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The Distinctive Role of Collaborative Networks in the Social Economy Towards a More Operational Definition of Social Entrepreneurship

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Abstract. When outlining the difference in approach between "Third sector research" and "Social Economy", we see in the US both scientific approaches prevailing simultaneously. In Europe however, the paradigm of the social economy is emerging and seems to engulf the conventional notion of civil society and nonprofit sector. This study delineates concepts trying to contribute to a clearer-cut definition.

The social economy's concise definition is predicated on a sustainable *business model* paired with a *social aim*. This somewhat reductionist approach conveys that the nonprofit constraint does not apply here. By social aim it is the employment incubating function that is most frequently understood but green, welfarist, integrative and other societal purposes are also often meant. Bowing to expectations to show due citizenship, every corporation boasts of pursuing social aims, of revealing a degree of social responsibility.

Unfortunately, when it comes then to count the social economy, degrees are not really measurable: our existing theory - based on the concise "social aim" criterion - starts stuttering. In order to help overcome this difficulty in empirical research, this study recommends applying a proxy variable as a substitute for the problematic "social aim" quality. A substitute, which can well discriminate the collaborative social economy from (1) business, from (2) state-owned companies and (3) nonpro-

fits alike. To lay foundations for constructing a proper proxy, this study puts the emphasis on the self-governing nature of social enterprises. The study also provides background to and definition of the notion of bottom-up networks and describes where and how they fit into the social enterprise. The existing literature on the social economy has amply treated networks as supporting structures. I recommend taking them rather as constitutive factors that give rise to this distinctive sort of entrepreneurship instead of merely supporting it.

This functional change - amounting to a paradigm shift - modifies the concise definition to claiming a sustainable business model paired with anything but a business-like structure of collaborative network in management. Although there is a thirst for information on how social enterprises might be better managed, there has been little written to enable empirical research to do their work in measuring the social economy as distinguished from civil society and the nonprofit sector.

Keywords: civil society, the nonprofit sector, solidaristic and social economy, bottom-up networks, co-operatives, ceded income, entrepreneurship.

JEL Classification code: A13, P13



In the beginnings, when looking at the edge between market and the state, economic sociology has delineated the independent voluntary sector including associations, foundations, civic groups and a few other forms of organisations. Later on, in the nineties the concepts of the social economy and social enterprises have evolved depicting value driven entrepreneurial activity. This term comprises all economic organisations irrespective of their ownership where the structure is self-governing and the profit maximalisation yields to other functions such as the case with co-operatives¹ and mutuals². Although heuristically this subsequent set of private organisations is clear-cut, their discerning concept - the teleological factor inherent in the "social aim" - is not operationalizable.

Most succinctly, social entrepreneurs are defined as a working business model coupled with a social mission. This latter criterion of finality - vague as authors themselves always admit - is always included in one form or another whatever definition approach we take from the existing literature on the social economy.³

¹A co-operative is a company where owners' rights are redistributed equally, independent of equity stake. In addition to this fundamental criterion, coops usually also provide something for members' welfare.

²A mutual is a non-profit organisation without a public service function. Instead of serving public benefit they build civil society by providing something for their members' welfare.

³Under the venerable category of the informal economy there have always been scattered examples of social enterprise. The same applies to online businesses which often match all criteria of the social economy. The first accounts of businesses with an explicit community interest date back to research in CIRIEC and the writings of the UK Small Business Service. Until nowadays, an inbred social economy has emerged spontaneously and has developed into a sui generis sphere of the economy.

Take the pioneering five economic and social characteristics of the duly recognized EMES-definition: "An explicit objective of benefits to the community: one of the main objectives of social enterprises is to serve the community or a specific group of people. In this sense, one of the characteristics of social enterprises is the desire to promote a sense of social responsibility at the local level." Or, there is what I am inclined to dub the Spreckley-Southcombe definition⁴ putting the social mission into the very centre as a distinctive feature of social enterprises in the social economy. Jacques Defourny then, in his significant dictionary entry defines as a combination of a special mode of production (private or collective) with the lack of an eminent profit motivation.⁵ There is then the minimalistic definition also frequently seen in texts all over the higher education and research: "the main aim of a social entrepreneurship as well as social enterprises is to further social and environmental goals ... Social enterprises are for more-than-profit". (Figure 1.)

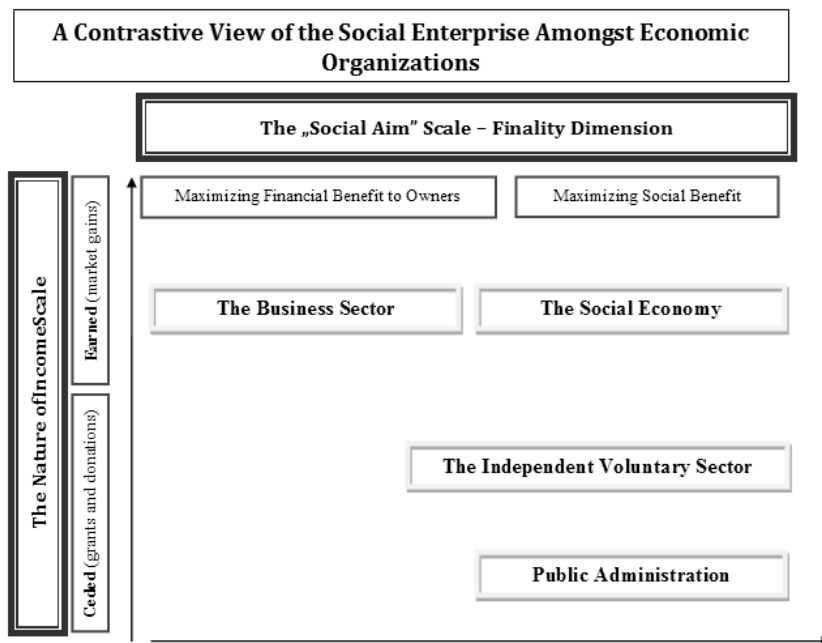


Figure 1: A Contrastive View of the Social Enterprise Amongst Economic Organizations.

These approaches- although not capable to resist scrutiny in all aspect - are app-

⁴This is the Wikipedia article on social enterprises

⁵J. Defourny, *Économie sociale*, in J-L Laville, A.D. Cattani (2005), *Dictionnaire de l'autre économie*, Brouwer, p.233.

ropriate in drawing into focus many more trading bodies beyond the conventional voluntary sector criteria (a third sector between business and state with the non-distribution constraint based on *ceded income* as the principal source of operation). These approaches all have an underlying dichotomy as a constitutive element predicated that there were financial returns on investment (ROI - an index of financial profitability that measures the net result of operations as a percentage of funds invested; an indicator of business success) and social returns on investment (SROI - the non-financial outcomes created by a social enterprise, measured in terms of mission and impact, e.g. people served or jobs created, average salaries paid, foregone dole, amount of local authority transfer payments eliminated, etc).

We all know that when it comes to entrepreneurs, then competition, efficiency and the so-called Schumpeterian "creative destruction" comes necessarily to mind. But what is then the core meaning of being "social"? In my interpretation a social enterprise will be social not because (1) this issue was social policy related. Not (2) that these entrepreneurs or project managers are all aiming at recipients of some social policy scheme. Not even that (3) the project belongs to a social responsibility framework of a company whereby business leaders exert their corporate citizenship. Nor (4) that they embody features like transparent reporting, environmental awareness, community service, contribution of profits to the common good. Having excluded all these factors, let us see what remains sticking under the adjective "social".

Social aims are all too often but captured public interest. Because of this and also because finality is always difficult to operationalize, I am looking for a methodological bypass: a bypass that omits all teleological setting as a criterion. While I have no basic problem (only contributing notes) with the vertical axis⁶, I am convinced that while this approach may be conducive at a state servant or journalistic level, it is certainly not yet applicable for empirical research, let alone comparative studies. So my critic aims at the deployment of the finality scale at levels deeper than information dissemination. I recommend substituting it with a mode of operation dimension.

There is a way to operationalize the "social aim" criterion: in some European countries public servants apply a community interest test or public service test before registering applicants as social enterprises or granting nonprofits a tax sheltered status. These tests are usually rudimentary and substantive at the same time

⁶For Boulding (1973), the grants economy (the welfarist ecosystem of one-way money transfers) as a whole belongs to the ceded part of income: contributed and not earned. But grants can partly also be interpreted as earned income! This is the case with grants when exchanged against some pre-determined performance such as the outcomes of a project. This type of grantmaking - by far not one-way anymore - is the modern tool of planning where articulated social aims precede economics. Otherwise a bank credit would make do. The many grantmakers in modern market economies exercise the same function what the Central Planning Bureau tried to do alone in the command economies (relegated to economic history): to channel resources along values. If such grants are then appropriated in a competitive tender this source is then a full-fledged earned income (*quid pro quo*) for the winner.

- as opposed to being universally formal and restricting themselves to examining the incidence of community roots. The measure of public service is also all too often a laxative list instead of a minimalistic formal criterion gauging public support.⁷ Last but not least, a test like these is necessarily country-specific without a feasible option to harmonize them at an all-European level.

I recommend retaining the "trading for a social purpose" approach but espousing another (related but underlying) concept. This complementing concept is expected to go beyond the mentioned pre-existing dichotomy of public service. This notion of ours is intended to enable students of the social economy to arrive at a measurable proxy variable other than the primacy of mission, responsibility or finality whatsoever.

I set out to interpret self-helping networks - instead of a social aim - as *sine qua non* of the social economy, as their second constitutive factor. As an outcome, the underlying definition - omitting the rather nebulous criterion of social responsibility, social mission - ought to convey that social enterprises, in addition to producing or servicing, necessarily also contribute to a community's welfare production in a self-reliance manner. If not more, they at least offer useful activity and part of a livelihood for their members to the tune of their being a collectivity. Thus there is little sense in prescribing them to be value-driven or to carry additional communitarian objective, let alone bearing some explicit philanthropic purpose.

The Role of Reconnecting Networks in the Social Economy

Due to their more vulnerable character, all social enterprises are predicated on the existence of a sustaining collective. If the entrepreneur here could carve out a living from anonymous market transactions alone, if he could make do without the enabling hand of others, without being embedded in a closely knit helping set of connections then they wouldn't go for being linked-in a social enterprise, they would definitely opt for an unplugged sole tradership (who can contribute by sweat equity alone) or a limited company.⁸ This inexorably connected status has consequences on at least two counts.

Initially, the market value of a social enterprise is difficult to gauge because the network behind it cannot be operated by anybody else other than the entrepreneur. Initiatives and maintenance all require their leadership. It cannot be outsourced, delegated or sold. Networks do not have an exchange value as they are linked to the person around whom they develop. Nobody else could operate

⁷When ascertaining the strength of public support a project with one single big donor ought to be attributed a lower status in public service whereas as another project boasting of several although smaller donors should be deemed more as public service. Still, these criteria are nowhere applied.

⁸As an antipode for a community-curated social enterprise with an enabling network behind, I could evoke the example of a rural hamlet as a family-run farm with its nearly accomplished self-reliance - salt and petroleum as only imports are usually swapped against home-brewed spirit.

another person's network if it is not standardized (and called human resources) as in business. It is not only exchange value that does not apply in social enterprises: maximization of profits and labour law are not applicable either - twenty years ago something like this was called a counter-culture. Thus there is no exchange value of the enterprise either!⁹ A social enterprise is a business that can hardly be sold later as a business. At this early stage, there is no calculable market value of it, only its goodwill and other intangibles, at least - quite beyond of accounting, as yet. Its value added is hidden in its network it helps animate. The links are founded on direct and indirect reciprocity, informal liabilities and a delicate balance of requited favours nobody else. No purchaser can animate that - say proprietary - network. Social capital is not transferable.

Ironically enough, the proven availability of a usable personal network usually qualifies one for a bank credit to the tune of micro financing. Because social entrepreneurs operate within a social context rather than the weak-bonds interwoven business world, they have limited access to other means of raising capital. Social capital is therefore - to this limited extent - convertible to capital without strings.

As community building and social capital accumulation is the collateral outcome of social entrepreneurship, the more diversity social enterprises can have the more cohesive a neighbourhood's civil society will be. While being businesspeople, social entrepreneurs at the same time carry many traits of a community organizer. They foster community bonds and without embeddedness no community endeavour can survive.¹⁰ Their social capital is thus indispensable for them. Some of the entrepreneurs may take-off and leave behind their network for the ever-changing clientele of the open market. Others will remain rooted in their network for life.

Social enterprises are mostly collectively owned and -entrepreneurial as they might occasionally be - are characterised by inclusive management and participative governance. It is based on their acquaintance or membership network alone that they can muster human resources. As a rule, social economy organisations follow the one-member one-vote pattern of governance. Nonprofits at the same time usually apply curatorial governance or sheer businesslike patterns. Thus the self-governing feature of network-animated business transactions satisfactorily dist-

⁹An asset lock as a public guarantee against the improper use of taxpayers' money or against the expropriation of resources by some self-appointed owner is therefore not unconditionally necessary here. One man's social capital is valueless for another man: social capital has no exchange value. My network and your social capital are not interoperable with someone else's. On a different platform (say in another city) my old network is quite useless. Therefore, there is no exchange value of a liaison network. Databases (that is the description of a network) and especially personal data might have their exchange value on the market - but not the live network itself. For instance, the Association of Mouth and Foot Painting Artists, a global association functioning like a social cooperative keeps on paying out its income to members without endangering their common - pool property.

¹⁰Recommendations, adoptions, endorsements and references are the usual measures of being embedded. In the emerging mathematical science of scale-free networks equivalents are the density of links and consequent pageranking in search algorithms. As a spillover the so-called links economy has also emerged. Further consequences of being linked-in are popularity and reputation - giving rise to what is called the "attention economy".

inguishes collective ownership from individual companies or business clusters of privately owned companies.¹¹ This dimension of inclusive governance based on the absence or prevalence of an own social capital is an easily operational feature that can be recommended to be applied instead of the vague "socialism" criterion.¹²

Two Mini Case Studies Underscoring the Role of Networks

In the social economy, when exploring the role of being linked-in, I would like to point out, as it is well-known, how much connecting were a suitable tool for revitalizing the inactive, the long-term unemployed and the underemployed. This is an active tool in the implementation of employment policy. This means the tapping of the unemployed' reservoir potential (as opposed to conventional welfare structures such as social assistance or the dole). Networking alone is not yet a social enterprise but the lobby of it. I understand a time bank, for instance, as an unexploited, minimal level network, that can be operated without a pre-existing set of competences as an entrance hall for an entrepreneurship where the core competences are revealed to the extent of forging an appropriate business model for sustainable operation. In order to substantiate this claim I come up with two mini case studies.

There are renewing initiatives by established **banking institutions** (not only non-profit ethical ones but commercial banks, too) to start lending for the poor. Having perhaps learnt and drawn the consequences from the current crisis of decades of lenient lending to "unemployed alcoholics" (the current equivalent of the "Polish plumber" - they still consider offering credit for the poor *provided they form a co-operative*). A mutual organisation, that is a network of long-term unemployed people with impaired work ethics could in fact elevate them to a level (of robustness) where stable performance can realistically be expected from them (and defaults due to one member's laziness or tardiness becomes less likely). In a co-op for, say, cleaning founded by the long-term unemployed, it is a serious add-on for these people with their usually impaired work ethics that in case of tardiness and delays they have to reckon with each other instead of a boss. This is what I regard an enabling network.¹³ The mounting of an incubating time bank in form of a social cooperative or community interest company seems especially appropriate to foster skills in a live network for people who might find their marketable compe-

¹¹As a further example, I refer to the historic pattern of self-governing companies in the former Titoist Yugoslavia. As to their assets, they were neither state-run nor privately owned. Nevertheless, there is no way of interpreting them as part of the historic social economy, as their workforce and leadership alike were recruited on the open labour market and their governance was in fact anything but inclusive.

¹²When it comes to a questionnaire of a survey I could imagine asking respondents for either the pattern of governance or the ownership proportions.

¹³This does not mean that these ties were necessarily all too strong or were clustering high in these peer-to-peer networks. In Marc Granovetter's (Granovetter 1973) meaning they belong to the weak ties of social bonds.

tences in this organisation only later on.

As to the incubating role, social entrepreneurs are especially capable to deal with the long-term unemployed, those with vulnerable work ethics. The organisations of the social economy are mostly considered as a bunch of people moving to and fro between creating or having a temporary and precarious employment or being for a short time self-employed on the one hand and remissions of being a vulnerable subject of social policy on the other hand. This approach of social mission business ventures goes back as early as 1975 when Gappert and Rose first published their volume on the social economy in America. In case of such transit organisations never leaving behind project phases, the entrepreneurial task is that of a catalyst who lets those vulnerable employees get together (build community in order to find their core competences) and then work together as a collective. This helping network is needed because individually and alone they are hardly capable of fulfilling what a working environment requires from workers.

Family-managed tourism is an important pattern in social entrepreneurship. Tourism is always highlighted for being a sector with potential for expansion on a global scale. For its growth potential and for being a product that can only be consumed in loco, tourism has the prominence role of being a strategy for local development. In this context the search for competitiveness is one of the key concerns of companies around the world. Recently it was discovered that associative cooperation is a competent tool in enhancing local hosts' performance in regional development. In Tourism Destination Management (TDM) the best practice nowadays is to let hosts form a mutual organisation, mostly an association or co-operative. Their bottom-up networks have a decentralized and less-businesslike governance; the network coordinator is mostly selected by a member of the cluster acting as a kind of service provider such as exerting quality control and development tasks in order to achieve a sort of brand-status for all the touristic products of their destination (a village or touristic region).¹⁴ Situated mostly in arch-conservative social environment, such as Bavaria, Tirol or West-Hungary, village tourism houses - as elementary cells of a cluster doing many management functions collectively - foster a few important "alternative" values. Labour law, for instance yields to paternalism. Otherwise expressed, *employee satisfaction* is said to be prevailing motivation in labour relations reduced to the realm of an extended family. In a typical family firm, where values of self-employment prevail, the norm of maximising profits does not apply, either. Last but not least technological development mostly aims at job-creation alone as the sole virtue of entrepreneurship. This formation can certainly be called a value-driven organisation, if not a grassroots organisation bypassing all bureaucratic encroachment or state supporting schemes.

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¹⁴As to clusters enhancing the competitiveness of a regional industry c.f.: Porter 2000; Rocha 2004.

The Participative Social Economy

Let me come up first with a mini case study on home restaurants.

They usually begin as a pirate restaurant or unlicensed private supper club in a basement apartment then start going public and losing cachet; they grow as a dinnerparty network for lovers of fine cooking, cool art and new friends. In a mature form they can take shape as a "wandering supperclub" producing community dining events. Having found their core competence and market niche, such a "dinnerparty network" is for hospitable and adventurous gourmets to connect, gather and share. At their best, they can attract diners looking to sample high-concept cuisine with an exclusive group of insiders without the usual overhead costs of a fancy restaurant as a reaction against the commercialism of celebrity chefs.

Having found their new competences as a cult site, alternative restaurants have the option to start a new commercialisation (giving up their "password-enabled" entry) or remain within the voluntary constraints as they have evolved. Let me call attention to the rich opportunities the prevalence or absence of a password offers in sociologically determining the "social" character of an endeavour.

In one sense, the social economy is also a third sector just like the voluntary organisations - but relevant is then a Private/Public divide instead of the Business/State dichotomy which latter usually delineates the independent voluntary sector. Casting a glance on a Private/Public continuum, we discern for-profit and voluntary organisations alike as all constituted under private law, then statutory organisations enacted by some state decree belonging to public law. The third option in this ownership scale of the Private/Public continuum is placed in the intersection space occupied by the Commons. (Figure 2)

Following the original idea of Van Til (2000) who argues that the voluntary sector's assets should be interpreted as belonging to the Commons because these organisations serve the public good, I argue that the asset-locked organisations of the social economy do in fact constitute and enrich the scanty examples of non-traditional, non-environmental, but newly emerging Commons.¹⁵ Instead of predicating a social aim to organisations here, I imply that the rich historic notion of the Commons should be regarded as the all-encompassing space for the social economy. That is why I speak of *participative social economy* where entrepreneurship means community development, where capital and labour as *traditional factors of production* are complemented by knitting an enabling network.

¹⁵The newly emerging Commons such as radiofrequencies or patents is a very special under-set. It should suffice here stating that common-pool resources - other than natural monopolies - are a social construction. One has to sensitize people otherwise they won't attribute them value. They only emerge as they turn important: just as distinctive items of a bequest may seem for the preying eye worth of handling like a heritage.

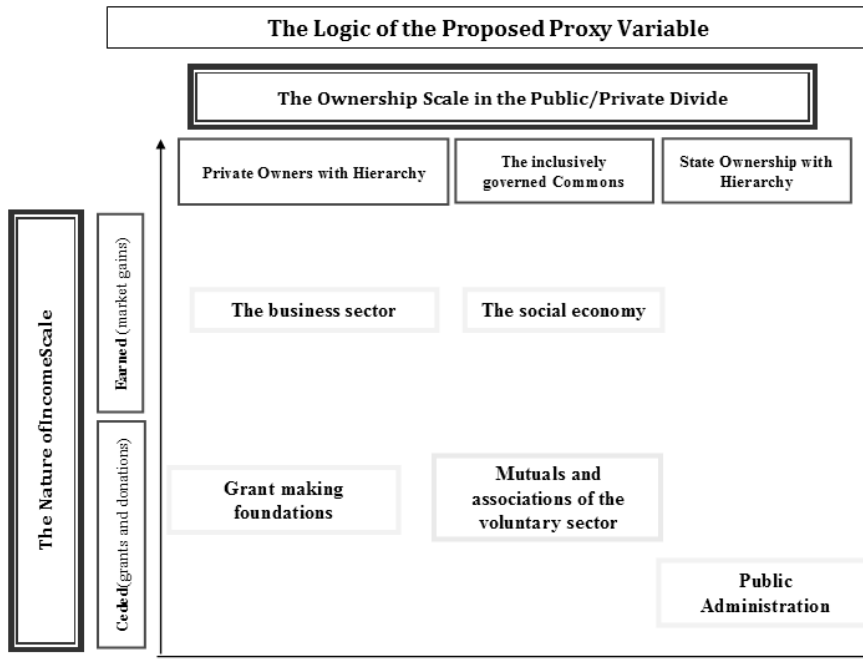


Figure 2: The Logic of the Proposed Proxy Variable.

The Commons, as we know it, embrace:

- Self-governance (referring to collectively owned companies) and inclusive management (referring to the manner in which peer production projects are managed).
- Common property (referring to natural monopolies and common-pool resources) and collective property (referring to the new type of licenses which recognize individual authorship but not exclusive property rights; historic and revived forms of land tenure, etc);
- Patterns of spontaneously grown common utilisation patterns (referring to collective land and forest exploitations) and peer distribution (referring to the manner in which products, particularly peer-produced products, are distributed).¹⁶
- The so-called sharing economy recognizing that in addition to authors and artists who want to sell their work, there is amazing creativity by scientists,

¹⁶Civilian journalism and the evolving ecosystem of shared news also belong here. These new phenomena are enabled by the changing consumption patterns of news.

teachers, authors, artists and the rest who simply want to share our creativity. Community sites and social media provide this economy of giving an infrastructure to operate. On these enabling platforms millions of creative works have been offered to share and, occasionally, also to profit from the creativity that they share. An artist, for example, can release her work or enable those who want commercial rights to link to a site that can provide those other rights. This is an evolving hybrid economy of creativity.

As a transition between the legacy notion of the Commons and its upcoming rich new applications, and also to denote collaborative projects in general, let us consider the term of commons-based peer production (Benkler 2006). Commons-based peer production is to describe a new model of economic production in which the creative energy of large numbers of people is coordinated into large, meaningful projects mostly without traditional hierarchical management (and often, but not always, without or with decentralized financial compensation). Often used interchangeably with the term social production, commons-based peer production is to be contrasted to firm production (where a centralized decision process decides what has to be done and by whom) and market-based production. The notion of commons-based peer production is recently also being applied on tracing patterns of news consumption on social media (Benkler 2009) with a result that prepares a cautious thesis that many facets of social media activity - news distribution and arts production in the digital variations of the mainstream media - might also belong to the social economy.

For a socially inclusive economy one of the principal patterns is poverty reduction and employment generation. In Central-Eastern Europe this is the salient function for social entrepreneurship. Its prevalent form is the social co-operative¹⁷ with an aim to train into employment persons crippled by total absence of private sector jobs and exclusion from the labour market.¹⁸ These work integrating social enterprises have as a major objective to form and develop a collective that can absorb into work and reconnect into society by some productive activity. As stated before, collectivity alone can reconnect the non-qualified, long-term unemployed people with their vulnerable work ethics, who run the risk of permanent exclusion from the labour market. This helping network is needed because individually and left alone the long-term unemployed are usually not capable any more of fulfilling

¹⁷Social co-operatives have an indivisible mutual fund that represents and symbolizes the joint network.

¹⁸In Central-Eastern Europe the inactive strata are so numerous that they really constitute a sort of counter-sphere. For the sake of a parallel, let me cite the example of the American Indians in their reserves where off-shore rules frequently apply to gambling and the proceeds are distributed among members as in a co-operative. In order to usher the Hungarian long-term unemployed from their vestiges of informal work to formal employment many schemes have been experimented with from part-ownership through shares up to social land programs. Social co-operatives are the last form in this long row. Still, among those between 50-64, some 10 percent less are employed than in the EU-average. The same ratio for the Roma population is only around 20 percent, although in the time of state-socialism employment had reached 70%.

what a working environment requires from them. Without being embedded they would keep on moving to and fro between being self-employed and being systemically superfluous as a subject of social policy.

The principal cleavage in traditional societies is that between being socially up or down. In modern societies the main cleavage is set rather between being in or out, between being drawn in and having some social capital or being socially excluded. When gauging the pivotal role of networking in launching and operating a social enterprise I point out that collectivities are accruing social capital to members. This is because of their transient, ephemeral character¹⁹ that brings them occasionally close to a sort of niche in mainstream business. Last but not least, before anybody would think that networking builds only sympathetic organisations, let me state in unequivocal terms that local networks in society and parochialism in general are often associated with narrow access, uneven or inequitable services, cultural homogeneity, gender inequality and exclusions. Well, the very essence of networking is that other people do not belong here ...

Social economy enterprises are said to encourage the participation of stakeholders in the management and delivery of production or services, In fact, private for-profit companies might at the best manage collaboration between multiple stakeholders but they are never open for sharing in strategy formation or operations. Contrastively, in the social economy, the nonprofit sector notwithstanding, we witness the occurrence of some sort of a network that empowers the fringes and facilitates participation. This presupposes a network or rather the creation of a larger organisation that is not of a hierarchical, chain of command type but rather of a peer-to-peer type without a centre. Authority and prestige originate here from collaborative work (including often the so-called sweat equity that is: toil) and from the collective utilization of their asset-locked common-pool resources. Typical qualifying networks are those of membership organisations and mutuals, self-governed organisations, collectively owned organisations, community interest organisations. Also: as to target groups, to work "for them" is not sufficient: to work "with them" is a necessary condition.

Entrepreneurship Online

Online entrepreneurship with its user-generated content can be compared sensibly with social entrepreneurship. User-uploaded content - civilian journalism - adds to value in comparison to conventional news or some homepage content. Also, the way value is being added to this online content in a *community-curated manner* resembles to self-governing or autonomous social enterprises. The social web often

¹⁹Family-run boarding houses offering day-care for children are often entitled to receive a statutory and normative allowance in countries with a low fertility rate. Still, their life span is short. Short-lived as they might be, while in business they provide a considerable help to working parents to find a viable balance between raising children and going to work.

act as an incubator for young talent dabbling in one genre or another of art or literature. A friendly audience that gives feed-back - this is the essence of community portals - is invaluable in the unfolding of their creative potential. In order to prevail in the fields of creative human endeavour, it is traditionally the coincidence of gift and good fortune that can help talents unfold. This latter component of luck is leveraged in the non-scholarised domains of social media since attention alone is what counts. Ivan Illich, the intellectual foe of formal schooling would just rejoice seeing this practice. One can draw eyeballs without any effort as to material resources. Creative content will be noticed due to search, indexing, tagging, etc. Capital is only needed to leave incubating behind and take off.

Social enterprises are typically an entrepreneurship with an idea or a business model. They can be *disruptive* ones that have the potential to extend in an explosive manner. Their extension starts when a reflecting network arises around them - the sprouts of a fledgling clientele. This feedback can help them survive and get confirmed as to the feasibility of their endeavour. Being embedded in a network has therefore the same incubating function as subsidies in case of SMEs. As community roots always serve as a precondition for grants, online groups can easily substantiate their claims to respond to a larger audience. This feature points out to the fact that a network-rooted organisation can operate without a feasible, let alone sustainable business model. This is often the case with online communities where the size of committed followers alone is sufficient to draw attention and keep the ste going. I could cite innumerable cases²⁰ where young talent finds an audience or constituency with the help of the social media alone. The mode monetization- if any - is usually still to be invented later and can come afterward without compromising the existence and functioning of a co-operative work-together. Community sites and popular applications can operate month after month without the direct prospect of commodification. I argue that the sustainable maintenance of a collectivity or a traffic-attracting network amounts to and compensates for a working business model - as long as they develop their core competence. This online state of affairs is relevant for social entrepreneurs because it is often advisable to develop a co-operative with means of community work without a direct prospect of market

²⁰"My problem is not piracy, it's obscurity, and having put the electronic free version of my novel on a community space, has turned my books into dandelion seeds, able to blow in the wind and find every crack in every sidewalk, sprouting up in unexpected places. Each seed is a possibility, an opportunity for someone out there to buy a physical copy of the book, to commission work from me, to bring me in for a speech. I once sold a reprint of an article of mine to an editor who saw it in a spam message - the spammer had pasted it into the "word salad" at the bottom of his boner-pill pitch to get past the filters. The editor read the piece, liked it, googled me, and sent me a check. This dissemination allowed my work to spread far and wide, into corners of the world I never could have reached. I hear from sailors on battleships, volunteers working in the developing world, kids in underfunded school-districts, and people who "don't usually read this sort of thing" but found my work because a friend was able to introduce them to it. My readers have made innumerable technical remixes, fan-fic installments, fan-art drawings, songs, translations and other fun and inspiring creative works from mine, each time humbling and inspiring me (and enriching me!)."

opportunity. They will come later in quite unexpected forms.²¹

Incubation for an entrepreneurship means simulating what amateurs do sport, how *connoisseurs* deal in paintings, the way *laics* dabble in their hobbies and volunteers act in their civic engagement.

The reflexion and feed-back alone can help a young creator to explore ways of collaborating with readers, bloggers, and other generators of ideas, words, news, analysis, pictures, and data - slowly developing towards professionalism. I equalize this network of interested or engaged people around a creative mind with the mentioned enabling network that is the *differentia specifica* of social entrepreneurship. What is feed-back by an audience in online entrepreneurship, it is *reciprocity and trust* being incubated, developed and practiced in the social economy - reciprocal relations and an ever higher level of mutual trust are the salient factors of competitive advantage in this very special business segment. The experience of online communities casts doubt on the merits of demanding a full-fledged business model from social enterprises instead of satisfying us with mere operability and financial viability.

There is then the well-known lesson of *open-source software*: When a company churns out an online product, they most likely will give away the source code in order to solicit the collaborative effort of independent software developers to add applications and add value thereby. In a similar vein, I regard co-operatives as platforms of internalized voluntary discipline adherence, mutual knowledge sharing and burgeoning competences where others can join with their skills or labour. The cohesion alone within an unfolding network has an inherent value. Networks are thus an, as yet unrecognised, factor of production such as land, labour or capital.

In order to accentuate my claim that collaborative networks constitute a factor a production in the social economy, I risk a lengthy citation from a recent research. "Young people who are not working or in school, generally characterized as disconnected, these youth may also lack strong social networks that provide assistance in the form of employment connections and other supports such as housing and financial assistance. Without attachment to work or school, disconnected youth may be vulnerable to experiencing negative outcomes as they transition to adulthood. Since the late 1990s, social science research has introduced different definitions of

²¹As to unexpected forms of market opportunity, let me refer to what happened to the homeless people in Budapest: a creative talent of the advertising industry, an artist in his leisure time, has come to the idea that the homeless might perhaps start distributing the copies of his artistic work to cars stopped by traffic lights. This turned out to be a genuine success: the artist achieved attention and accumulated considerable fame comparable to a vernissage of an exposition, the amateur salesmen received their alms or tips as usual. This case substantiates that (1) a live community is a value in itself that can be converted in work opportunities and (2) the availability of a sustainable business model need not be taken as a constitutive criterium for an organisation to belong to the social economy.

the term disconnected. Across multiple studies of disconnected youth, the ages of the youth and the length of time they are out of school or work for purposes of being considered disconnected differ. In addition, a smaller number of studies has also incorporated incarcerated youth into estimates of the population. Due to these methodological differences, the number of youth who are considered disconnected varies ... The factors that are associated with disconnection are not entirely clear, though some studies have shown that parental education and receipt of public assistance are influential. Compared to their peers in the general population, disconnected youth tend to have fewer years of education, and are more likely to live apart from their parents and to have children. Disconnected youth are also twice as likely to be poor than their connected peers ... The parents of disconnected youth are more likely than their counterparts to be unemployed and to have lower educational attainment".²²

In the network economy it is the sheer number of interconnections and links that yield added value. The availability of members keeps the network alive. This rule applies more and more as the bigger the network grows.²³ The networks are usually organic grown, such as an ethnic purveyor hinterland for a, say, Chinese restaurateur.

Further on, community is traditionally created by linking to each other under some cause (families alone are no communities under this qualifying constraint). Weak bonds or stronger bonds, but by bonds that have to be cared for and used in order to keep them alive. The density of that sort of network leads to popularity (e.g.: accumulated social capital). Sacrificing the integrity of our *privacy*, *publicness* alone also brings us comparable collective benefits and helps create a community, too. Community is therefore also being woven by other civic duties such as when members in a social space share their personal information, when they share their offering of skills, when (1) they tag themselves in a qualifying manner as this or that, when (2) they are rating and reviewing something online or when (3) they contribute or share a story or picture under an existing metatag. (What personal information people nowadays proffer on social spaces amounts to an environmental study hitherto executed by police alone on suspects). This *tagging*- the online equivalent of comingtogether and building community - renders them searchable, visibleand retrievable under that description. This voluntarily revealed publicness of their traits renders people to becomeuser-curated objects in a wider dimension - sort of an emerging new Commons - called social intelligence. It is important to point out that social intelligence is yet unregulated by state authorities. Being not regulated does not mean that there is no management of these sometimes private,

²²A. L. Fernandes and Th. Gabe, *Disconnected Youth: A Lookat 16- to24-Year Olds Who Are Not Working or In School*, Congressional Research Service, Washington D.C., 2008.

²³The development of a network is described - amongothers - by the Metcalfe-law: the utility of a of a (telecommunications) network is proportional to the square of the number of connected users of the system.

sometimes common-pool resources.

Sharing of personal information that merges into a wider set of such a collective wisdom (the latest equivalent of a data base) is in itself a generative social act because it forms the basis of ensuing personal connections, let alone business transactions. The density of this sort of virtually knitted network leads to enhanced opportunities for members. (Enhanced opportunity is the latest recurrence of value added in economics). In the beginning there is some sort of content alone. That is enough for generating an attentive audience. That is also enough for this no-cost little online endeavour to operate. For creating an attention-maintained community (virtual at the onset, with the potential of turning into real business) the digital age requires some sort of hands-on reporting or vivid discussing that embrace virtual collaboration, viral dissemination, and feedback loops that inform and deepen original content. Once the community is at hand, an appropriate business model will sooner or later emerge for them.

That is why I speak of networks - online networks and social capital generating collectivities alike - as factor of production. A live network is in itself a value driver: an intangible nonphysical claim to future benefits for members. As an antipode, I have evoked the historic case of insulated hermits as people lacking a helping network whatsoever. Most businesses are situated in a continuum between these two antipodes: social enterprises are businesses that cannot make do without a network. For profit businesses at the same time may have a network of their own or not but their network does not belong to the core of their business. (In the language of management science: not belonging to the *technostructure* but merely to the supporting staff).

The difference between clusters, public utilities' grid and personal networks is that business relationships rarely add on to a personal network. Personal links accumulate into intangible assets, intellectual or social capital whereas business relationships accrue to capital without strings.

By the term collectivities I understand not only a working environment. Although by no means part of the social economy, men's magazines, business and trade magazines, and entertainment magazines - they also have the unique *value off focus* that their publishers can sell to advertisers. What is more, magazines as communities are perfectly positioned for the community-based internet, too. to the extent of a parallel I can state that these periodicals are also collections of people who are interested in the same well circumscribed stuff. Complementing their paper edition, editors can figure out ways to enable their readers to utilize this plus: to share with each other, to become a platform for that community. Becoming a community platform, to turn into a place of exchange (say of criticism about all forms and tastes in entertainment), can still sustain quite a few high-value titles worldwide -

even well after the looming demise of offline journalism.²⁴

There is an emerging principle for these organisations reflecting new architecture of (small) business models in our post-industrial age: do what you do best (your core competences) and - as leverage - link outward to the rest.²⁵ Linking-in with partners presupposes expertise otherwise your partner would reject you! Your clients might appreciate and use these secondary competences of yours - that is why embedding is definitely leveraging social economy organisations. Links are value. Online content without links is valueless because it is unseen and cannot be monetized. Content with links gains value both because it has an audience that can be monetized and because it gains credence in the page ranking algorithms, which equates links with value. That is the basic precept of the link economy which also applies offline to small companies and burgeoning collectivities that try to identify their core competences.

Groups of village hosts or other self-employed, members of cooperatives - perhaps on their online site at that - might try to use *the power of the link to build their reputation* by putting together a sharing network of their consumers, benefactors and stakeholders cutting across departmental and institutional and economic boundaries. What is the social economy equivalent of an outward link (as reflecting non-core competences)? It connects their thrust in building partnerships to local authorities and other more established companies.

Final Remarks

The social economy is made up of enterprises whose primary objective is to provide services to their members or to a wider community. This leads to a so-called hybrid organisation, imbued with conflicts in the system of values and business goals. Social economy enterprises, accounting for nearly 8% of private sector jobs in Europe, are often able to survive and provide quality services in circumstances that 'investor-driven' firms would find less lucrative. However, their specific management structures, stakeholder groups and capital structures necessitate adapted skills amongst managers and board officials.²⁶ Multiplying effects can be taken for granted here. At the same time, there are no trickling-down effects at all, because growth in the social economy is by definition tantamount to the parallel and

²⁴In the minute their paper edition goes out of business, what remains to be left of these magazines - the online community - will quite necessarily merge into the contemporary socialeconomy.

²⁵As the rule of preferential attachment teaches, nodes (memberworkers) will wish to link themselves to hubs with the most connections (workers with informal prestige, say foremen). As nodes arrive and demand on the system increases, the total capacity of the system also increases, whereas in a chain command structure forfeit of flatness contributes to bureaucracy. At the same time, an unemployed Roma brick layer will perhaps not join a socialco-operative according to the logic of a citation network, his choice still follows the very rule of "following" a person (inesteem).

²⁶Green Paper on Entrepreneurship Europe, EU Commission, 2003.

proportional income growth of their actors and participants. Social economy organisations are also tantamount to setting up a GATT-conform trade barrier in order to localise and to tap underutilised local skills. This is the "social democracy" of anticapitalism as opposed to the militancy of hard-core antiglobalists, anarchists and environmentalists.

According to my hypothesis networks are a good proxy for finality. Looking for signs of networking is operational and statistically also discriminating enough. What is more, instead of presumed altruism (maximizing social aims) it sets upon gratification (that is constant positive feedback) within a self-governing peernetwork. That is network with a topology excluding any centre or chain of command. In sum: it is less the social aim but rather their social fabric that distinguishes best and yields the *differentiaspecifica* of the social economy as contrasted to other subsets of the non-state and non-business third sector. These features delineate a clear focus at the lowest level of rank-ordered organisations-well below the SME sector with an emphasis on one special subset of the transit organisations with their incubating function.

Social economy organisations can all be understood as motivated by collective self-employment.²⁷ The all-encompassing definition without taking recourse to finality and without presuming a sustainable business model,could sound something like this: the social economy is made up of project-level,transitional or already institutionalisedinitiatives where either their means of production are collective or their management is founded on values of self-governance. This latter results in an autonomous management where hierarchy builds on informal prestige alone and decision making is based on principles of participation and empowerment. Such state of affairs is necessarily conducive to the primacy of personal engagement over capital.

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²⁷Here is the definition given by the International Labour Organisation (ILO), according to which self-employed workers include: individual entrepreneurs; members of limited partnerships, regardless of their having employees or not; independent agricultural workers and their family members; students of vocational training employed by the previously mentioned entities; members of producers' cooperatives and casual workers.

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