention. The actual production of services is dominated by the public sector. Non-public initiatives (both third-sector and commercial) were largely kept out of the fields of health, welfare, education, and employment through the post-war period, and until the late 80s.

- c) Broad discretionary power to both state authorities and their local agencies, and to the two levels of local government (that both have their own taxation base). Coupled with low degree of coordination between different organs (Stryjan 2004), this means that welfare agencies often act with a level of autonomy, arbitrariness, and serendipity not unlike those of private or corporate donors in other social systems.

This institutional context affects both the composition of the organizational population (that is dominated by associations), the fields of activity chosen, the range of resources available, and the practices developed. Needless to say, the result can hardly be considered typical or representative of social entrepreneurship at large<sup>4</sup>. The prime advantage of this research setting lies precisely in its ‘otherness’. The absence of features that otherwise command the centre-stage, such as fund-raising and charitable drives, highlights other features that normally are less apparent. The (re)allocation of resources accomplished by the mechanisms of the welfare state places the practice of entrepreneurship within the reach of new (and somewhat unexpected) groups (see also Hulgaard 2004). The examples discussed below: welfare service co-operatives, social co-operatives, and community development enterprises, also illustrate a range of strategies that arise at the interface of the welfare system and local society.

#### *4.1. Welfare co-operatives: the pooling and conversion of entitlements.*

Welfare service co-operatives illustrate some of the central features of the welfare state’s institutions, and the way these can be taken advantage of by social entrepreneurs. The form made its first appearance on the Swedish scene as early as 1974, with the forming of the parent-co-operative kindergarten “Kossan” (Engström/Engström 1982), though its institutional breakthrough came first in the mid-80s. Resourcewise, the basic model is relatively simple: a parent association is formed; it establishes a kindergarten for the member’s children, and recruits the professional staff (Pestoff 1998). The parents’ statutory entitlement to day-care for their children (that previously was to be met exclusively by municipal units) is now converted into a public subsidy that follows each child to the kindergarten. At the core of this arrangement stands, on one hand, the conversion of the statutory obligation to provide day-care into a wel-

---

<sup>4</sup> Indeed, these untypical features gave rise to the claim, raised by a number of researchers (e. g. James 1989; Boli 1991) to the effect that ‘there is no third sector in Sweden’.

fare entitlement that is convertible into funding, and on the other, the welding together of the entitlement holders into a functioning social and organizational entity.

The rule-modification that made such transactions possible was the result of early “wild” initiatives. Winning acceptance for the model was a matter of a prolonged process, and until 1985, when the form was officially endorsed, parent co-operatives operated in an institutional limbo, and municipalities’ uncertain consent (necessary at that time for gaining access to dedicated state funding) was often bought for the price of significant material concessions<sup>5</sup>. With increased institutional acceptance of the form, and the organizational population’s rapid expansion throughout the 80, the centrality both of the participants’ normative commitment and of the undertaking’s entrepreneurial dimension gradually diminished.

A similar principle of converting entitlements into a source of financing is applied by the *Independent Living co-operatives* that evolved somewhat later, to a different field of activity, namely assistance for gravely physically handicapped persons. A co-operative started by persons in need of around-the-clock assistance takes over the administration of services for themselves from the social authorities that previously handled it. “The cooperative works in the following way: each member has his or her personal assistance needs assessed by the local government or, since 1994, by the national social insurance scheme. The need is expressed in a certain number of hours of services a week. The cooperative charges a certain price per hour of services. Each member receives an amount that covers the cost of the numbers of hours that he needs. The funds are transferred by the national insurance fund or local government to the individual’s sub-account in STIL. Thus, each member has a budget that he/she has to administer. The funds can be used for personal assistance only and have to be accounted for. The budget covers assistants’ wages, their social insurance /../ as well as STIL’s administrative costs”<sup>6</sup>.

The co-operative that is run by the handicapped themselves provides the administrative infrastructure that handles both employment formalities and budget negotiations with the social authorities. Each member hires and coordinates his individual group of personal assistants.

The first of these co-operatives, STIL (Stockholm Independent Living) was started by a group of activists from DHR (The National Union of Handicapped Persons). The idea itself was an adaptation of the American CIL (Centers for Independent Living)-model to Swedish circumstances. The process started in

---

<sup>5</sup> At the time, municipal kindergartens operated with municipal funding and with state subventions. In order to receive state subventions (that were allocated by the municipality) parental co-operatives consented in many cases to do without any municipal funding. The system of double financing was phased out in the late 80s.

<sup>6</sup> <http://www.stil.se>, August 17th, 2004.

1984. After lengthy and at times stormy discussions, a financing formula was agreed upon by the Stockholm Municipality and the Board for Social Affairs, and the co-operative was allowed to start as a one-year project in 1987. After an extension in 1988, the project was given permanent status in 1989. Legislation that opened the field for similar initiatives followed.

STIL championed a consciously militant empowerment strategy, that rejected the status of *mönsterkrympling* ('a well behaved cripple') thrust on the severely handicapped by well-meaning social authorities. Besides improved service, the co-operative effects an important symbolic transformation of its members, from passive recipients of help to employers<sup>7</sup>. STIL's employment policy, of employing a large number of unprofessional part-time assistants, rather than a handful of full-time professionals can be seen as part of its members' quest to avoid binding dependence relations, and enables to follow their own personal inclinations and sustain a broader contact network. This policy places extremely high demands on the association's administrative capacity and would have been quite impossible to sustain within the public sector. In 1996, STIL had 120 members and 600 persons employed on part-time basis as helpers; (Stryjan/Wijkström 1996); at present (2004), it has 230 members, over 1000 employees and a turnover of 17 M USD (<http://www.stil.se>).

#### 4.2. *Social co-operatives: a low-key integration strategy*<sup>8</sup>

The two examples that were discussed above deal with the (re)organization of the delivery of mainstream statutory services by their prospective recipients, and the restructuring of recognized entitlements. Social co-operatives arise out of a somewhat different situation: they are formed in order to deliver a service (employment) to a group that was statutorily denied this entitlement. These co-operatives are formed by individuals that were classed as permanently disabled (physically or mentally) by the social insurance and labor market authorities. As such, they are entitled to a subsistence pension, a classification which is tantamount to a de facto exclusion from the labor market<sup>9</sup>. The first co-operatives of this type were started by former inmates of closed mental hospitals discharged in the wake of the mental health reform of the late 80s that phased out these institutions. The case of the ICS co-operative, founded in

---

<sup>7</sup> Thanks to the more flexible organization of assistance, some members were, in fact, able to take up well paid professional jobs.

<sup>8</sup> This and the following section are largely based on Stryjan (2001, 2002, 2003), and on material collected by the Sweden study of the European project PERSE.

<sup>9</sup> Early-pension recipients are not entitled to the labor-market services and grants. Taking an occasional job may, in this case, result in a serious permanent income shortfall. Some of the institutional features of this field, and of the organizations themselves, were discussed in Stryjan (2003).

1989 illustrates some of this organization form's basic features<sup>10</sup>: As the Kristinehamn mental hospital was being disbanded, a co-operative course was commissioned from the local co-operative development agency. A group of inmates, together with two ward orderlies attended the course. Seven of these decided at its completion, to form a co-operative, and were permitted to take over the former mental hospital's carpentry shop, that became the co-operative's permanent premises. The orderlies stayed on with the group, as (non-member) tutors<sup>11</sup>. The original founder group consisted of middle-aged ex-patients, and as these gradually reached retirement-age or withdrawn, new members took their place. The last of the founding members that spent 25 years as hospital inmate, and the fifteen years that followed, as cashier/controller of the co-operative retired this year, and the present group consists of people that joined in later stages. According to Lasse (the interviewed tutor), some 70-80 persons have passed through the co-operative during the period, stayed in as members for some years, and moved on. The core group of the association consists of the working members (normally 7-8). Besides working members, the association also had two supporting (non-voting) members, that participated (albeit irregularly) in the association's activities but did not work. Some of those that do come to work at the co-operative workshop, declined to apply for membership.

A social co-operative can be seen as a strategy to circumvent the trap created by labor regulations, through creating an 'employer entity' that offers work (wherever possible-through a formal employment contract) to its members. Typically, a social co-operative would consist of 1-2 tutors (*handedare*), and 5-6 users per tutor. Considerable deviations from this standard exist, though: the ratio may be as low as 1:12, and as high as 1:3, depending on the orientation and the type of activity. At least one co-operative (*Vildrosen* in Växjö), was reported to manage its activity without any tutors whatsoever. In a part of the cases, the tutors themselves are former recipients of disability pensions, or members of the co-operative elected by their peers.

Eight persons worked at the ICS co-operative on a regular basis at the time of the study, in June 2003. However, only two of these were formally employed, the remaining ones receive no pay, and depend on social- or health-allowances for their subsistence (formally speaking, their work-time is a voluntary contribution). These figures do not reflect the full scope of ICS' activity. In fact, over 20 people could be present and working at the co-operative any given day, including people on vocational-training or therapeutic occupa-

---

<sup>10</sup> The case was studied within the PERSE project. A complete case study is available from the author.

<sup>11</sup> Initially employed by the county-council. Following the so-called Psych-ädel reform of 1992, that transferred non-acute psychiatric care to the municipalities, the tutors became municipal employees.

tion directed by the social authorities, and other excluded persons from the co-operative circle of acquaintances dropping in irregularly. The declared prime objective of the ICS co-operative is *not* labor-market rehabilitation, (as defined by labor-market authorities) but personal rehabilitation and improving the life-quality of its members, through the creation of a positive (work) environment. This approach stems from a realistic appreciation of the members' employment prospects. ICS directs itself towards a "difficult member-group with grave problems that are highly unlikely to get a job elsewhere". Work is primarily considered as a *means* to rehabilitation and a path to self-respect. At its height, the ambition would be to assist members to advance to a status of a formal employee *within* the co-operative<sup>12</sup>. Typically, the ICS' economic controller Lars H., chose to remain on disability pension throughout the 15 years of his involvement in the co-operative. The ambition is to let all work according to their ability. "It is a matter of maintaining production on a level that the group can handle". Economic considerations are of secondary importance, and the order stock is kept at a level that the workers can cope with. A larger order from a prospective corporate customer was, in fact, turned down in 2003, due to limited work-capacity.

The founder groups that we deal with in the case of social co-operatives are nearly bereft both of economic resources and of social contacts to better endowed persons. Unlike the groups discussed earlier, there are no clear-cut entitlements that their members could directly convert into a source of funding. The resources that the participants pool together and recombine in order to construct their enterprise include non-pecuniary (and vaguely defined) welfare entitlements such as a statutory right for occupation, whose conversion into salaries for tutors or workshop space is contingent on the municipality's goodwill, voluntary inputs (first and foremost by the co-operative's members, but often also overtime inputs by committed external tutors) personal contacts, and rights to use resources held, or financed by, other parties. These resources are difficult to capture and define in financial terms. The tutors often bear an unproportionally large burden where providing the co-operative with a vital contact network linking it to authorities, the surrounding community, and would-be competitors is concerned.

*The authorities:* as early retirees or recipients of social help would be founders of social co-operatives lack well defined and easily convertible welfare entitlements. The statutory obligation of municipalities to provide 'socially meaningful occupation' is interpreted in a highly arbitrary fashion by different municipalities. Municipal participation in the co-operative's invariable costs (wages for tutors and premises), when secured, may either take the form of a loan 'in kind' (that is seldom fully formalized and may be revoked at any

---

<sup>12</sup> The construction of both the disability pension system and of employers' participation in health insurance erect extremely high barriers to this goal, as the case of LH illustrates.

time) or through a contractual obligation. Complementary agreements as regards services or subsidies may also be negotiated, depending on the municipality's goodwill and the co-operative's negotiating skills. Significantly, though many of the co-operatives engage in rehabilitation and provide occupation to others than their members, only a handful has succeeded to get this activity recognized by the authorities as a paid service that can be billed.<sup>13</sup>

*Local community and business:* Available descriptions indicate that most social co-operatives concentrate on services to the local population or to other SMEs in the immediate surroundings. On the whole, commercial activity is seldom aimed at large corporations, and only to a limited degree towards the public sector. Whether deliberately or by default activities seem to aim for generating a tighter social enmeshment for the co-operative and for its members. ICS, a marked exception from this rule, maintained, besides the main production line for corporate customers<sup>14</sup>, also a line for household carpentry and furniture repairs, with the express motive of promoting everyday contacts. Other co-operatives choose a core activity that presupposes daily customer contact, such as running a workplace canteen, a cafeteria in an industrial park, a day-care dog-kennel, a second-hand bookstore, a pet shop, etc. Relations to customers are, in this case, clearly personalized, and contribute to create social links between the co-operative and its social environment. Inverting the perspective, we may also conclude that the social capital generated in these relationships can, in turn, be converted into conventional revenues, or be instrumental in the pursuit of (economic) capital. A customer survey conducted in *Servicepoolen* (SP)<sup>15</sup>, a now defunct co-operative in the small town of Norrtälje that offered auxiliary services (cleaning, reparations, building maintenance, etc) to farmers, house owners and small firms in the town, shows that most customers learned about *SP* primarily through personal contacts. In one third of the cases, the job in question would have not been done at all, had *SP* not been available; all but two (of 22) respondents appreciated the quality, and would contract *SP* again, on similar occasions. It is difficult to determine whether these statements prove the co-operative's competitive advantage and marketing skills, or demonstrate community support. Keeping in mind the highly reserved attitude to charity in Swedish society, this ambiguity may well

---

<sup>13</sup> In a rather bizarre twist, the Kristinehamn municipality that never acknowledged nor paid for the services that it received from ICS, recently attempted to bill the labor-office for services delivered by the co-operative.

<sup>14</sup> Special packing crates for an engine plant, and partitions and fittings for a camping-trailer producer.

<sup>15</sup> This information is based on own interviews and on information from Bosse Blideman, then manager of the Roslagen co-operative resource center KUR, and documentation (in draft) prepared by *Biometri Ek. För.* The co-operative ceased operations due to a legal conflict.

have been intentional, and deliberately maintained by all parts in the relationship, so as to convey the symbolical status of an 'ordinary' business enterprise on the entire undertaking. A similar ambiguity is evident in the business relationships of ICS. Ostensibly, the relation to corporate business partners was declared to be purely businesslike. Nonetheless there is (according to the manager) a tacit acceptance from customers that the company cannot handle short orders and rapid deliveries, a weakness that is likely to have disqualified it in most business dealings.

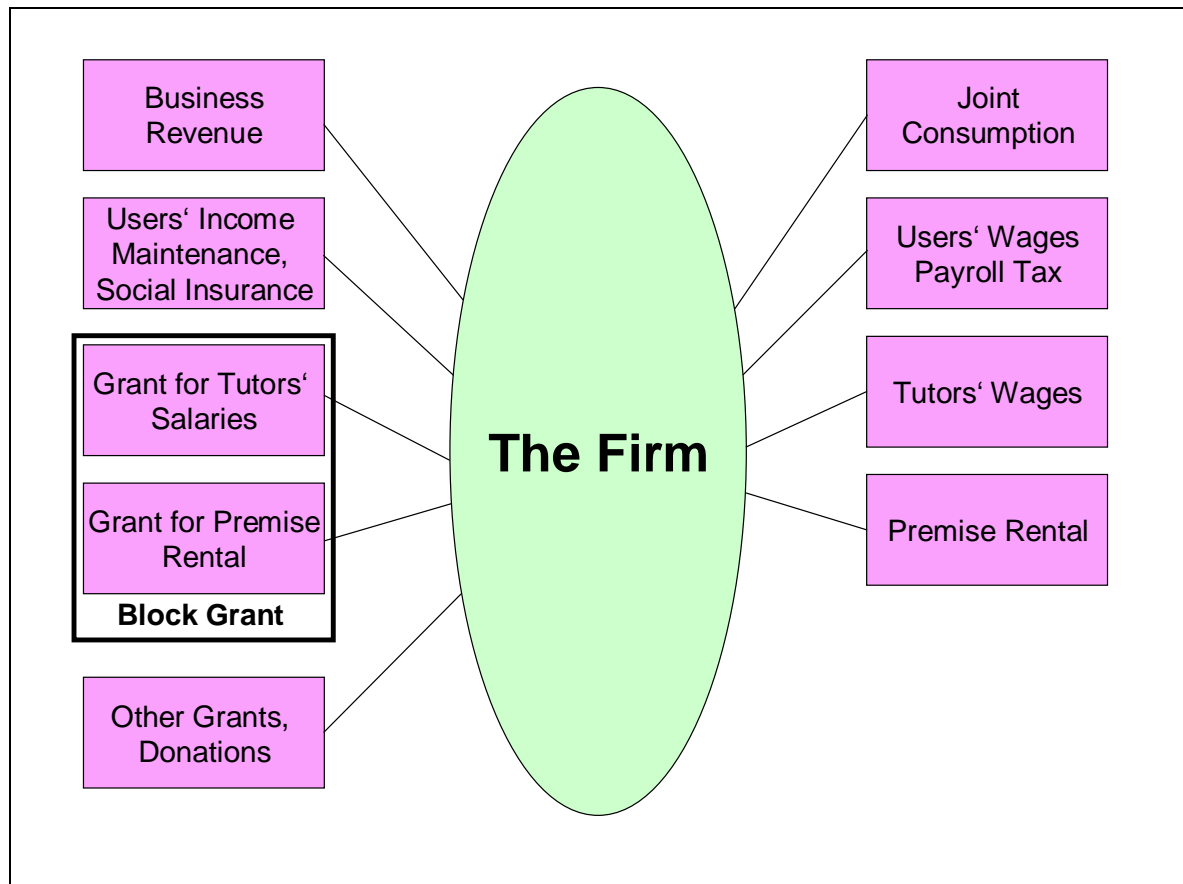
Though all social co-operatives do trade some output through market relations, their principal output is symbolical in its character. Their chief performance consists of transforming their members, and bestowing on them a status that has been denied them by society: that of having a job, an enterprise to run and even of acting employers to their co-workers and tutors.

Do symbolical transformations of this type matter economically? Established accounting methods face conceptual difficulties in assessing such product. Yet, economists have lately come to terms with the notion of commercial companies whose core activity is the production and marketing of identity. Transactions in which economic means are being paid to purchase a 'feel good experience' are acknowledged if they take place within the 'experience industry', not when the parts of the transaction are ordinary mortals. Within the field of welfare, the provision of occupational placements for the functionally handicapped is, in fact, already accepted as a valid business idea – provided that the service is being provided by a third party. Resistance to the idea of having the same service produced by, or in close alliance with the users themselves seems rather a matter of ingrained perceptions, than of the rules of economics. Seen in this light the economic impact of social co-operatives would be difficult to dismiss

Definition and comparison of economic performance encounter a number of technical and conceptual problems: an enterprise may be seen as a nexus of contracts and transactions. Transactions that are carried out through this nexus can be said to be 'included' in the enterprise. Conversely, transactions that bypass it (e. g. providing the enterprise with rent-free premises, rather than reimbursing its rental costs) would, obviously, not be included in the enterprise's balance sheet. Ideally, the contractual expense and revenue flows of the social enterprise could look roughly as follows:



Figure 1: The fully-fledged firm



Source: Stryjan (2002).

In reality, however, there is a considerable variation in the way resources coming from different sources and earmarked for different ends are handled. Sales revenues and material costs are two posts that are handled in a conventional business manner by all social co-operatives. But other major components in the enterprise's "resource package"; such as members' income/wages, tutors' wages, the disposition of surplus, and premise rental would be included in some cases, and omitted in others<sup>16</sup>. The considerable local variation in the way such boundary lines are drawn foils any effort at providing any aggregate, or comparative economic statistics over the population of social co-operatives.

**Wages:** Most social co-operatives aspire to remunerate their members' work with regular wages. However, only a minority does attain this goal. Existing regulations inhibit direct conversion of individual transfer payments (such as sick pay, retirement, etc) into wage supplements payable to members via the enterprise nexus. In most cases, members' income has thus to be provided for by income guarantee payments which bypass the co-operative. Existing rules preclude the payment of part-time wages as well; a members' personal income

<sup>16</sup> No information is available on investments in production equipment.

may actually decrease due to the threshold effects that the rather inflexible rules generate<sup>17</sup>, that are insurmountable for any but the best performing enterprises.

*Tutor's wages:* In a large portion of the cases, tutors are municipal employees, on municipal payroll. In the cases where tutors are employed by the co-operative, the municipality reimburses between 50 % and 100 % of the expense, the balance being covered either by the co-operative's surplus or by funding from other public bodies.

Premises are normally rent-free, which is to say that rent is paid directly to the landlord by the local authority. In one of the cases studied, premises were contributed by a private company.<sup>18</sup> In another case (*Vildrosen*, Växjö), the municipality covers only a part of the rental; the balance is covered by revenues generated by the co-operative. Other cost-sharing arrangements (be they permanent or project-based) exist.

As the presentation above illustrates, both the co-operatives' economic results and the financial support they receive are largely a matter of definition. For the time being, there is no institutionalized standard model for financing the operation, nor for defining its component parts. Existing co-operatives are run on an *ad-hoc* basis, and mobilize support in different forms and from various sources.

Support for a co-operative may be explicit - as reimbursement of expenses - or implicit, as transfer of rights, rather than of funds. Explicit support would be awarded for expenses directly borne by the co-operative. Thus, a co-operative that does pay wages may be eligible for wage-supplement funds from the labor market authorities. Similarly, co-operatives that do pay rent for their premises are likely to receive reimbursement, primarily from municipal authorities, for all or part of the expense they incur. The same applies to tutors' salaries. Incoming support (or corresponding fee for rehabilitation services) would naturally be reflected in the enterprise's turnover.

Implicit support is rendered if the expense is directly shouldered by another actor (e. g. placing the tutors on the municipal payroll, or providing premises free of charge). Such support wholly bypasses the co-operative transaction nexus and leaves no trace in the co-operative's balance sheet, which indirectly diminishes the operation's visible economic scope. In fact, two co-operatives that provide exactly the same volume of identical services, may leave entirely different economic footprints depending on the way expenditures are handled. A prospective donor's choice between different forms of support may be

---

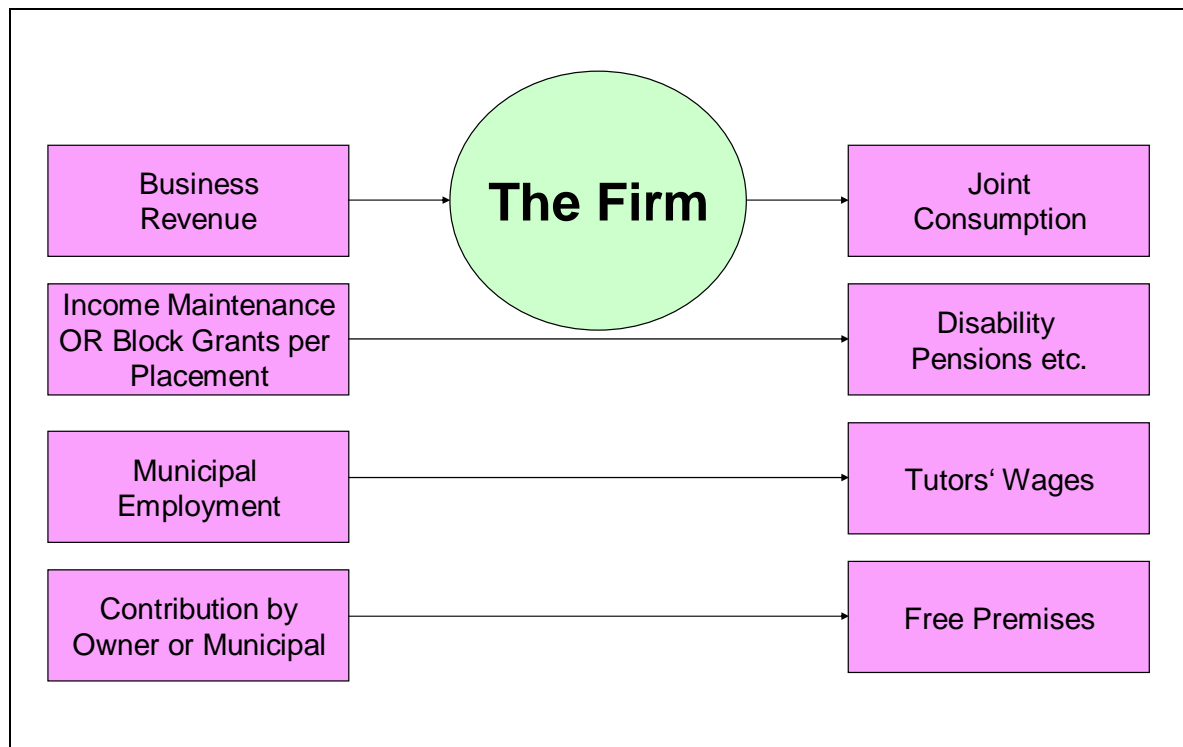
<sup>17</sup> Earning the equivalent of 25% full time may jeopardize the recipient's right to the entire pension.

<sup>18</sup> The company is *Marks Pelle Vävare* in Borås, whose canteen is run by the *Gryningen* co-operative.

swayed by taxation considerations<sup>19</sup>.

Naturally, the definition of economic results is contingent on the way the co-operative's expenses and sources of income are defined. In the existing rule-system, a path of lesser resistance is often chosen: members receive no wages, and the surplus generated is either spent on common undertakings, for investments or (within strict limits) as an income-supplement. Since the enterprises discussed here are, as a rule, labor-intensive, the “shadow wages” received (in the form of subsistence grants directly awarded/paid by the authorities) distort information on economic performance, and make comparisons to other enterprises – or even within the population – difficult to conduct.

*Figure 2: The minimalist firm*



Source: Stryjan (2002).

### 4.3. Community Development Enterprises

Community development enterprises (Stryjan 2004) share most of social co-operatives' goals and values, but integrate these within a larger agenda of

<sup>19</sup> For example, donations in natura are *de-facto* tax deductible for (profitable) firms, but not for individuals. Pecuniary donations are not tax-deductible, while sponsoring is, etc. The arithmetic becomes even more complex where VAT and payroll taxes are involved. For authorities, a budgetary allocation for wages is by 33 % higher than for a pension of the same amount, etc.

community development. Community co-operatives start with a considerably stronger resource endowment, and generally opt for higher-profile strategies. Such enterprises tend to engage to a higher degree in transactions with corporate customers, and often link to (or incorporate) key individuals in the community. Linkages would often be formalized as posts on the enterprise's board.

*Medvind*, a highly successful community development enterprise, has a double-tier governance structure, in which participant representation is concentrated in the 'upper' voluntary association tier, while the board of the business (co-operative) tier contains a strong community representation. A review of the central board members on the 'lower' board and their most important external contacts, is provided in figure 3, below. In addition, the director of the local bank serves as the auditor in the voluntary association that holds the enterprise's business operation tier. As figure 3 below illustrates, the linkages assembled in the table enterprise span over the enterprise's most central resource dependencies. Close contacts to the municipality and the public sector, and the managing director's past experience as a municipal officer and in local politics provide a common frame of reference that makes communications with public authorities easier, facilitates negotiation of rehabilitation contracts and occupational placements for mentally handicapped users. Contact with the national association for the mentally handicapped facilitates access to project financing; and close business relationships assist in mobilizing credits and business partners.

*Figure 3: Linkages to resources in the environment*

Chairman	Corporate executive in a prominent multinational, one of founders of the local development group, active in the regional <b>Chamber of Commerce</b>
Manager	Former municipal <b>social service</b> officer; active in <b>local politics</b> , in the national association for mentally handicapped, the <b>local development group</b> and the <b>Chamber of Commerce</b> .
External board member 1: Retired local businessman (furniture),	Extensive <b>branch and business</b> contacts
External board member 2: Local businessman	Owner of local restaurant and chairman of the local <b>hockey club</b> (contact with youth <i>and their families</i> )
Auditor (upper tier voluntary association).	Director of the <b>local bank</b>

Source: Original.

The enterprise's manager neatly summarizes the approach: "Have I not had local support/embeddedness<sup>20</sup>, I would not be able to run any activity whatsoever. If I do not have the bank with me – then I cannot run any project here, and so on. Trust is enormously important to cultivate". Cultivation of trust is an ongoing achievement that is attained through a flow of re-iterative exchange transactions, in which the enterprise is not merely a client and thankful recipient of assistance, but an active participant that is called upon to reciprocate and prove his suitability and reliability. This state of affairs hardly requires an explanation where business relations are concerned. That it is evident in relationships with the public sector as well, reflects the sector's double nature: as an authority and as important customer (of rehabilitation services).

The enterprise's self-chosen core task, the integration of functionally handicapped in own community lies, in the Swedish case, entirely within the field of responsibility of the public sector's various arms<sup>21</sup>. Trainee placements are both a part of the enterprise's mission and a source of up to 25% of the enter-

<sup>20</sup> *Förankring*, the expression used, literally means 'anchoring', being anchored. All quotes in this section were taken from an interview conducted by Eva Laurelii, within the Sweden study of the EU research project PERSE.

<sup>21</sup> In the complex reality of this sector (see Stryjan 2003), local government's various levels (municipality and county, respectively), as well as apex- and local branches of State bureaucracy (the Labor-Market Board, the Social Insurance Authority), may shift between the roles of partners in a mission, business contacts, competitors, and donors.

prise's revenue, and are essential for its prosperity. Trainees may be directed and financed by *any* of the authorities within health, labor and welfare. The labor-market organs refer other participants, with remuneration negotiated on case-to-case basis. A similar mix of yearly contracts and 'pay as you go' arrangements with the municipality was replaced in 2003 by a stable contract for four permanent places. The relation is perceived as a partnership between equals "we have proven in those six years, that we can handle it, and that we advanced from /being/ a project to /being/ a business". The emphasis is of independence and partnership, rather than on subsidiarity or subservience. "The advantage is that we are free: we are not recipients of grants, we supply and sell services". There is a continuous, ongoing negotiation: about financing levels and financing forms, the employment status of participants and their grant-eligibility - but also about issues that lie outside the business relation proper – such as (mentally handicapped) participants' housing situation and other elements of the social service they receive. In parallel with cultivating business contacts, *Medvind* also actively seeks – and often obtains- financing from the selfsame organs, for development projects and community initiatives.

*Medvind* consciously profiles itself as a business, and maintains a high visibility in the regional chamber of commerce and in local business events. A degree of strain exists between the commercially justified ambition to project an image of competence, flexibility, reliability and dynamism, and the threat this may generate among peers. Acceptance by business partners and competitors is mixed with a degree of apprehension that the enterprise may take advantage of subsidies to price competitors out of the market. Active involvement in projects oriented to common goals, such as enhancing the entire region's competitiveness, is one way of coping with this situation. The enterprise's declared objective of capturing 10% of the contracts that otherwise would go to low-wage Baltic countries is also a way of defining whom one intends to compete against. The co-operative is highly aware of the high impact of networking for *all* of the commercial operations that the enterprise engages in. The chairman of the board is active in the South Swedish Chamber of Commerce. "We have to work hard to prove that we're just like any other business". At the same time, in a rare show of vulnerability *Medvind* declined to pursue an ISO certification, which was judged 'too expensive' by the manager and board. That large companies are nonetheless willing to contract services from it may attest to the goodwill and good standing the enterprise enjoys.

In keeping with the old adage, the role of close ties, and the trust (and, whenever necessary, resources) they generate, is put to visible test in cases of crisis. *Medvind* did, in fact, recently weather a serious crisis, caused by the withdrawal of a major client that stood, at the time, for 66 percent of the enterprise's turnover. Filling-in the economic gap this created, was largely made

possible thanks to contacts in the local business community, that made quick recruitment of new customers possible, to social authorities' continued supportive attitude (and a slight increase in the volume of service purchases, that improved the cash flow), and to the bank's patient attitude. The considerable *sangue froid* demonstrated by *Medvind's* customers, creditors and business partners was proven as justified in the long run.

## 5. Discussion

### 5.1. *Embeddedness revisited: institutions, resources and the social context*

Resource-wise, the entrepreneur's field of action is defined by existing societal distributions of entitlements (cf. Sen 1980), and the available (in the sense of not being barred by accepted norms) modes of extraction in a given society. Understanding these rules and procedures is pivotal for understanding the practices resorted to by social entrepreneurs in handling socially embedded resources. While the concept of embedded transactions (Granovetter 1985) is fairly accepted, the notion of *resources* being embedded is hardly self-evident, and may merit some discussion. Whether a resource that an individual is entitled to is alienable (i. e. may be freely contributed or traded by their holder) or not, and what conversion rules or limitations apply, would vary from one social context to another. The complex, ambiguous, and culture-dependent character of such property rights- and rule regimes (Eggertsson 1992) is put in relief at the interface between social entrepreneurship and business activity: Some assets may be individually held, but not transferred. Others may be transferred by way of gift, but not sold (cf. Titmuss 1977; Geertz 1973), etc. The circle of potential transaction parts may be open or restricted, etc. Just as 'ownership' over a resource is not necessarily tantamount to control over it (Stryjan 1989), the *right to allocate resources* is not invariably linked to the right to appropriate them (decision-makers in modern societies, welfare officials, senior corporate executives and officers in co-operatives and non-profits are a case in point).

By comparison, within a market model, resources are normatively expected to be fully separable from their 'owner' if he so desires. Any strings tied onto the free movement of assets so as to make them less alienable are perceived as market imperfections. Following Polanyi (1944/2001), we suggest that mobility/alienability on one hand, and the restrictions on it on the other, represent, in fact, separate normative orders. Polanyi's classical work, '*The Great Transformation*' outlined a grand (and grim) vision, in which the economic market order, historically embedded in the social orders, is in the process of dis-embedding itself, and achieving domination over society; a cuckoo setting out to dominate the host's nest. The ascendance of the market leads, in this view to commodification, through which social ties and 'traditional' forms of prop-

erty rights are displaced by impersonal market rules. Over half a century later, this perception of the interface of distinct orders is echoed by de Soto's (2001) 'bell jar' concept. De Soto's approach is somewhat of a conceptual mirror-image of Polanyi's, and focuses primarily on property rights to real-estate. In third world countries and in transition economies, it is claimed, the ascendance of market institutions has led to a declassification of resources held 'informally', i. e. through traditional rights of possession. Villager and squatter societies whose assets are not recognized as legitimately tradable, are excluded from the realm of market transactions, and the affluence it generates. Attaining the market, through a reclassification of held assets, is advocated as the path to empowerment.

A different set of 'non-market' property-rights and entitlement packages is defined, in advanced welfare societies, by the institutions of the welfare state. The entitlements dealt with are economic by their nature (either immediately, as in the case of transfer payments, or indirectly, when disbursed as publicly-financed transfer services), and social in their content. The rules that regulate transfer and (eventual) exchange in this case, differ from those that would apply either in the economy or in civil society. The cases discussed in section 2 of this paper can, in fact, be considered as an application of de Soto's reasoning to this sphere.

Common to the three spheres (of reciprocity and social relations, informal economy and of welfare/statutory redistribution, respectively) is the fact that assets are wholly or partly withheld from the market exchange mechanism and linked to physical persons, instead of being freely alienable.

As a matter of common sense, the most feasible way of accessing resources that are embedded in social or institutional systems is through directly linking to these individuals that *can* access them. Simply put: wherever individuals and resources are bound together, the formation of an enterprise requires the assembling together of actual human beings, and not merely of impersonal physical (or financial) resources.

A time-honored way to accomplish this task is co-operative enterprise. Historically, co-operatives accomplished the integration of unlikely (and, at the time, seemingly non-marketable) resources into unified economic instruments: the purchasing power of the poor, the credit worthiness of smallholders (cf. Bonus/Schmidt 1980), or the labor of the unemployable. Indeed, it is the act of pooling that rendered them marketable. Co-operatives may also arise to exploit traditional collective rights (e. g. of aborigine groups), in cases in which belonging to a collective entitles the individual to a right of use (*usus*) of a common resource. As is also the case with other forms of enterprise, social entrepreneurship is most manifestly visible in co-operatives' founding years. In their mature form, traditional co-operatives offer large-scale and highly formalized solutions in which such individual links are replaced by institu-



tionalized rules that often gradually shade into standard market conduct. Studying new co-operatives' founding years (Stryjan 1993), we find that the crystallization of a core group, that progressively links in additional participants and resources often proceeds in a haphazard fashion, seizing opportunities, as these present themselves. In parallel with forming the enterprise proper, the founder(s) often work at assembling a network of supporting individuals and organizations in the enterprise's environment, that are essential to the enterprise's resource procurement.

## 5.2. *Social entrepreneurship and social capital revisited*

“Social capital stands for the ability of actors to secure benefits by virtue of membership in social networks or other social structures” (Portes 1998: 6). So perceived, social capital may be seen as a tapestry of potential access paths, to be used by prospective organization-builders. The ties that link individuals do, at least potentially, also link the resources that those individuals can access, mobilize (through his/her contacts) or allocate (through his/her position in other organizations/enterprises). Social entrepreneurship is thus largely a matter of connecting such nodes into networks so as to provide the desired resource-mix (cf. Penrose 1959/1995) thus, effectively converting social capital into economic resources, and a set of nodes into an enterprise *in spe*. Rules of generalized equity apply in such constellations, in the sense that members/participants in a supporting network expect that their contributions will be reciprocated *in the long run*, though not necessarily in the same currency.

As different parts/nodes of an enterprise's support network may be located in different property-rights regimes, the nature of contributions and of reciprocation would vary, depending on the context and the giver/receiver. It is important to keep in mind that ties, obligations, and exchanges are not exclusively bound to the 'social only' or 'economy only' spheres. On the contrary – material resources would often be reciprocated for by symbolic or social ones, and vice versa. The main types of such transactions will be reviewed below:

**Contributions (exchanges from social to economic capital):** Since the level of approval for charitable activities and other forms of 'conspicuous giving' in Swedish society is generally low, fund raising, in the conventional sense of the term, plays a marginal role in most social enterprise's economy, a wide range of other strategies is cultivated, by way of which social entrepreneurs utilize social capital to obtain resources. Credit co-operatives and -associations are the best known 'classical' form of direct conversion of individual pledges into (access to -) capital (Bonus/Schmidt 1990; Yunus 1999). Welfare co-operatives, discussed in section 2.1, convert in a similar manner pooled welfare entitlements into public financing. The full range of procurement- and contribution strategies forms a complex and highly heterogeneous mix: donations in kind within the 'gift economy' circuit (such as help with

equipment repairs, the rent free use of premises, or the loan of a tool, intertwine with highly sophisticated symbolic contributions, such as recommending an enterprise to another prospective customer, a positive credit assessment, or (in the case of authorities) a liberal attitude in applying existing regulations and eligibility requirements). Good standing would also carry economic benefits in institutionalized welfare settings, in which the handling of applications for project grants, the interpretation of entitlements, and the allocation of contracts are often swayed by the official's perception of the applicant's good faith and his reliability. Important favors may be extended (as demonstrated in the previous section) also by default. In the case of *Medvind* discussed in section 2.3 above, the decision of the bank director, to let confidence win over prudence, and neither terminate *Medvind's* credit-line once its order-book problems became known, nor move in to foreclose on the enterprise's considerable mortgage is a prime example of such restraint. In acting in this fashion, the director willingly exposed himself and the bank to risk, in a manner that can hardly be fully understood in pure business terms. His (in)action, in turn, put an obligation on the enterprise's management to refrain from filing in for a bankruptcy and to exert itself to the outmost in effecting a turnover. Indirectly the case manifests the trust relationships that the enterprise evidently managed to build up and the efficacy of its social strategy.

**Reproduction:** all the cases discussed here illustrate a consistent strategy of construction of supporting networks in the relevant environment, and their continued maintenance/reproduction. The reproduction of a supportive relationship is not merely a matter of continuously highlighting the moral virtue of the enterprise's operation. It is a matter of utility as well. To put it bluntly, to enjoy continuing support, the social entrepreneur has to repeatedly prove the enterprise's actual or potential usefulness to his partners. This sort of exchange is self evident in the structurally simple cases of welfare co-operatives (such as parents' co-operative kindergartens), and of credit co-operatives in advanced societies, in which disaffected members can resort to a viable exit option. In the case of community enterprises such as *Medvind*, benefits to partners are more implicit. Exchanges may be highly intricate and implicit; especially in formal settings, public or corporate, in which all parts are sensitive to allegations of favoritism. Some of these may involve contribution to a partner's standing in *other* networks that he participates in. An important component of the enterprise's offer to its partners and sponsors is the extensive contact network that it maintains. To an extent, the enterprise reciprocates for the trust bestowed upon it by facilitating contacts *between* partners and backers (that constitute nodes in its network) and making its own network accessible for the launching of new initiatives by other network members.

Facilitating contacts between actors around the enterprise increases network closure, which in itself contributes to the generation of social capital (Portes

1998). Closure in itself may, however, be a source both of strength and of weakness (cf. Burt 2001), depending on the range that is encompassed. For social co-operatives, whose members' range of external contacts is highly limited, closure at the enterprise level contributes to internal strength and a highly successful therapeutic environment for their members, but it places the enterprise at disadvantage where the procurement of resources is concerned. Obviously, the challenge for each enterprise is to define and maintain the appropriate scope and level of closure.

**Investment/reconversion:** Donations and sponsoring are the traditional clear-cut examples of exchange situations in which economic resources are 'traded' by the giver for social or symbolic returns. Depending on the norms that apply in a given society, and the parts' respective standing, such transactions may be initiated by either part and would enhance the standing of either part in the exchange or of both parts. For social enterprises that would normally stand at the recipient end of the gift relationship donations are seldom the principal mode of investment. Just as in the case of conversion, important reconversion decisions are often taken by default, most typically by declining to pursue an opportunistic course of action. The opportunity cost incurred when an enterprise chooses to follow the norms endorsed by its supporting network, instead of opting for swift returns, is in fact an investment. Coleman's contention that social capital is created 'mainly as a by-product of other activities' (1994: 118) seems inappropriate in our case. Indeed, entrepreneurs that are dependent on goodwill for their operation, are likely to consciously invest in nurturing the relationships that provide it.

Conceptually, the elements add up to a reproduction circuit that encompasses both economic and social relations in an ongoing reiterative process, in which the reproduction of social capital is closely linked to that of economic capital, and vice-versa. Some of the typical modes of conversion and reproduction are schematically charted in figure 4 below.

Figure 4: Modes of conversion and reproduction

To \ From	From Social capital	From Economic capital
<b>Into Social capital</b>	<b>Reproduction</b> Networking, reciprocity, recruitment, common values, culture/tradition.	<b>Conversion:</b> Partnerships, favourable credit assessment, goodwill contractor loyalties, volunteering, pooling of resources
<b>Into Economic capital</b>	<b>Investment/reconversion:</b> Redistribution (Sponsoring, donations) targeted purchases, 'principled action'	Mainstream entrepreneurship: Venturing, investment

Source: Modified from Stryjan (2002).

On the face of it, the claim made here goes well beyond the two simplistic assertions: that social capital is mainly a by-product of other activities (Coleman 1988), and that 'social enterprises produce social capital' (CONSCISE 2003). However, an important logical caveat should be inserted here: namely that for the various exchanges to be elements a single process (i. e. achieve closure) is that the actors involved in them indeed form one community. Needless to say, this condition is not always met in politically, geographically or politically defined (e. g. local, national, regional) "communities". Only one of the cases discussed in this paper, *Medvind* and its supporting network aspires to address (and to a degree, encompass) its local community. Generally however, the links constructed by an enterprise would address, define, and bind together a subgroup within a community (however defined). both parent-co-operative kindergartens and social co-operatives act, for diametrically different reasons, in a considerably more circumscribed social space, and focus primarily on their respective circle of members/users; the first, due to lack of interest, and the availability of other alternatives to its members, the second, owing to limited resources, and the higher urgency of its members' The conscious policy of engaging in services that involve members of the local community should be seen as an effort to break this circle of isolation. And Finally, STIL that engages in single-minded pursuit of empowerment for its members consciously limits its social scope: the co-operative fosters contacts between members, and support them in constructing their personal networks of assistants, while cross-contacts between those subsidiary networks are not encouraged<sup>22</sup>. Despite its

<sup>22</sup> As a matter of explicit policy, the sharing of assistants between members is not recom-

Stockholm label, the co-operative does not strive for a territorial coverage either. It champions a clear philosophy and strives to create a community of the like-minded wherever in Sweden these are located.

The scope and structure of the provisional community that links primary users/members and prospective partners follows from and directly affects the enterprise's strategy and mode of operation. The task of defining, crafting and maintaining/modifying this provisional community lies at the core of social entrepreneurship.

### 5.3. *Positioning Social Entrepreneurship*

The processes discussed in this paper are in no way unique to the limited group of cases surveyed. Indeed, it can be claimed that they constitute a dimension that is present, to a varying degree, in a large portion of entrepreneurial action. While the understanding of social dimensions of entrepreneurship would certainly enrich any study of entrepreneurial achievement (see, e. g. Granovetter 1992 for a prime example), the development of a theoretical framework would best be served by studying the practices where they are most manifest, which is to say, in cases in which they (a) constitute an important element of the undertaking's (be it a single organization, or a configuration of organizations) core activity, and (b) are sustainable over time.

Despite a general agreement among researchers on the entrepreneurship phenomenon's universal character, and that the entrepreneurial function may emerge and be exercised in any field of human activity, nonetheless, research is predominantly attracted to one corner of this field, namely, successful business endeavours, and more often than not- on spectacular single-handed accomplishment of a lone-hero, preferably in a glamorous branch. The individualistic emphasis has been toned down somewhat in recent years, but still colors popular images of entrepreneurship, as well as much of the cases recruited (in Calan's sense of the term) by researchers. Conversely, despite increasing public and scholarly attention to processes of self-organizing, the forging of networks, local partnerships, and local governance, such phenomena are relatively seldom viewed from an explicitly entrepreneurial perspective.

Inasmuch traditional entrepreneurial stereotypes address narrow ranges of actors and resources, broadening the view would presuppose broadening these categories, and acknowledging that (a) entrepreneurial action may be carried out *either* by individuals or by collectivities, i. e. groups that act in concert (Hirschman 1981, 1984; Tetzschner 1998, Stryjan 1994, 1999, 2002)<sup>23</sup>; (b) the

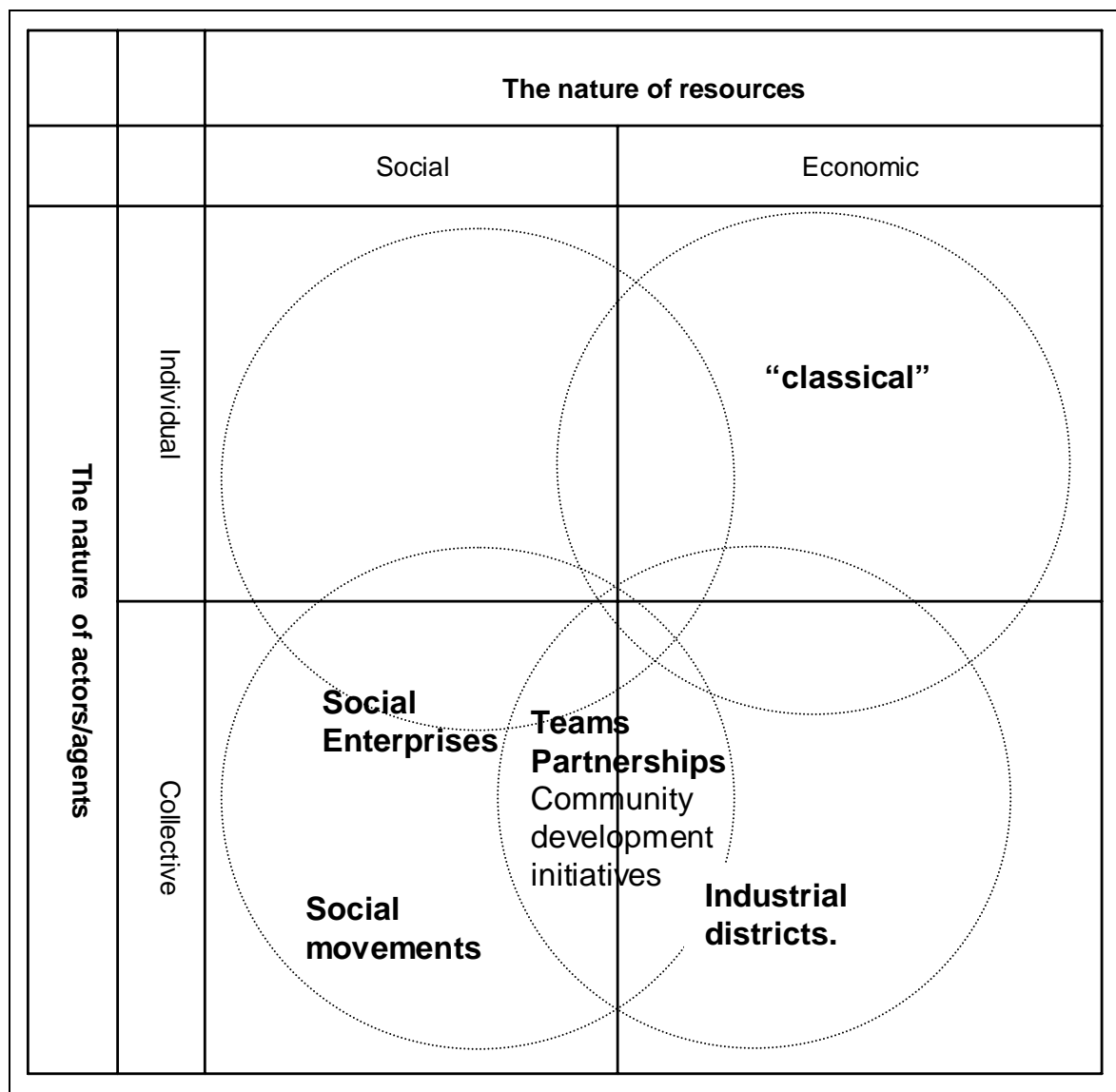
---

mended.

<sup>23</sup> *Entrepreneurial teams* (See, e. g. Reich 1987, Vyakarnam/Jacobs/Handelberg 1999), i. e. groups that organize to pursue a specific entrepreneurial venture, can easily be placed on

resources engaged may *either* be purely economic/financial (i. e. freely alienable or convertible) or socially embedded. A tentative outline of the field as perceived in this fashion is outlined in figure 5, below. Naturally, it does not aspire to include all variations of organized activity.

*Figure 5: Actors and Resources*



Source: Original.

Whereas “classical” entrepreneurial research models tend to concentrate on the upper-right corner of the field, *any* of the activities mapped in the diagram above *could*, in principle, be envisaged and analyzed as entrepreneurial activities. The choice of whether to do so or not is a matter of expediency, not of

---

this continuum. Though clearly relevant, they are not discussed in this section, for reasons of brevity.

ontological principle. As a matter of common sense, the actions of individuals that combine purely social resources to achieve own social ends (that could be mapped in the upper-left corner), is primarily the stuff of novels, and the application of entrepreneurial models to this category would hardly generate new theoretical economic insights. Entrepreneurial perspectives become increasingly fruitful as we move towards the lower-right quarter: to cases of collective action, and – even more so – in exploring the interface at which social resources shade into-or are converted into economic ones. Organizations that traditionally operate on this interface, such as voluntary organizations and social movements, mobilize voluntary labor, community goodwill, and the rent-free use of resources *in natura*. In this respect, their way of operation approaches Penrose's dictum that it is the *service derived from a resource*, rather than the resource itself that count in constituting an enterprise, to a higher degree than do conventional enterprises. Assuring the undertaking's survival over time presupposes continuing investment in the maintenance of the social structures and ties that provide the access to necessary resources. In other words, we talk of social entrepreneurship as the main survival option available to these enterprises, rather than of their moral qualities (though the two often coincide).

Theoretical lessons as to the nature of the practice may be easiest to derive from study of those fields in which social entrepreneurship is most apparent. The range to which the derived models can be applied is, however, considerably broader. Therein lies the main appeal of the study of social entrepreneurship. Social entrepreneurship involves the procurement and handling of socially-embedded resources, and devising ways of deriving services from these. These practices are also central to the operations of partnerships, networks and industrial districts; instruments whose prominence in both economic and social policy is clearly on the increase. Furthermore, the issue of local embeddedness and partnerships as a vehicle for the conversion of social capital into economic resources, *and vice versa*, assumes new content in the institutional context of the European Union. The novel instruments developed in order to facilitate and co-finance partnership-formation, and the proliferation of project-organization forms in the fields of social policy and local development disseminate and encourage new organization forms and new accounting procedures. Consequently a growing range of social enterprising activities becomes accessible to conventional business analysis. The core activities of social entrepreneurship – the mobilization of contributions, and the task of aligning different contributors into viable partnerships thus become easier to account for, and, hopefully, easier to pursue as well

An approach that strives to present the practice of social entrepreneurship in economic terms, with a focus on resource mobilization rather than on their utilization increases the practice's relevance to the understanding of "main-

stream” entrepreneurship. It may also prove to be the best way to counter attempts by economy-minded administrators that increasingly colonize the field of social policy to reduce the field either to a form of re-distributive welfare activity or to a corrective/reformative one.

## References

- Alvord, S. H./Brown, D./Letts, C. W.** (2004): “Social Entrepreneurship. Leadership that facilitates societal transformation – an exploratory study”. Working Papers, Center for Public Leadership, Kennedy School of Government, <http://www.ksg.harvard.edu/leadership/workingpapers.html>.
- Boli, J.** (1991): “Sweden: Is There a Viable Third Sector?”. In R. Wuthnow (ed.) *Between States and Markets The Voluntary Sector in Comparative Perspective*. Princeton University Press, Princeton.
- Bonus, H./Schmidt, G.** (1990): “The Cooperative Banking Group in The Federal Republic of Germany: Aspects of Institutional Change”. *Journal of Institutional and Theoretical Economics*, 146: pp. 180-207.
- Bourdieu, P.** (1985): “The forms of capital”. In *Handbook of Theory and Research for the Sociology of Education* ed J.g. Richardson, pp.241-58. Greenwood, New York.
- Burt, R.** (2001): “Structural Holes versus Network Closure as a Social Capital”, in Lin, N., Cook, K. & Burt, R. (eds), *Social Capital: Theory and Research*, Aldine de Gruyter, New York: pp. 31-56.
- Coleman, J. S.** (1987): “Norms as Social Capital”. in Radnicky G; Bernholtz P. (eds) *Economic Imperialism* Paragon, New York. pp. 133-155.
- Coleman, J. S.** (1988): “Social Capital in the Creation of Human Capital. The American Journal of Sociology, vol. 94, Supplement: Organizations and Institutions: Sociological and Economic Approaches to the Analysis of Social Structure. pp. S95-S120.
- CONSCISE** (2003): Final report of The Contribution of social capital in the social economy to local economic development in Western Europe (CONSCISE)-project. Mimeo, School of Health and Social Science, Middlesex.
- Djelic, M.-L.** (1998): *Exporting the American Model. The Postwar Transformation of European Business*. Oxford University Press, Oxford, New York.
- Djelic, M.-L.** (2003): “Social Networks and Country-to-Country Transfer: dense and weak ties in the diffusion of knowledge” (draft in progress, presented at the IIB, Stockholm School of Economics).
- Eggertsson, T.** (1991): *Economic Behaviour and Institutions*. Cambridge University Press, Cambridge.
- Engström, L./Engström, C-J.** (1982): *Kossan: ett föräldrakooperativt daghem*. LiberFörlag, Stockholm.
- Geertz, C.** (1973): *Peddlers and Princes*. Univ of Chicago Press, Chicago.
- Granovetter, M.** (1985): “Economic Action and Social Structure: The Problem of Embeddedness”. *American Journal of Sociology*, vol. 91, pp. 481-510.
- Granovetter, M.** (1992): “Economic institutions as social constructions. A framework for



- analysis". *Acta Sociologica*, 33: pp. 3-11.
- Hirschman, A. O.** (1981): *Shifting Involvements. Private interest and Public Action*. Martin Robertson, Oxford.
- Hirschman, A. O.** (1984): *Getting Ahead Collectively*. Pergamon Press, New York, Oxford, Toronto.
- Hulgaard, L.** (2004/forthcoming): K. Nielsen (ed) *Social Capital, Trust and Institutions*. Edward Elgar, London.
- James, E.** (1989): "The Private Provision of Social Services: a comparison of Sweden and Holland". In James, E. (ed), *The Nonprofit Sector in International Perspective*. Oxford University Press, Oxford and New York.
- Lundström, T./Wijkström, F.** (1994): "The Swedish Non-profit Sector", EFI Research Report, Ekonomiska Forskningsinstitutet, Stockholm.
- Lundström, T./Wijkström, F.** (1998): *The Swedish Non-profit Sector*, Manchester University Press, Manchester.
- Penrose, E.** (1959/1995): *The Theory of the Growth of the Firm*. Oxford University Press, Oxford.
- Pestoff, V.** (1998): *Beyond the market and state: social enterprises and civil democracy in a welfare society*. Ashgate, Aldershot.
- Polanyi, K.** (1944/2001): *The great transformation: the political and economic origins of our time* (new edition, foreword by Joseph E. Stiglitz; introduction by Fred Block). Beacon Press, Boston, MA.
- Portes, A.** (1998): "Social Capital: Its Origins and Applications in Modern Sociology". *Annual Review of Sociology*, vol. 24, pp. 1-24.
- Portes, A./Sensenbrenner, J.** (1993): "Embeddedness and Immigration: Notes on the Social Determinants of Economic Action". *American Journal of Sociology*, vol. 98: 1320-50.
- Putnam, R. D.** (1993a): "The Prosperous Community: Social capital and public life" *American Prospect*, vol. 13, pp. 35-42.
- Putnam, R. D.** (1993b): *Making democracy work civic traditions in modern Italy* / Robert D. Putnam with Robert Leonardi and Raffaella Y. Nanetti. Princeton University Press, Princeton, N.J.
- Quarsell, R.** (1993): "Välgörenhet, filantropi och frivilligt socialt arbete – en historisk översikt". In SOU1993:82 *Frivilligt socialt arbete*. Allmänna förlaget, Stockholm.
- Reich, R.** (1987): "Entrepreneurship reconsidered: the Team as a Hero". *Harvard Business Review*, May/June, pp. 77-83.
- Schumpeter, J.** (1934): *The theory of economic development : an inquiry into profits, capital, credit, interest, and the business cycle*. Harvard Economic Studies, Cambridge, Mass.
- Schumpeter, J.** (1951/1989): *Essays on entrepreneurs, innovations, business cycles, and the evolution of capitalism*, edited by Richard V. Clemence; Reprint with a new introduction by Richard Swedberg Transaction Publishers, cop. 1989, New Brunswick, N.J.

- Sen, A.** (1981): *Markets and Famines. An Essay on Entitlement and Deprivation*. Clarendon Press, Oxford.
- Soto, H. de** (2001): *The mystery of capital: why capitalism triumphs in the West and fails everywhere else*. Black Swan, London.
- Stryjan, Y.** (1989): *Impossible Organizations*, Greenwood Press, New York, Westport CT, London.
- Stryjan, Y.** (1993): "The Formation of New Cooperatives. Theory and the Swedish Case", *Economic and Industrial Democracy*, vol. 15, pp. 565-594.
- Stryjan, Y.** (1994): "Co-operatives in the welfare market", in 6, Perri & Vidal, I., (eds), *Delivering Welfare*, CIES, Barcelona.
- Stryjan, Y.** (2001): "Sweden: the emergence of work-integration social enterprises". In: Defourny and Borzaga (eds) *The Emergence of Social Enterprise*. Routledge, London and New York. pp.220-235.
- Stryjan, Y.** (2002): "Social Cooperatives in Sweden: etudes in entrepreneurship". Working Paper Södertörns Högskola. Huddinge.
- Stryjan, Y.** (2003): "Social Democracy, the Labour market and the Third Sector: the Swedish Case". Paper presented at The Progressive Scholars' Forum, Tokyo/Sapporo, 11-15th October (publication pending, Minerva Press, Tokyo).
- Stryjan, Y./Wijkström, F.** (1996): "Co-operatives and Non-profit Organisations in Swedish Social Welfare", in *Annals of Public and Co-operative Economics*, vol. 67, No 1, pp. 5-27.
- Tetzschner, H.** (1998): "Collective Entrepreneurship and Waves of Co-operative Development". *Economic Analysis*, vol. 1 (3), pp. 257-275.
- Thompson, J./Alvy, G./Less, A.** (2000): "Social entrepreneurship: a new look at the people and the potential" *Management Decision*, vol. 38(5) pp. 328-338.
- Titmuss, R. M.** (1977): *The gift relationship : from human blood to social policy* edited by Ann Oakley and John Ashton LSE Books, London.
- Venkataraman S.** (1997): "The distinctive domain of entrepreneurship research: an editor's perspective". In J. Katz and R. Brockhaus (eds) *Advances in entrepreneurship, firm development and growth*. vol. 3, pp119-138. JAI Press, Greenwich, CT
- Vyakarnam, S./Jacobs, R. C./Handelberg, J.** (1997): "Formation and Development of Entrepreneurial Teams in Rapid-Growth Business". Paper presented at the Frontiers of Entrepreneurship conference, Babson College, 1997.

## **The Author**

Prof. Dr. Yohanan Stryjan  
 Södertörns högskola,  
 S – 14189 Huddinge  
 Telefon: ++46 / 8 / 608 4 097  
 Fax: ++46 / 8 / 608 4 200  
 E-mail: yohanan.stryjan @sh.se

**WDP - Wismarer Diskussionspapiere / Wismar Discussion Papers**

Heft 01/2003	Jost W. Kramer: Fortschrittsfähigkeit gefragt: Haben die Kreditgenossenschaften als Genossenschaften eine Zukunft?
Heft 02/2003	Julia Neumann-Szyska: Einsatzmöglichkeiten der Balanced Scorecard in mittelständischen (Fertigungs-)Unternehmen
Heft 03/2003	Melanie Pippig: Möglichkeiten und Grenzen der Messung von Kundenzufriedenheit in einem Krankenhaus
Heft 04/2003	Jost W. Kramer: Entwicklung und Perspektiven der produktivgenossenschaftlichen Unternehmensform
Heft 05/2003	Jost W. Kramer: Produktivgenossenschaften als Instrument der Arbeitsmarktpolitik. Anmerkungen zum Berliner Förderungskonzept
Heft 06/2003	Herbert Neunteufel/Gottfried Rössel/Uwe Sassenberg: Das Marketingniveau in der Kunststoffbranche Westmecklenburgs
Heft 07/2003	Uwe Lämmel: Data-Mining mittels künstlicher neuronaler Netze
Heft 08/2003	Harald Mumm: Entwurf und Implementierung einer objektorientierten Programmiersprache für die Paula-Virtuelle-Maschine
Heft 09/2003	Jost W. Kramer: Optimaler Wettbewerb – Überlegungen zur Dimensionierung von Konkurrenz
Heft 10/2003	Jost W. Kramer: The Allocation of Property Rights within Registered Co-operatives in Germany
Heft 11/2003	Dietrich Nöthens/Ulrike Mauritz: IT-Sicherheit an der Hochschule Wismar
Heft 12/2003	Stefan Wissuwa: Data Mining und XML. Modularisierung und Automatisierung von Verarbeitungsschritten
Heft 13/2003	Bodo Wiegand-Hoffmeister: Optimierung der Sozialstaatlichkeit durch Grundrechtsschutz – Analyse neuerer Tendenzen der Rechtsprechung des Bundesverfassungsgerichts zu sozialen Implikationen der Grundrechte -
Heft 14/2003	Todor Nenov Todorov: Wirtschaftswachstum und Effektivität der Industrieunternehmen beim Übergang zu einer Marktwirtschaft in Bulgarien
Heft 15/2003	Robert Schediwy: Wien – Wismar – Weltkulturerbe. Grundlagen, Probleme und Perspektiven
Heft 16/2003	Jost W. Kramer: Trends und Tendenzen der Genossenschaftsentwicklung in Deutschland
Heft 01/2004	Uwe Lämmel: Der moderne Frege
Heft 02/2004	Harald Mumm: Die Wirkungsweise von Betriebssystemen am Beispiel der Tastatur-Eingabe
Heft 03/2004	Jost W. Kramer: Der Einsatz strategischer Planung in der Kirche

Heft 04/2004	Uwe Sassenberg: Stand und Möglichkeiten zur Weiterentwicklung des Technologietransfers an der Hochschule Wismar
Heft 05/2004	Thomas Gutteck: Umfrage zur Analyse der Kunden des Tourismuszentrum Mecklenburgische Ostseeküste GmbH
Heft 06/2004:	Anette Wilhelm: Probleme und Möglichkeiten zur Bestimmung der Promotioneffizienz bei konsumentengerichteten Promotions
Heft 07/2004:	Jana Otte: Personalistische Aktiengesellschaft
Heft 08/2004	Andreas Strelow: VR-Control – Einführung eines verbundeinheitlichen Gesamtbanksteuerungskonzepts in einer kleinen Kreditgenossenschaft
Heft 09/2004	Jost W. Kramer: Zur Eignung von Forschungsberichten als einem Instrument für die Messung der Forschungsaktivität
Heft 10/2004	Jost W. Kramer: Geförderte Produktivgenossenschaften als Weg aus der Arbeitslosigkeit? Das Beispiel Berlin
Heft 11/2004	Harald Mumm: Unterbrechungsgesteuerte Informationsverarbeitung
Heft 12/2004	Jost W. Kramer: Besonderheiten beim Rating von Krankenhäusern
Heft 01/2005	Michael Laske/Herbert Neunteufel: Vertrauen eine „Conditio sine qua non“ für Kooperationen?
Heft 02/2005	Nicole Uhde: Rechtspraktische Probleme bei der Zwangseinziehung von GmbH-Geschäftsanteilen – Ein Beitrag zur Gestaltung von GmbH-Satzungen
Heft 03/2005	Kathrin Kinder: Konzipierung und Einführung der Prozesskostenrechnung als eines Bestandteils des Qualitätsmanagements in der öffentlichen Verwaltung
Heft 04/2005:	Ralf Bernitt: Vergabeverfahren bei öffentlich (mit)finanzierten sozialen Dienstleistungen
Heft 05/2005:	Jost W. Kramer: Zur Forschungsaktivität von Professoren an Fachhochschulen am Beispiel der Hochschule Wismar
Heft 06/2005	Harald Mumm: Der vollständige Aufbau eines einfachen Fahrradcomputers
Heft 07/2005:	Melanie Pippig: Risikomanagement im Krankenhaus
Heft 08/2005:	Yohanan Stryjan: The practice of social entrepreneurship: Theory and the Swedish experience