

# The Practice of Social Entrepreneurship: Theory and the Swedish Experience

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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)

## Abstract

The paper outlines a perspective on social entrepreneurship that is based on a Schumpeterian view of entrepreneurship as the creation of new combinations of resources, and focuses on the nature of actors engaging in the pursuit, and the nature of resources mobilized. So as to highlight less familiar aspects of social entrepreneurship, analysis is primarily illustrated by applications of a resource-based approach to the study of grassroots enterprising in Sweden. The presentation proceeds from rudimentary cases (that are organized around a single process of resource conversion) to more complex ones. Social entrepreneurship is viewed as a category of entrepreneurship that primarily (1) is engaged in by collective actors, and (2) involves, in a central role in the undertaking's resource mix, socially embedded resources. Social entrepreneurship involves the tapping of socially embedded resources and their conversion into (market-) convertible resources, and vice-versa. In doing so, it spans the boundaries between different property-rights regimes that define resources and their utilization. To ensure the undertaking's (or enterprise's) survival over time, it would also be expected to contribute to the replenishment of such resources, re-converting market resources into social capital, and reproducing the context that makes such transactions possible.

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## Introduction: Reframing social entrepreneurship

The notion of social entrepreneurship, and the manifest linkage between social entrepreneurship, social change and economic development attract increasing attention 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 major approaches in the growing literature on social entrepreneurship; both emphasize the social desirability of the initiatives studied, though from slightly different angles:

1. Focusing on intentions and (successfully achieved) 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 transformation.” (Alvord *et al.*, 2004:137);
2. Focusing on opportunities and needs, in an adaptation of Vyakaraman *et al.*'s (1997) approach to the realities of social enterprising. Social entrepreneurs thus are “People who realize where there is an opportunity to satisfy some unmet needs that the state welfare system will not or cannot meet and who pool the necessary resources (...) and use these to ‘make a difference’”. (Thompson *et al.*, 2000).

Desirability is very much in the eye of the beholder, and thus an ontologically problematic criterion. Socially embedded initiatives (whether we consider them entrepreneurial or not) may catalyze social change or enhance stability in a given society. The change effected, the needs met and/or the status quo 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” versus voluntary abortion clinics). While the activities of many social entrepreneurs *may* contribute to social policy goals, this is by far not true for all (cf. Baumol, 1990), and definitely not all of the time, since both society and social policy change over time. Consequently, comparative study of cases of social entrepreneurship in different societal settings would require 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 world-view, or of the policies pursued by power-holders in any given society.

In keeping with this perspective, the approach outlined in this article 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 (1951). An enterprise 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, the nature of resources mobilized,*

and the practices pursued over time in extracting them.

Considered in this fashion, social entrepreneurship is not defined by its “usefulness” to others than those who engage in it, nor constrained to any particularly “social” form of enterprise (e.g., non profits, charities or social enterprises). Nor is it restricted to a narrow range of activity.

Any undertaking called into being by an act of social entrepreneurship has to meet the key requirements of: (1) core task/service provision to target populations; (2) financing/resource mobilization *over time* (sustainability); indirectly, the second requirement presupposes; (3) mustering the support of a community, however defined.

In handling these issues, entrepreneurship literature tends to be drawn towards the spectacular, the successful and the highly visible. As illustrated by the study of Alvord *et al.* (2004), quoted above, this bias for high-profile achievement sways the choice of cases studied. Interestingly, high profile applications of social entrepreneurship were also documented in the same manner outside the social field proper: within grand corporate strategy (Granovetter, 1992) and grand institutional design (Djelic, 1998; 2003)<sup>1</sup>. Choosing well known evident success stories has strong rhetorical merits: lengthy background explanations can be avoided, and the analysis of outcomes made simpler. However, well-endowed actors often have, and in fact – generally employ – more than one way to achieve their objectives, and (as the case of General Electric Corporation, discussed by Granovetter illustrates) the merit of such entrepreneurs’ ideas may seldom be neatly separated from the merit of their connections.

The obvious conceptual difficulty of analytically separating a social undertaking from the context that it is embedded in, is sidestepped here in a quasi-anthropological manner, by way of choosing a less familiar context. Rather than exploring the spectacular, the path chosen here is nearly the obverse, namely exploring manifestations and problems of entrepreneurship in some of the arenas *least* commonly associated with entrepreneurship, such as public provision of welfare, and focusing on actors that normally are found at the receiving end of entrepreneurial initiatives, rather than at their creative center: parents, the gravely handicapped, mental patients, the permanently unemployed and the marginalized. Limited economic scope of activity and unglamorous fields of operation notwithstanding, cases of cooperative mobilization within these groups pose a considerable theoretical challenge. In an important sense, such pedestrian endeavors can provide an illustration of entrepreneurship stripped to its essentials. Innovation, a central element of entrepreneurship (cf. Schumpeter, 1951/1989), 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: (1) some initial considerations that depart from a discussion of social capital and its relationship to social enterprising, are presented in the next section. Practical applications of a resource-based approach to the

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<sup>1</sup> Concerning the creation of General Electric Corp, and the post-war re-shaping of French industry.

study of grassroots enterprising in Sweden will be presented subsequently; (2) the study object and arena(s) were deliberately chosen so as to highlight aspects of social entrepreneurship that otherwise tend to be obscured by high-profile fund raising and practices of conspicuous distribution. The presentation proceeds from rudimentary cases (that are organized around a single process of resource conversion) to more complex ones. The themes highlighted in this section are subsequently integrated into a tentative model that re-examines the relationship between social structure, entrepreneurship and resources, that is presented in the closing section.

### **A first look at social entrepreneurship and social capital**

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. This generally positive ambience is labeled “social capital” by the author. Later work by Bourdieu and Wacquant (1992) and Portes and Sensenbrenner (1993) links social capital to individual (and household) achievement but elaborates the concept in divergent directions. Bourdieu and Wacquant (1992) speak about “a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” and the ways in which these are appropriated and drawn upon by individuals and groups in pursuit of their own ends, while Portes, and Portes and 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 good, all authors focus on its role in facilitating individual (or sub-group) achievement, within the context of a given community. Simplifying the issue somewhat: while Bourdieu’s question is why some *individuals* in a given community achieve more than others, Coleman, Portes and Sensenbrenner aim to provide an explanation to why certain *communities* appear to be more conducive to achievement than others. The possibility of aggregating individual achievement into community welfare is indirectly allowed for by both Coleman’s and Portes’ approaches, and indirectly hinted at in the illustrations provided in their articles.

Putnam’s (1993) seminal work *Making Democracy Work* played an important role in spreading the concept outside strictly academic circles, and into the domain of

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<sup>2</sup> Portes and Sensenbrenner declare: “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” (1993:1323). This definition differs from Coleman’s, where the emphasis is on social structures facilitating individual rational pursuits.

policy formation and implementation<sup>3</sup>. Putnam's approach broadly follows Coleman's (rather than Bourdieu's) but the focus of research is shifted from diffuse "features of social organization, such as trust, norms and networks", to their formal (and, thus more readily measurable) manifestations, such as the proliferation of associations and voluntary organizations. The level of social capital in a given community is generally seen as enhancing economic welfare and civic governance. A claim is made to the effect that such findings may be generalizable across entire nations and regions.

A basic weakness (pointed out, but not resolved by Portes, 1998), that is shared by all the approaches discussed above, is the arbitrary fashion in which a "community" whose social capital is being mobilized, or the social contexts that provide support to – or facilitate social action. While we may accept the fuzziness of "neighborhoods", or even nations, the conceptual difficulty becomes evident in cases in which social action *precedes*, and triggers the emergence of a supporting community that, once created, spans or splits previous boundaries or asserts identities that previously were denied.

Quite in keeping with the tendency of treating the "community" as a predefined given, that is "mobilized" by the focal actor, most authors portray social capital as drawn upon at will from just this context. The focus lies, quite one-sidedly, on the way in which social capital facilitates action, and/or paves the way to economic resources, while its reproduction is seen as a (largely unintended) side effect of the ensuing economic or social activities (Coleman, 1988). The obverse pattern of purposive formation and maintenance of social links, and the investment of physical resources in such a pursuit remain largely unexplored.

Entrepreneurship evidently spans the conceptual gap between the domain of social capital, and the domains of economic performance and "conventional" capital. The article explores the relevance of this positioning for the practice of social entrepreneurship, and does not venture to trace or resolve the definition and measurement problems that the "social capital" concept gives rise to. I resort to the concept of social capital, 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' and Sensenbrenner's stated goal of exploring "how structure constrains and 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". Different aspects of this practice, set in a somewhat dif-

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<sup>3</sup> For 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. An important dimension of Putnam's work which is not dealt with here, deals with political participation and political institutions.

ferent social context, will be presented in a review of various forms of welfare service cooperatives and social enterprises in Sweden in the following section.

### **Social enterprising in Sweden: Some examples**

The examples to be discussed below, *i.e.*, Swedish welfare service cooperatives, social cooperatives, and community development enterprises illustrate practices developed by social enterprises in dealing with the Swedish welfare system and local society. Though none of the organization forms is unique to Sweden (indeed, some of the cases related below were inspired by American or UK examples), their entrepreneurial features are set in relief by the Swedish context. The Swedish welfare state's institutional set-up and organizational tradition differ significantly from both the American one and from those of most European countries. Consequently, organizational forms and practices within welfare and social entrepreneurship differ from the mainstream, to the extent that claims were raised (*e.g.*, James, 1989; Boli, 1991) that "there is no third sector in Sweden". A detailed discussion of the normative and organizational underpinnings of the Swedish Model lies beyond the scope of this article (see *e.g.*, Stryjan, 2006 and the references there). Some of the model's central features directly impact on our field of study, such as an acknowledged primacy of public solutions within the provision of health, education and welfare services, a public monopoly over the financing of welfare services, and an ingrained negative attitude towards charity (a term that has clearly derisive connotations in Swedish usage)<sup>4</sup>. The resulting composition of the organizational population, the fields of activity chosen, the range of resources available, and the practices developed in Sweden can hardly be considered typical or representative of social entrepreneurship at large. The prime advantage of this research setting lies precisely in its "otherness". In somewhat of a figure-ground reversal of the field, fund-raising and conspicuous redistribution, play a subordinate role in the Swedish case, associations (voluntary and for-profit) maintain a higher profile than foundations, mutuality is preferred to charity, and public money is perceived as more legitimate than private donations by the organizations concerned and by the broad public alike. Lastly, the (re)allocation of resources accomplished by the mechanisms of the welfare state also places the practice of entrepreneurship within the reach of groups, that would otherwise be found most at the demand, rather than on the supply end of social services.

The cases briefly presented in the sections to follow, illustrate how the key requirements of social entrepreneurship, namely pursuing chosen core activity, mobilizing and converting resources, and handling the enterprise's relationships with the community (however defined), may be met and integrated under the institutional regime of the Swedish Welfare State.

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<sup>4</sup> This attitude towards charitable organizations and donations is also reflected in the taxation system (Quarsell, 1993).

*Welfare-service cooperatives*, described in the next section, are alternative providers of mandatory social services (kindergartens and assistance to the gravely handicapped, respectively). Both groups, consisting of organizations started by service-recipients played an important role in redefining the interface between social initiatives and the former public monopoly, and rely on similar public financing mechanisms, though their mode of operation, and relations with surrounding society are highly different. *Social cooperatives* are also constituted by their would-be users, namely persons excluded from the labor-market, that attempt to create a work-place for themselves. However, they operate in a field in which institutionalized public financing mechanisms do not exist, while private ones are not socially endorsed. Their survival hinges on business revenues, and goodwill from the public sector and the surrounding community. Finally, *Community enterprises* are local development associations whose agenda also includes the integration of marginalized groups. CE operate in roughly the same field as social cooperatives, but are started by considerably better endowed actors, and can therefore engage in high profile business activity and a more active and multifaceted relationship with the local community and with the authorities. All descriptions are primarily based on material collected in a number of research projects conducted or led by myself<sup>5</sup>. Despite local specificities, the processes discussed 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.

#### ***Welfare cooperatives: The pooling and conversion of entitlements***

Welfare service cooperatives illustrate some of the central features of the Swedish welfare state's institutions, and the way these were taken advantage of by social entrepreneurs. The Swedish tradition of solving social problems and answering needs through public (rather than private) intervention eventually led to a virtual public monopoly over welfare, education, and employment services, safeguarded by regulations that prohibited private financing for those services that are provided by the public sector<sup>6</sup>, and by norms that strongly inhibit donations to those services that are not. This combination effectively hindered the emergence of non-public initiatives within health education and welfare until the 1980s. The emergence of parent-cooperatives played an important role in breaching this trend and in opening the field for new social initiatives. The PC basic model is relatively simple, both conceptually and resource-wise: parents' statutory entitlement to day-care for their children (that

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<sup>5</sup> The *KOPPLA* (kooperativ Planering) project (1988-1991); *Cooperatives in the Welfare Market* project (1994-1998); *Local Society, Local Government, Local Economy* (1998-2004), and the respective Sweden studies within the European Thematic networks and projects *ESSEN-CGM*, *EMES ELEXIS* and *PERSE* (1994-2004). To minimize tedious self referencing in this text, other authors than myself that studied the same, or similar organizations were quoted wherever this was possible.

<sup>6</sup> Fees are customary within most activities (primarily health and day-care), however, those are regulated and kept *below* own cost level.

should otherwise be met by municipal units) is converted into a public subsidy for a child-care place. A group of parents forms an association that pools these (otherwise inconvertible) entitlements, creates the appropriate governance structure, establishes a kindergarten for the members' children, and recruits the professional staff (Pestoff, 1998; Stryjan and Wijkström, 1996).

At the core of this arrangement stands, on one hand, the conversion of a statutory obligation to provide day-care into a welfare entitlement that is, in turn, 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 accomplished by "wild" initiatives, the first of which started as early as 1974<sup>7</sup>. The form's institutional breakthrough came first in 1985. The first parent cooperatives operated in an institutional limbo, surviving through shrewd maneuvering between the national and municipal financing systems, significant material concessions<sup>8</sup>, advocacy, and sheer persistence. Participants' commitment and the undertakings' entrepreneurial and innovative dimension were crucial in that stage, but gradually waned in pace with the organizational population's rapid expansion throughout the 1980s (to nearly a thousand in 1992<sup>9</sup>), and the ensuing institutionalization of the form. Most PCs that are active at present could be regarded as small businesses run by collective proprietors, rather than as entrepreneurial ventures; activity is highly regulated (strongly limiting the ability to diversify the operation into new fields), and the enterprise's social aspirations are restricted to maintaining and reproducing the parent/member group itself, a task that naturally includes recruiting new parents, as children move on to school, but also eliciting their considerable outlays in fees, voluntary time and competence.

The merit of the model lies in its simplicity and replicability. Parent-cooperatives rely on a single mechanism of resource-conversion, whereby parents that join the cooperative bestow on it entitlements that are disbursed by the public sector. Once this mechanism is established, maintaining the group is the one necessary *and sufficient* condition for continued financing. Local community support, beyond the highly formalized approval by the municipality, is seldom sought, and networking with similar cooperatives is limited.

Parents' cooperatives effected a profound change in the public sector's mode of functioning, and opened a new financing channel for social initiatives. The principle of *financing by affiliation*, also stands at the core of *Independent Living Cooperatives* that administer assistance for gravely physically handicapped persons in need of around-the-clock assistance. In this case too, welfare entitlements are converted into a source of financing by a group of potential beneficiaries, that pool these resources and create an enterprise that supplies the service in question. The nature of

<sup>7</sup> With the forming of the parent-cooperative kindergarten "Kossan" (Engström and Engström, 1982).

<sup>8</sup> At the time, municipal kindergartens operated within a double system of municipal funding and state subventions that were allocated by the municipality. Parent cooperatives consented in many cases to do without any municipal funding.

<sup>9</sup> 933 such units in June 1992, according to the Board of Social Affairs (Normark *et al.*, 1993:200).



the user/member group, and the organizational solution created to meet the group members' objectives are substantially different from the PC-model.

STIL (*Stockholm Independent Living*) was initiated in 1984,<sup>10</sup> by a group of gravely handicapped activists from DHR (The National Union of Handicapped Persons). The group championed a consciously militant empowerment strategy, inspired by the American Centers for Independent Living (CIL) model and aimed to adapt it to Swedish circumstances. To let the gravely handicapped control the assistance that they are daily dependent on was seen as a key step in attaining control over own life-situation. Devising a financing formula to fit Swedish conditions took nearly three years, and the cooperative was allowed to start as a one-year project in 1987.<sup>11</sup> Legislation that opened the field for this type of enterprises followed. At present, the model works roughly as follows:<sup>12</sup> a prospective member's entitlement for assistance is assessed by the authorities, in terms of assistance hours, that are converted into a budget allocation. The cooperative (whose administration is run by the handicapped members themselves) opens a member account, and handles the necessary administration (including employment contracts for assistants, and invoicing the authorities). Each member handles his own account, recruits, and coordinates his individual group of personal assistants. Public funding may only be used for personal assistance and has to be accounted for. The administrative fee levied by the association is a business revenue to be used at the members' discretion.

Besides improved service, the cooperative effects an important symbolic transformation of its members, from passive recipients of help to coordinators and employers<sup>13</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 to follow their own personal inclinations and sustain broader contact networks. This policy places extremely high demands both on the individual members (indeed, some of second-movers into the field adopted less ambitious formulas), and on the association's administrative capacity and would have been quite impossible to sustain within a public sector organization. The cooperative, that is run by the handicapped themselves provides the administrative infrastructure that handles personnel administration and budget negotiations with the social authorities, training for new members, and propagation of the Independent Living concept. In 1996, STIL had 120 members and 600 persons employed on part-time basis as helpers (Stryjan and Wijkström, 1996). By 2004 the numbers rose to 230 members, over 1,000 employees and a turnover of USD 17 million (<http://www.stil.se>).

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<sup>10</sup> The Stockholm association's formative stages were documented by Gough (1989). I was personally involved in a number of seminars with the group in 1984/5 and followed its development throughout the 1980s and early 1990s.

<sup>11</sup> Jointly financed at that stage by Stockholm Municipality and the Board for Social Affairs.

<sup>12</sup> Based on <http://www.stil.se>, August 17<sup>th</sup>, 2004.

<sup>13</sup> Thanks to the more flexible organization of assistance, some members were, in fact, able to take up well paid professional jobs.

Structurally, the STIL organization should be seen as a network organization, in which each member constitutes a node, and the network infrastructure and maintenance are indirectly supported by public funds (through an administrative fee on members' accounts, an arrangement quite remindful of consultant agencies). The stability of the basic financing arrangement provides the nexus organization with a platform for innovative practices, as well as for active and expansive network management. Finally, through the organization of each member's circle of assistants, the construction of members' social networks is effectively underwritten by public funding. Some additional aspects of the organization's relationship with its environment will be discussed later on.

***Social cooperatives: A low-key labor-market integration strategy***<sup>14</sup>

Social cooperatives are worker-cooperatives formed by individuals that were classed as permanently disabled (physically or mentally) by the social insurance and labor market authorities. Prospective founders of such cooperatives are entitled to housing and a subsistence pension, but are disqualified from seeking entry into the labor market.<sup>15</sup> While the two examples that were discussed in the above sections, dealt with (re)organizing delivery of mainstream statutory services by their prospective recipients, and with the restructuring of recognized entitlements, social cooperatives aspire to create a work-place for a group that is statutorily deprived of the right to work (or being classified as job-seeker). To circumvent the trap created by regulations, an "employer entity" is created by those involved, that offers work (wherever possible, through a formal employment contract) to its members.

The first cooperatives of this type emerged in the late 1980s, as the traditional mental institutions were wound down, and were started by discharged former inmates. The case of ICS, a social cooperative that operated from 1889 until 2004, illustrates some of this organization form's basic features<sup>16</sup>. ICS was founded by a group of seven former inmates of the Kristinehamn mental hospital, assisted by two ward orderlies that stayed with the group as (non-member) tutors (formally, as "out-stationed" public employees). The former mental hospital's carpentry shop became the cooperative's permanent premises. The main business activity, and the enterprise's economic backbone was industrial carpentry.<sup>17</sup>

Similar cooperatives were also started in other fields, by and with groups of men-

<sup>14</sup> The sections on social cooperatives and community enterprises are largely based on Stryjan (2002;2006), and on material collected by the Sweden study of the European project *PERSE*. Interview material, wherever quoted, was collected by E. Laurelii of *Kooperativ Konsult*, under my supervision.

<sup>15</sup> In Swedish labor authorities parlance, they are not considered as "standing at the labor market's disposal", and thus are not entitled to apply to the employment agency or for labor-market grants. Taking an occasional job may carry a considerable economic penalty. Some of the institutional features of this field, and of the organizations themselves, were discussed in Stryjan (2006).

<sup>16</sup> A complete case study is available from the author.

<sup>17</sup> Special packing crates for an engine plant, and partitions and fittings for a camping-trailer producer. The locality is somewhat of a trailer production cluster.

tally handicapped, drug addicts and marginalized immigrants. Though the formal model closely reminds of “job-creation cooperatives” elsewhere (see, e.g., Hirschman, 1980; Oakeshott 1978; Pattiniämi, 2001), it differs on two counts: (1) the presence of tutors, made necessary in most of these cooperatives by limitations on members’ capacity;<sup>18</sup> (2) the cooperative is not a “breadwinner-cooperative” in the strict sense of the term. Indeed, the direct economic benefit to members from obtaining a formal employment contract is highly limited,<sup>19</sup> and members’ alternative to participation is not economic misery but isolation and idleness reasonably well underwritten by social transfer payments. In this respect, they differ substantially from South European social enterprises (Defourny and Borzaga, 2001).

The declared prime objective of ICS was 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, a “difficult member-group with grave problems, that are highly unlikely to get a job elsewhere”. Work was 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 cooperative.

The original founder group consisted of middle-aged ex-patients, and as these gradually reached retirement-age or left, new members took their place. The last of the founding members (that spent 25 years in a closed ward, and the fifteen that followed, as cashier/controller of the cooperative) retired in 2003. All other members joined in later stages. All in all, some 70-80 persons were members of the cooperative for some time through the 15 years of its operation.

At all times, the core group of the association consisted of the working members (normally seven to eight). The members constituted the enterprise’s board, and tutors attended as non-voting members (an arrangement that is fairly typical for social cooperatives). At the time of the study (June 2003), only two of eight were formally employed, and the remaining six worked voluntarily and depended for their subsistence on social – or health-allowances. Yet, over 20 people could be present and working at the cooperative any given day, including people on vocational-training or therapeutic occupation directed by the social authorities, and other excluded persons from the members’ circle of acquaintances dropping in irregularly.

It is difficult to present a consistent general model of social cooperatives’ re-

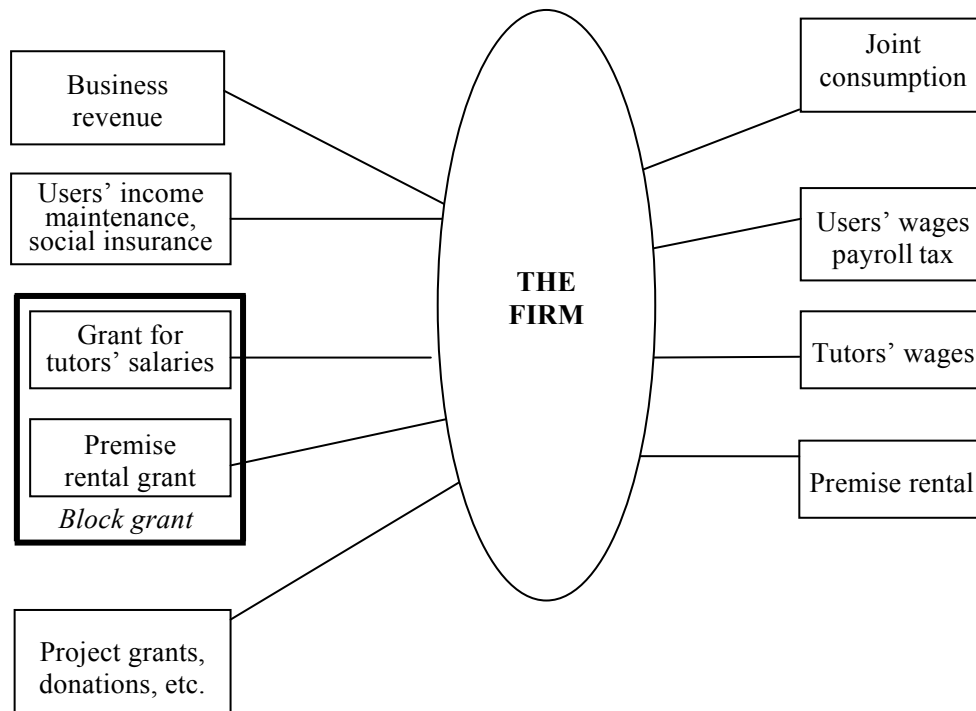
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<sup>18</sup> Typically, a social cooperative would consist of one or two tutors (*handledare*), supporting 11-12 users/members; the ratio varies depending on the orientation and the type of activity. In part of the cases, the tutors themselves are members elected by their peers, or former recipients of disability pensions.

<sup>19</sup> According to a comprehensive evaluation (*Samverkan inom rehabiliteringsområdet*, 2000) that balances the gains and expenditures for individuals, local government and social care organs in 16 labor-market integration projects (two of which surveyed in this study), the economic benefits of moving to employment are marginal to negative for most categories of the marginalized. Typically, the ICS’ economic controller LH chose to remain on disability pension throughout the 15 years of his involvement in the cooperative.

source-flows. The basic pattern of individuals coming together and pooling their resources, familiar from the previous section is repeated in this case as well. However, the founders that we deal with in this case are extremely low on personal resources and lack social contacts to better-endowed persons. Nor can they draw on clear-cut welfare entitlements that may be directly converted and pooled into a stable source of baseline funding. Thus, social cooperatives are immediately dependent for their day-to day survival on own business revenues and on better-endowed actors in their environment. The resources that the participants can pool together and recombine in order to construct their enterprise include their time and effort (which are, in a manner of speaking, underwritten by social transfers), and vaguely defined non-pecuniary welfare entitlements such as a statutory right for “meaningful occupation”, whose conversion into enterprise funding is contingent on the municipality’s goodwill. The resource mix is augmented by business revenues and by voluntary inputs (often also overtime inputs by committed external tutors), personal contacts and rights to use resources held, or financed by, other parties. Most of these resources are difficult to capture and define in financial terms, and the resource mixes arrived at by various cooperatives vary considerably.

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 a social enterprise could look roughly as follows:

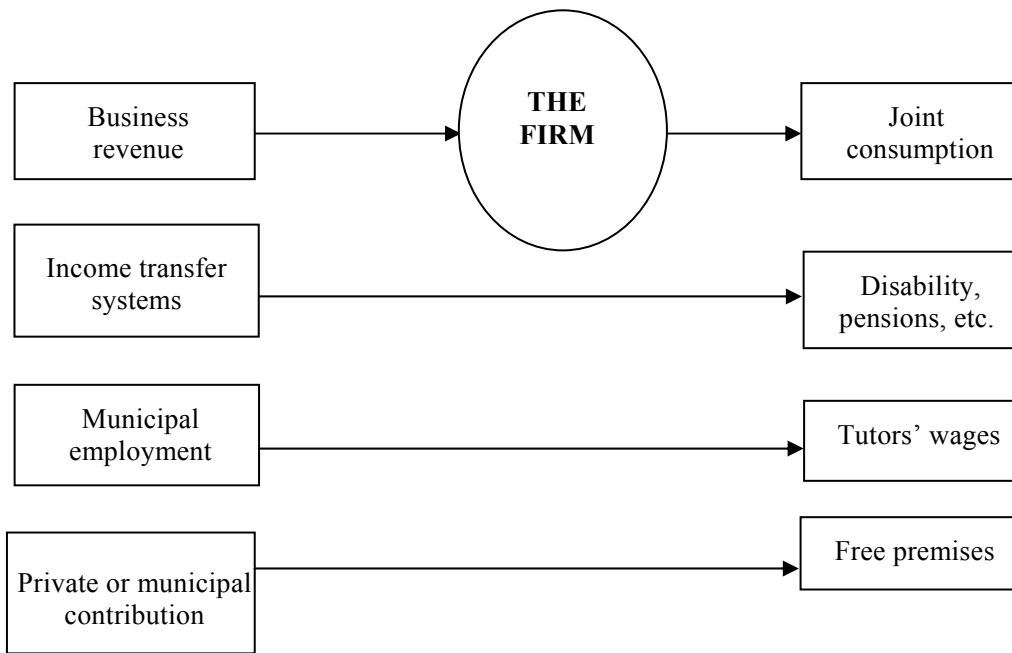
**Figure 1. The fully-fledged firm**

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 handled in a conventional business manner by all social co-operatives. But other major components in the enterprise's "resource package" would be included in some cases, and omitted in others

Roughly, it is possible to state that enterprises in the group have two categories of invariable production costs to meet: (1) premises (and equipment) that may be rented or obtained free of charge; (2) tutors' wages. In a neat reversal of roles that mirrors the Swedish normative makeup, tutors that are considered a part of the productive infrastructure, as a rule receive wages. Member-users' contribution, on the other hand, may be (and often is) voluntary (*i.e.*, unpaid).<sup>20</sup> A minimalist firm at the extreme of this continuum, would border on a "collective hobby activity".

<sup>20</sup> This is naturally an oversimplification. Tutors' voluntary overtime contribution is often crucial, not the least in securing the cooperative's contacts with the community. Nonetheless, seeming anomalies, such as marginalized people working without pay to earn up their tutor's salary can only be grasped from this perspective.

**Figure 2. The minimalist firm**

Source: Stryjan (2002)

The extent to which the enterprise can offer regular employment to its members depends on the surplus generated once expenses are met. This continuous hunting and gathering process (Stryjan, 1989a) in pursuit for resources, involves exchanges with the public sector, and with local society and business partners. The tutors often carry an unproportionally large burden in providing the cooperative with a vital contact network.

*The authorities.* Participation in the enterprise's invariable costs (premises and wages for tutors), whenever secured, may either take the form of a loan "in kind" or a contractual obligation. In at least one case, the municipality part-finances tutors' wages, and the remainder is covered from the enterprise's revenues (*i.e.*, members' partly unpaid work). Agreements as regards purchase of services or granting of subsidies may also be negotiated. Significantly, though many of the social cooperatives deliver rehabilitation services and provide occupation places to others than their members, this activity is seldom recognized by the authorities as a service that ought to be paid for, and thus, a source of revenue for the enterprise. The preference for in-kind transfers (of personnel and premises, on one hand; of service from the cooperative, on the other) evident in part of the cases, indicates an unwillingness to acknowledge the enterprise's standing as an independent economic subject, rather than genuine goodwill.

*Local community and business.* Available descriptions indicate that social cooperatives tend to concentrate on services to the local population or to other small and medium enterprises in the immediate surroundings. Commercial activity is seldom aimed at large corporations and only to a limited degree towards the public sector. Whether deliberately or by default, activities would seem to aim at generating a tighter social enmeshment for the cooperative and for its members, such as running a workplace canteen, a cafeteria in an industrial park, a day-care dog-kennel, a second-hand bookstore, a pet shop, gardening and maintenance in a housing project, etc. (Bartilsson *et al.*, 2000). Relations to customers are, in this case, clearly personalized, and meant to contribute to create social links between the cooperative and its social environment. Inverting the perspective, we may also conclude that the social capital generated in these relationships, though primarily meant to improve members' environment, may also be converted into new commercial contracts, or be instrumental in the pursuit of (economic) capital.

It is difficult to determine the extent to which business revenues attest to the enterprises' competitive advantage and marketing skills, or are an expression of community support. Keeping in mind the highly reserved attitude to charity in Swedish society, this ambiguity may well be intentional, and deliberately maintained by all parts in the relationship, so as to convey the symbolic status of an "ordinary" business enterprise on the entire undertaking (Stryjan, 2002). Thus, according to ICS' manager, despite the ostensibly businesslike relation to corporate business partners, there was a tacit acceptance from customers that the company cannot handle short orders and rapid deliveries, a weakness that would probably have disqualified it in most ordinary business dealings.

Though all social cooperatives do trade some output through market relations, their principal output is symbolic in its character (Stryjan and Wijkström, 1996). 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 a community of peers. The tasks of keeping together the group and keeping the enterprise afloat merge in a single core task. In this respect, the enterprise is its own central product.

### ***Community enterprises***

Community enterprises (Sw *Gemenskapsföretag*; Stryjan and Laurelii, 2002; Stryjan, 2006) share most of social cooperatives' goals and values, but integrate these within a larger agenda of community development. The Community Enterprise model was directly inspired by UK experiences, and is the least specifically Swedish of the organization forms presented in this article. CEs are generally started by central members of the community, and thus 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. Environmental linkages would often be

encoded into the enterprise's board. Most CEs studied have externally recruited board members (Levin, 2005) and the association members need not actually work in the enterprise. The illustrations in this section are taken from a case-study of *Medvind*, a community enterprise in SE Sweden, that concentrates on integration of mentally handicapped. The enterprise, that was started as an offshot of a grassroots development project, incorporates local businessmen (of which one is the owner of the local restaurant and the coach of the youth ice-hockey team), and the local bank director in its governance structure, and is chaired by a senior corporate executive. Close relationships in the business arena assist in mobilizing credits and business partners. The managing director's past experience as a municipal officer, local politician, and officer in the national association for the mentally handicapped, opens a variety of channels to public authorities at local and national level and is instrumental in negotiating rehabilitation contracts and occupational placements, and projects at local and national level. The enterprise's manager neatly summarizes the approach: "Had I not had local support/embeddedness,<sup>21</sup> I would not be able to run any activity whatsoever. If I do not have the bank with [behind] 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 a grateful recipient of assistance, but an active participant that is called upon to reciprocate and prove his suitability and reliability. The public sector is met on several planes: as an authority, and as important customer (of rehabilitation services), and sometimes as a partner in joint projects. Thus, the different interfaces between community, business and the public sector cannot be analytically separated as in the case of social cooperatives.

Trainee placements are both part of the enterprise's mission in its own community, and a source of up to 25 percent of the enterprise's revenue, essential for its prosperity. Trainees may be directed and financed by *any* of the authorities within health, labor and welfare.<sup>22</sup> Remuneration is negotiated on "pay as you go" case-to-case basis, or (with the municipality) within a stable contract for four permanent places. The relation is perceived as a partnership between equals: "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, and also about issues that lie outside the business relation proper, such as (mentally handicapped) participants, as regards housing and other aspects of the social service they receive. In

<sup>21</sup> *Förankring*, the expression used, literally means "anchoring", being anchored (from interview transcripts, the *PERSE* project).

<sup>22</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 Labour-Market Board, the Social Insurance Authority) may shift between the roles of partners in a mission, business contacts, competitors and donors.



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 and dynamism, and the threat this may generate among peers and would-be competitors that the enterprise may take undue advantage of subsidies. Active involvement in projects that are oriented to common goals, such as enhancing the entire region's competitiveness is one way of coping with this situation. The cooperative is strongly aware of the high impact of networking for *all* of the commercial operations that the enterprise engages in. At the same time, in a rare show of vulnerability, that calls to mind the case of ICS in the previous section, *Medvind* declined to pursue an ISO (International Organization for Standardization) quality assurance 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: 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 enterprise was heavily in debt at that moment, due to a real-estate purchase). The considerable *sangue froid* demonstrated by *Medvind*'s customers, creditors and business partners was proven as justified in the long run.

### ***Overview of the presented enterprises***

Each of the enterprise types reviewed under the Swedish examples was started and is run by a group that is held together by a common need/life situation and a shared idea of how this need should be met or resolved. The activities initiated are self-centered, in the sense that their initiators either are identical with, or included in the target population. The four enterprise types are summarized in Table 1.

**Table 1. The enterprises: Activity and resource mix**

<b>Enterprise type/ Actor/carrier</b>	<b>Need/key idea</b>	<b>Core service/ product</b>	<b>Target group</b>	<b>Resource mix</b>
<b>Parents' co-ops/ Group of parents</b>	Involvement in own childrens' upbringing	Child care	Own	Affiliation/conversion. Entitlements, fees and own voluntary work
<b>STIL/ Group of gravely handicapped</b>	Independent living	Administration of assistance	Own	Affiliation/conversion. Entitlements and own voluntary administra- tive work
<b>Social Co-ops/ handicapped/ marginalized</b>	Sense of own worth; Creation of work-place	Assorted products, proximity services	Own	Own (and committed others') voluntary work, business reve- nues, contributions (primarily public)
<b>Community enterprises/ Key community members</b>	Integration as community devel- opment	Assorted products and services, to business and au- thorities	The entire commu- nity	Business revenues, project financing, some quality voluntary work on board

The resource mix mobilized by the four enterprise types varies considerably. This difference can be traced back to differences in the rule regimes that govern their respective fields of operation, but also to the involved persons endowments and life situation.

All enterprises reviewed in this paper are organized along cooperative principles. This choice, though strongly swayed by the Swedish organizational tradition, also reflects the enterprises' economic rationale that involves the pooling of resources that members can access and apply to a collective pursuit of common goals. These property-rights and collective action aspects of social entrepreneurship will be discussed in the two opening sections of the discussion.

## **Discussion**

### ***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, 1981), 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 is fairly accepted, the notion of *resources* being embedded is less 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 is put in relief at the interface between social entrepreneurship and business activity. Quite obviously, some assets held individually may not be transferred. Others may be transferred by way of gift, but not sold/exchanged (cf. Titmuss, 1977; Geertz, 1973); the circle of potential transaction parts it may be transferred to, may be open or restricted, etc. Just as “ownership” over a resource is not necessarily tantamount to control over it (Stryjan, 1989b), the *right to allocate resources* is not invariably linked to the right to use or appropriate them (decision-makers in modern societies, welfare officials, senior corporate executives and officers in cooperatives and non-profits are all a case in point). Conversely, the right to use an asset may or may not be transferable, etc.

This complexity contrasts with the dominant market model, within which resources are normatively expected to be fully separable from their “owner” if he so desires. Strings tied onto the free movement of assets so as to make them less alienable are perceived as market imperfections. Polanyi (1944/2001) suggested that mobility/alienability on one hand, and the restrictions on it on the other, represent, in fact, separate normative orders. Commodification, through which social ties and “traditional” forms of property rights are displaced by impersonal market rules reflects a process in which an economic market order is achieving domination over the social order. De Soto’s (2001) approach to the property rights of those marginalized by the victorious market order presents the problem in nearly similar terms. Yet, the solution proposed is somewhat of a conceptual mirror-image of Polanyi’s. According to de Soto, the rise of market institutions “declassifies” traditional resources that are held “informally”, and excludes societies and groups that hold them from the realm of market transactions, and the affluence it generates, confining them to the informal economy. Inasmuch as disenfranchisement was caused by exclusion from the market, the path to empowerment leads *through* the market, by way of an institutional re-classification of held assets.

Non-market property regimes need, however, not be “traditional”, as in the cases discussed by de Soto. A comprehensive set of “non-market” property-rights and entitlement packages is defined, in advanced welfare societies, by the institutions of the welfare state. The rules that regulate transfer and (eventual) exchange in this case differ from those that would apply either to the economy or to civil society. As discussed in the section on social enterprises, welfare entitlements are economic by their nature (immediately, as in the case of transfer payments, or indirectly, when disbursed as transfer services), and social in their content. The drive to convert them into economic resources, that was discussed in the cases of previous sections of this paper may, in fact, be considered as an application of de Soto’s reasoning to the wel-

fare and labor spheres.

Common to the spheres of reciprocity and social relations and of welfare/statutory redistribution, 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 such fashion 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 by formal or informal rules, the formation of an enterprise requires *assembling together actual human beings*, and not merely accumulation of impersonal physical (or financial) resources.

***Actors and resources: A community of action***

Cooperative enterprise, the incorporation form resorted to in all the cases studied in this article, is the traditional mode of linking individually held non-market resources. Historically, it was employed in integrating 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 and Schmidt, 1990; Yunus and Jolis, 2003; Bernasek and Stanfield, 1997), or the labor of the unemployable (Hirschman, 1980).<sup>23</sup> Indeed, it is *the act of pooling* that renders such resources marketable, and provides a potential platform for entrepreneurial action. Though collective entrepreneurial action needs not confine itself to institutionalized channels (cf Hirschman, 1981,1984; Tetzschner, 1998), or specialized incorporation forms (Reich, 1987; Vyakarnam *et al.*, 1997), cooperative governance structures are designed to fulfill the twin tasks of safeguarding the resource-holders rights and of facilitating joint action to advance their interests (Stryjan, 1994, 1989b).

Entrepreneurial features are most manifest in a cooperative enterprise's founding years, during which a common unit is forged, individuals motivated/mobilized to join it, and institutions are shaped. Studying new cooperatives' founding years (Stryjan, 1994a), we find that the crystallization of a core group, that progressively links in additional participants, resources and fields of activity often proceeds in a non-linear, open fashion, seizing opportunities, as these present themselves. Prospective members' relation to their organization, and the possibilities open for collective action in the four enterprise types are presented in Table 2.

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<sup>23</sup> Cooperatives may also exploit in a likewise fashion traditional, indivisible collective rights (*e.g.*, of aborigine groups), in cases in which belonging to a collective entitles the individual to a right of use (*usus*)—but not transfer of a common resource.

**Table 2. The team: Members and strategies**

Type	Alternatives available	Level of inclusion	Time-Horizon	Strategy range	Supporting network/community	Resource mobilization mode
Parents' co-ops	yes	partial	limited	regulated	no	affiliation/conversion
<i>Independent Living</i> (STIL)	yes	total/fragmented	open	partly regulated	no	affiliation/conversion
Social co-ops	no	high	open	circumscribed by own limitations	weak	hunting and gathering
Community enterprises	yes	high	open	open	yes	business, networking

All organizations reviewed are created by volition (though social cooperatives' members lack other realistic alternatives), and have shared perceptions of the enterprise's goal and activity. However, members' circumstances, and the available options and motivations for entrepreneurial action differ considerably. Parent cooperatives prime objective is to provide a stable environment for members' children, while IL-cooperatives are created to promote members' individual development. Enterprise development is accorded a low priority on the organizations' and their members' agenda, and entrepreneurial action would be resorted to in managing crises and introducing improvements. By comparison, both social cooperatives and community enterprises are naturally oriented towards collective action. Both are conceived as open-ended projects, and both are committed to the advancement of their target community, though the perceptions of community and the orientation towards growth may differ somewhat, between, as well as within the two groups. The capacity for concerted collective action presupposes a shared conception of "actorhood", and of the joint undertaking's intrinsic worth. To the extent members are expected to commit personally linked resources (including intangible ones, as contacts and reputation) to the joint activity, transactions would follow and be keyed to uphold two basic assumptions, namely of reciprocity and of permanence (Stryjan, 1989b). As demonstrated by Uzzi (1997), the last of these is both the most tangible and the most obviously counter-factual of the three. Cultivating a community closely reminds of planting the proverbial oak-tree: an endeavor whose future life span is quite uncoupled from that of any occasional participant's.

In parallel with forming the enterprise proper, the founder(s) often invest in assembling a network of supporting individuals and organizations in the enterprise's environment, that are essential to the enterprise's resource procurement. The boundaries between these "outreaches" of the enterprise and the focal organization proper are often held vague, and intentionally so.

***Converting capital: 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. Ties, obligations, and exchanges are thus not exclusively bound to a single “social only” or “economy only” sphere. 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).* Social entrepreneurs traditionally utilized social capital to obtain resources. Credit cooperatives and associations are the best known “classical” form of direct conversion of individual pledges into (access to-) capital (Bonus and Schmidt 1990). Welfare cooperatives, discussed above convert, in a similar manner, social capital into affiliation and the pooled welfare entitlements gained in this fashion, into public financing. Otherwise, the simplest traditional form of nearly linear conversion is that of voluntary labor (see Quarter *et al.*, 2003). Using pledges of voluntary labor as pro-forma matching financing for the purpose of EU-projects illustrates how institutional measures can provide new economic leverage to informal arrangements. A wide range of other strategies is cultivated by social entrepreneurs. 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 carry economic benefits also 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 an official’s perception of the applicant’s good faith and his reliability. Important favors may be extended also by default (as demonstrated in the aforementioned case of *Medvind*). The decision of the local 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 filling in for a bankruptcy and to do its utmost in effecting a turnaround. This, in turn, enhanced the trust relationships that the enterprise evidently managed to build up and the efficacy of its social strategy.

*Reproduction (from social capital to social capital).* The cases discussed above illustrate a consistent strategy of construction of supporting networks in the relevant environment, and their continued maintenance/reproduction. Nourishing a supportive relationship is to an extent a matter of continuously promoting the intrinsic worth of the joint enterprise's operation (cf Stryjan, 1989b), but such relations are a matter of reciprocity and utility as well, and as such reinforced by deed, not by word alone. To put it bluntly, in order to enjoy continuing support, the social entrepreneur has to repeatedly prove the enterprise's actual or potential usefulness to partners and members. Such exchanges are self evident in customer and partner relations with households and local business, but also in the structurally simple cases of welfare cooperatives, such as parents' cooperative kindergartens. In all these, a viable exit option exists, and may be utilized by those dissatisfied. In formal settings, public or corporate, in which all parts are sensitive to allegations of favoritism, exchanges may be highly intricate and implicit. Some may involve contribution to a partner's standing in *other* networks that he participates in. Community enterprises such as *Medvind*, may provide additional indirect benefits to their partners, through the extensive contact network that they maintain. To an extent, the enterprise reciprocates for the trust bestowed upon 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 (see Badelt, 2003:149). This facility becomes particularly valuable in partner-quests in the emerging context of EU-projects and partnerships.

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 cooperatives, 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 (from economic to social capital).* 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. Depend-

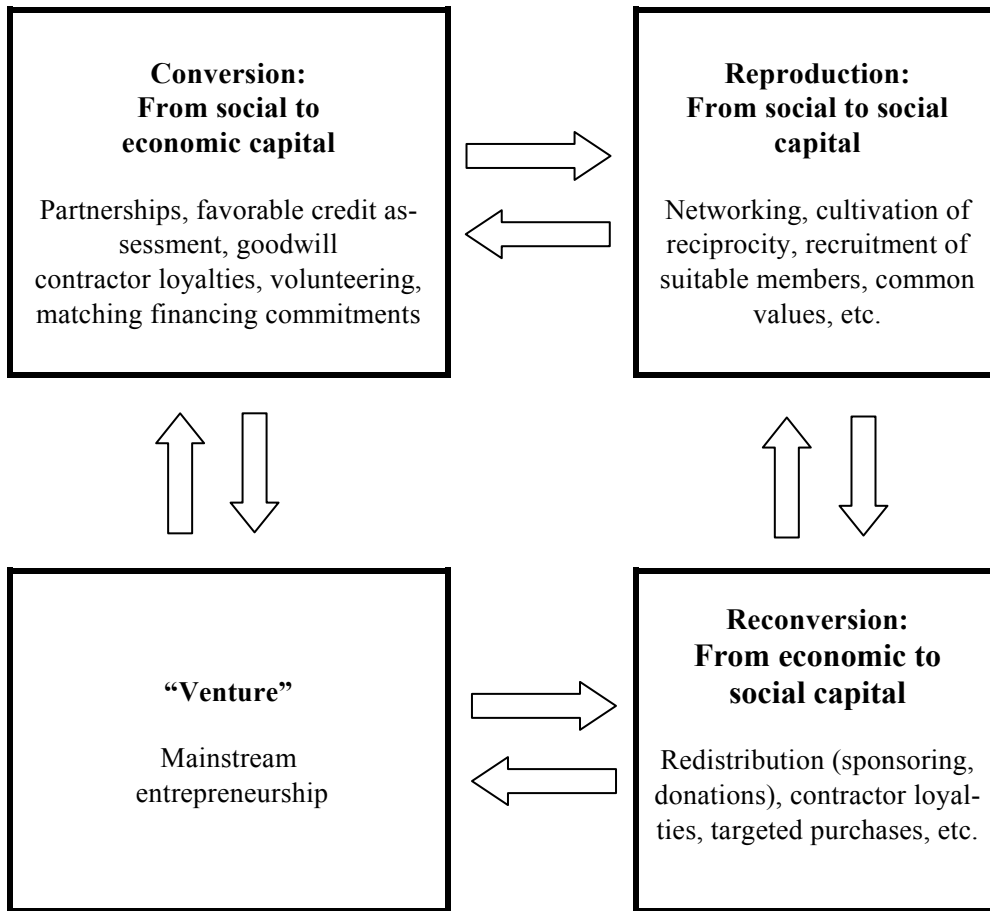
ing on the norms that apply in a given society, and the parts' respective standing, such transactions may be initiated by either part in the exchange and would enhance the standing of either of these, or both. For social enterprises that would normally stand at the recipient end of the gift relationship, promotion and fund-raising, rather than donations, are likely principal modes of investment (in the Swedish context, public financing conveys more legitimation than donations; consequently, promotion would normally be preferred to fund-raising). This is, however, only a part of the picture 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. Viewed in this light, Coleman's contention that social capital is created "mainly as a by-product of other activities" (1988:S118) seems quite inappropriate. Indeed, entrepreneurs that are dependent on goodwill for their operation can be expected to consciously invest in nurturing the relationships that provide it, both by deed and by default.

*Business venture.* The reproduction of economic capital is sufficiently described in mainstream economic literature, and will thus be only named here briefly. Economic activity can be, and at times is pursued, in utter disregard of the surrounding society. Yet, it is socially embedded to some extent in most cases. Conversely, social undertakings would normally include an economic component, and their survival would generally hinge on meeting some sort of economic boundary conditions.

Conceptually, the four elements outlined above 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 3.



**Figure 3: Modes of conversion and reproduction**



Each of the four elements can be practiced and observed largely independently of the others, either in isolation, or within a subset of the four<sup>24</sup>. Optimally, we should expect these elements to be congruent with, or contentwise supportive of each other. The enterprise’s economic performance and the nature of its business activity should enhance its good standing and be partly directed towards reproducing its support base. The conversion practices engaged in to mobilize support should be congruent with its values and goals, and conducive to its business performance, etc. To attain

<sup>24</sup> Both cases of pure economic reproduction and pure social reproduction are intuitively familiar. The potlatch ceremony is an unsurpassed example of a one-way, one time reinvestment; likewise, extreme cases of one-way conversion of social capital to economic capital may be observed in plain confidence tricks and (with some reservations, since opportunistic actors may seek a way to reiterate their gains) “opportunistic behavior” as well.

such congruity, the four fields of activity (or their respective target groups) should be embedded in, or linked by a common social context. While it is possible to envisage situations (as in the cases of classical philanthropy or classical exploitation) in which the target-population of a service and the sources of financing are fully separated from each other, these should rather be considered cases of windfall financing that remain viable as long as the benefactor's motivation lasts.

Thus, social entrepreneurs identify and *define a community*, rather than merely contribute to a predefined one. The model outlined 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" (Evans/Conscise, 2003). The boundaries of such provisional communities need not follow historically, geographically or politically predefined (*e.g.*, local, national, regional) "communities". Only one of the cases discussed in this article, *Medvind* and its supporting network purposefully aspires to identify with, address (and to a degree, encompass) its entire local community. Even in this case, the boundaries are left intentionally vague, and advocacy shifts focus between home locality, the municipality (that is an amalgamation of small towns, with its centre elsewhere) and the broader region of Scania.

The links constructed by other enterprises in our sample address, define, and bind together a *subset within a community* (however defined). Both parent-cooperative kindergartens and social cooperatives act, in a highly circumscribed social space, and focus primarily on their respective circle of members/users, though they do so for diametrically different reasons. The first, due to lack of interest, and the fact that other alternatives are available to their members. The second, owing to their members' limited resources, and the higher urgency of these members' needs. Simply put, for members of a social cooperative, the enterprise often is the only community they have. Social cooperatives' conscious policy of engaging in services to members of the local community could be seen as an effort to break this circle of isolation, and become part of a broader context. Finally, STIL engages in single-minded pursuit of empowerment for its members, and consciously limits its social scope, while extending the geographical one. Socially, the cooperative 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>25</sup> geographically, it prefers to operate nationally, rather than locally and strives to create a decisional community of the like-minded wherever in Sweden these may be located.

The scope and structure of the provisional community that links primary users/members and prospective partners follow from – and directly affect – the enterprise's strategy and mode of operation. The task of defining, crafting and maintaining/modifying this community musters the "mechanisms of coupling and decoupling that define the boundaries of trust and social affiliation" (Granovetter, 1992), that lie at the core of social entrepreneurship. Whether the goals and values

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<sup>25</sup> As a matter of explicit policy, the sharing of assistants *between* members is not recommended.

championed and the boundaries of affiliation thus (re)drawn contribute to those endorsed by society at large, is a matter to be resolved by policy-makers and administrators, rather than by entrepreneurship theory.

### Final comments

Social entrepreneurship involves the procurement and handling of socially-embedded resources, devising ways of deriving services from these, and assuring the undertaking's sustainability over time. Thus, the practices described and discussed in this article are in no way unique to Sweden, to the limited group of cases surveyed, or to the field of social policy. Indeed, it can be claimed that they constitute a dimension that is present, to a varying degree in entrepreneurial action. Similar practices can also be identified in the operations of partnerships, networks and industrial districts, whose prominence in both economic and social policy is clearly on the increase, not the least due to the spread of novel accounting and financing instruments developed within the expanding sphere of European Union institutions. 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 "mainstream" entrepreneurship. It may also prove to be the best way to counter attempts to reduce the field of social policy to matters of re-distribution or social engineering.

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