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# **Responding to the Imprecisions of Social Enterprise Identity: Considering the Role of Participatory Governance**

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# **Responding to the Imprecision of Social Enterprise Identity: Considering the Role of Participatory Governance**

## **Abstract**

**Purpose:** This study aims to understand the importance of participatory governance in the identity of social enterprises (SEs). To this end, this paper provides a framework by means of the value co-creation process and by drawing from the service-dominant logic perspective and the stakeholder theory. An explanation is also provided regarding the opportunity to include fundamental issues in defining SE collective identity, such as those related to an organisation's participatory nature of involving the stakeholders affected by its activities, the exercise of democratic decision-making and its autonomy from the state and market.

**Methodology:** On the statistical exploitation of a large international data set, the authors approach the conceptualisation of social enterprises by providing an index to measure their social, economic and governance characteristics, thereby enabling these enterprises to be categorised into different groups.

**Findings:** This study found that the inclusion of the governance dimension in the research incorporates the greatest variability between the various models of SE, thereby justifying participatory governance as the *raison d'être* of the two fundamental schools in SE, namely, Anglo-Saxon and European.

**Originality:** This study justifies the value of incorporating participatory governance as a

distinctive dimension for the definition of categories of SEs. Furthermore, an index to craft taxonomies of SEs is developed based on social, economic and governance indicators, which provides a framework that facilitates the empirical research of the SE.

**Practical implications:** This research offers a tool to policymakers to be used as a criterion of classification and hierarchical organisation for public procurement. It enables the various organisations to be ordered and takes social and cultural influence into consideration. This tool would be highly useful as a support of social entrepreneurship from the public environment, especially at the local level.

**Keywords:** Social Enterprise; Participatory Governance; Stakeholder engagement; Democratic decision-making; Categories; International analysis.

The phenomenon of social enterprise (SE), and its contribution to the creation of economic and societal value, has increasingly gained prominence in policy planning, and in practitioner and scholarly interest (Dwivedi and Weerawardena, 2018; Saebi, Foss and Linder, 2019). Much of the social enterprise literature has focused on definitions and on the adaption of theories to explain the emergence of social enterprise (Morris et al., 2021; Nicholls, 2010); however, no clear and unique concept of social enterprise has been established (Dacin et al., 2010; Mswaka et al., 2016). Indeed, various tentative meanings have been proposed, but with a lack of a shared understanding of SE, there are only two common denominators of the definitions: (a) the primacy of social and/or environmental aims; and (b) the enterprise orientation, which means that the primary activity involves trading goods and services (Peattie and Morley, 2008; Young and Lecy, 2014). Another characteristic feature of many social enterprises is related to the adoption of forms of governance that allow shared ownership and democratic participation of stakeholders in

the strategic decisions of the organisation (Cornforth, 2004; Galera and Borzaga, 2009; Teasdale, 2012).

The concept of organisational identity was originally constructed around the central, distinctive, and enduring attributes (CDE attributes) of an organisation (Albert & Whetten, 1985). These are understood as the referents of the identity of an organisation, which characterise it as a unique social space. In practice, CDE attributes work as organisational identity referents for the members of an organisation when they act or speak on its behalf, and they are highly likely to be called upon as part of the organisational discourse when dealing with situations in which they have to assert the collective understanding of who they are as an organisation (Whetten, 2006). Since the identity of social enterprises is a hybrid of the attributes of the for-profit and non-profit sectors (Low, 2015), the governance of the different models of social enterprises should be understood as a combination of elements of the stewardship model, normally associated with the private corporate sector, and of the stakeholder model, associated with the social and solidarity economy model (Cornforth, 2003; Sepúlveda et al., 2020). It is therefore intuitive that the governance of social enterprises plays a major role in managing the hybrid nature of social enterprises.

Existing research on the governance of social enterprises has focused on the effectiveness of governance models in balancing their economic and social missions (Bruneel et al., 2016; Doherty et al., 2014), and on how stakeholders can be represented and involved in formal governance structures (Cornforth, 2020; Fazzi, 2012; Kopel and Marini, 2016; Low, 2015; Sacchetti and Borzaga, 2021; Zollo et al., 2022). However, there is a gap in the research literature regarding the actual implementation and practices of participatory governance and, in particular, regarding how it is reflected in the various

typologies of social enterprises (Cornforth, 2004; Defourny and Nyssens, 2017; Pestoff and Hulgard, 2016; Sacchetti and Catturani, 2021; Spear et al., 2009).

This leads us to discuss whether the type of governance of social enterprises may be employed as an additional criterion when defining a common collective identity of social enterprises. In this setting, it seems appropriate to consider the following research questions: Is participatory governance an essential attribute of SE identity? If this is not the case, then could participatory governance be a key characteristic in distinguishing typologies of SEs?

Although all definitions of social enterprise argue for the identity of social enterprise in its dual objective of creating social and economic value, there is a significant shortcoming in this reasoning: a lack of clarity in the concept of social value. In order to fill this gap, this paper contributes towards an understanding of the identity of social enterprises through the analysis of their value co-creation processes. To this end, an analytical framework that combines service dominant logic (Vargo and Lusch, 2004, 2008a, 2008b, 2008c; Vargo et al., 2008) and stakeholder theory (Donaldson and Preston, 1995; Freeman and Reed, 1983; Goodpaster, 1991) is provided in order to understand the role of economic, social, and governance dimensions in defining social enterprise collective identity. This framework therefore addresses the differences between SEs and for-profit enterprises and between different types of SEs.

Furthermore, this paper addresses the lack of a valuation instrument for the capture of the dimensions of social enterprises by providing a scientifically robust indicator that could interpret the position of a particular social enterprise correlated to economic, social, and governance criteria and compare it to other conventional and social enterprises. The approach taken is through a solid theoretical foundation, which allows different social enterprise models to be considered in the framework of economic-social-

governance dimensions within various countries and across countries. A strong empirical basis is assumed, which is the result of the statistical exploitation of a database obtained through a common interview conducted in forty countries worldwide.

With this research, the authors not only empirically demonstrate that the organisational identity of the social enterprise is defined by the attributes through which it creates social and economic value, but also justify the richness and necessity of incorporating participatory governance as a dimension containing the attributes to propose a typology of social enterprises: this dimension underlines the relevance of cultural and social context in social enterprise identity.

### **Theoretical Background**

#### *Service-dominant logic as a framework to understand social enterprise identity*

Service-dominant (S-D) logic redefines the notion of value creation as the joint creation of value between users, providers, and all the members involved in the relational networks surrounding service provision (Vargo and Lusch, 2008a). This service-dominant logic defends the "value creation with" perspective, according to which individuals or organisations cannot create value for other individuals or organisations, but value is always co-created and exclusively determined by the beneficiary (Vargo et al., 2020). According to the service-dominant logic, the co-creation of value is related to the idea of mutually interconnected actors cooperating, either directly or indirectly, to gain access to and combine resources that they consider instrumental for their own performance or for the change they seek to bring about. Social enterprises interact with other actors to achieve their goals, by configuring networks embedded in service systems. In this paper, the authors analyse the identity of the social enterprise by examining the processes of co-creation of social and economic value with suppliers, customers, social

actors, and other enterprises in the market, thereby illustrating the intertwining of its economic dimension with its social sphere.

The concept "value co-creation" is employed to encompass "the full scope of interconnectedness with other actors" (Frow and Payne, 2019, p. 82), and implies "co-engagement, co-responsibility, and shared commitments and meanings, aiming at the benefit of the other party and one's own benefit" (Haase, 2021, p. 500). This translates into the need to carry out participatory processes that enable the interrelation between the different stakeholders to facilitate this collaboration. In this respect, in order to understand the identity of the social enterprise, it is insufficient to understand only the economic and social sphere of its value co-creation process, but it is also necessary to incorporate how the process is governed in order to reflect the contribution of stakeholders (Vargo et al., 2008) and to reshape value.

Furthermore, service-dominant logic posits actors as "resource integrators" (Vargo and Lusch, 2008c) and it can be postulated that they form part of a social context with other actors. This social context involves norms and values that have a profound influence on both the exchange of services and the process of value co-creation (Edvardsson et al., 2011).

It would therefore not be possible to identify a single social enterprise identity since that meaning is to be understood within social structures and systems, and the explicit inbuilt meaning is dependent upon how humans interpret social interactions. Hence, it is possible to envisage that the identity of the social enterprise is not unique, but depends on how the actors that integrate/constitute its social system and context endow it with meaning by participating in its value-creating activities.



### *Social enterprise identity: Social and Economic Value Creation*

Based on competing conceptualisations, a social enterprise can be considered a controversial concept, since these different conceptualisations express conflicting beliefs on numerous issues: unit of observation, relationship between the social mission and the products and services it provides, legal structure, the importance of innovation, profit distribution, income generation, and governance (Hoogendoorn et al., 2010).

The only consensus that exists on the nature of social enterprise is that social enterprises are organisations that combine a social purpose with pursuit of financial success in the private marketplace (Dacin et al., 2010; Santos, 2012; Thompson and Doherty, 2006; Young and Lecy, 2014). These characteristics are common to all the academic literature and all definitions point out that the social mission is their main priority, which benefits from the economic activity (Chell, 2007; Defourny and Nyssens, 2010).

When focusing on the social and economic dimension, social enterprise can be conceptualised as occurring along a continuum ranging from the purely philanthropic to the purely commercial (Alter, 2007; Dees, 1998; Dees & Anderson, 2006). At one end of the spectrum are non-profits relying on philanthropic capital and concerned exclusively with social returns. At the other extreme are for-profits relying on commercial capital and concerned with financial returns. Between these two poles lie a range of organisational forms that are concerned with both social and economic value that reflect combinations of profit-making and social purpose. Indeed, many combinations between social and market goals are plausible and there is likely to be certain tension between these two aspirations.

### *Governance: A Feature for Defining Social Enterprise Identity?*

It has been argued that creation of economic and social value are two key features for the definition of the identity of social enterprises. This dual mission requires social enterprise governance to make strategic decisions that ensure financial sustainability while generating social value, which causes tension in social enterprise governance (Bruneel et al., 2016; Spear et al., 2009). Social enterprise governance therefore plays a critical role in managing the hybrid nature of social enterprises, for it is the organisational mechanism by which to ensure the fulfilment of the social mission of a social enterprise in a sustainable way (Defourny et al., 2021; Pestoff and Hulgard, 2016), and in so doing, to integrate the dual economic and social nature of the social enterprise. Governance thereby acts as a device to address the isomorphic pressures that the environment puts on social enterprises to change their *raison d'être* towards one of the aforementioned extremes of the continuum (Dees, 1998), and to dismiss either the economic or the social focus (Doherty et al., 2014; Michaud and Audebrand, 2022).

In other words, in order to understand the identity of the social enterprise, it is also necessary to pay attention to the governance process, which captures the relational dynamics between its members, between the members and the enterprise, and between the enterprise and its stakeholders (Byrne, 2022). Some of the most noteworthy definitions and conceptualisations of social enterprises introduce the characteristics of governance as a defining criterion for the categorisation of these enterprises (Austin, 2000; Defourny and Nyssens, 2012; Ebrahim et al., 2014; Monzón, 2006; Monzón and Chaves, 2017; Pestoff, 1998). This leads us to discuss whether the type of governance of social enterprises may be used as an additional criterion when defining a common social enterprise collective identity.

More specifically, the literature distinguishes between two different perspectives of conceptualising social enterprise that differ according to their corporate governance: European and Anglo-Saxon (Defourny and Nyssens, 2017; Pestoff and Hulgård, 2016). One of the most significant elements of the difference approaching the concept of social enterprise in Europe and in the United States is related to the connection of the term to one of the two following traditions: that of social economy (the European case) or the non-profit sector (Anglo-Saxon).

From the European perspective of social enterprises (Bull and Ridley-Duff, 2019; Defourny and Nyssens, 2010), the presence of participatory democracy or associationism has been introduced when referring to the corporate governance of social enterprises. This aspect implies, above all, that the board members represent the interests of the members of the organisation, according to the theory of democratic perspective (Cornforth, 2004). This idea suggests that participatory governance may act as a defining or classificatory feature of social enterprises.

This perspective supports the idea that there is no single type of governance for all social enterprises; rather, these will depend on their particular characteristics and development, with various forms or levels of compliance, and, therefore, different identity codes (Defourny and Nyssens, 2012).

The collective dimension and participatory governance of the social enterprise of the European perspective finds its roots in the Stakeholder Theory. According to this theory, corporate governance is based on the idea that corporations have responsibilities to any group affected by the organisation's activities, such as shareholders, employees, suppliers, consumers, and beneficiaries (Donaldson and Preston, 1995; Freeman and

Reed, 1983; Goodpaster, 1991). In this way, under this perspective, organisations would always strive to prioritise the situation of these groups in their decision-making processes.

By taking into consideration that social enterprises try to maximise social value creation, the presence of these focuses in their corporate governance seems to attain a purpose, thereby giving these groups the opportunity to participate in the entrepreneurial activity of the social business in order to increase their satisfaction, their welfare, and increase the creation of social value. Along these lines, it is very common to find in the specific literature the association of this kind of relational behaviour between the social enterprises and their stakeholders with success in their social mission. For example, studies by Domenico et al. (2010) and Kolk and Lenfant (2016) deserve mention, among others. Whereas the former concludes that stakeholder participation constitutes a basic characteristic of social enterprise together with social value creation and persuasion, the latter study finds key features of social enterprises in the form of interactions with stakeholders, together with awareness of development, reconciliation issues, and personal commitment.

This theory centred on the stakeholder differs from traditional corporate governance theories due to the fact that these are only centred on shareholders. The stakeholder theory is subject to a variety of criticisms such as that linked to the difficulty of being accountable to more than one group (Sternberg, 1997), to the problems associated with the maximisation of more than one social benefit (Jensen, 2001), and to the problems that emerge as a consequence of the professionalisation of the social enterprise, which tends to suffer a type of isomorphism (Dees, 1998). However, despite these criticisms, the involvement of stakeholders in the business activity still represents an elemental factor for the legitimisation of social enterprises (Granados and Rosli, 2020), whereby this legitimisation is taken as the alignment of interests and resources of the

organisation and the stakeholders in order to construct an organisational identity (Ruebottom, 2013; Navis and Glynn, 2010).

More specifically, Granados and Rosli (2019) found that the integration of stakeholders in the business activity of SEs helped to legitimise these organisations through their participation in the socially driven mission and through a supportive system (resources and business advantage), which helps SEs to grow economically and to demonstrate their capabilities and sustainability (Garad et al., 2022; Garad et al., 2021; Fatmawati and Garad, 2023).

The Anglo-Saxon school therefore does not contemplate participatory governance as a requirement of SEs (Hoogendoorn et al., 2010; Defourny and Nyssens, 2012), but recent literature on Anglo-Saxon contexts, such as the two previous cited studies developed by Domenico et al. (2010) and Kolk and Lenfant (2016), have concluded that participatory governance is somehow present in their SEs and in their organisational identity. This situation could be a response to the desire of SEs to increase the wellness of all stakeholders and, in this way, their social mission and the creation of social value.

In this setting, it is appropriate to consider the following research questions: Is participatory governance an essential attribute of SE identity? If this is not the case, then could participatory governance be a key characteristic in distinguishing between typologies of SEs?

## **Methodology**

### *Data, Sample, and Measures*

Since no clear and accepted definition of social enterprise has yet been established, the authors argue that, while the debate continues, the definition must remain inclusive by

comprising configurations of social enterprises coming from new realities worldwide. In order to achieve this objective, and on the basis of the theoretical framework set out in the sections above, this paper uses the EMES approach as a conceptual framework for social enterprise which is suitable to address the immense diversity of organisational forms that are currently or prospectively included under the rubric of social enterprise.

The EMES social enterprise definition consists of three sets of criteria, which together form an ideal type or a working hypothesis. Altogether the three sets comprise nine criteria (see Table 1) which encompass the economic, social, and governance dimensions of SEs (Defourny and Nyssens, 2012). Table 1 shows the main contributions that justify the consideration of such criteria.

#### TABLE 1 AROUND HERE

The contribution from the EMES network of researchers has the originality of combining the social purpose of the enterprise with its economic sustainability and its internal governance structure. The attention to the internal governance structure accounts for the importance of stakeholder participation criteria, decision-making unrelated to capital ownership, and the autonomy from the State and the market. The existence of this dimension, participatory governance, makes this framework unique because it enables fundamental issues in social enterprise analysis to be included such as those related to an organisation's participatory nature of involving the stakeholders affected by its activities, the exercise of democratic decision-making, based on the idea of one member/one vote rather than on capital ownership, and its autonomy from both the State and the market.

Therefore, in the methodological perspective of EMES, the 'criteria' discussed below are indicators of three different dimensions that constitute the ideal type of social enterprise as an abstract construction, and not as conditions that each individual social

enterprise should meet. These are a set of indicators that “constitute a tool, somewhat analogous to a compass, which helps the researchers locate the position of the observed entities relative to one another [...] within the galaxy of social enterprises” (Defourny and Nyssens, 2010, p. 43). However, only when considered together, rather than one-by-one, do they help define and delimit social enterprise (Pestoff and Hulgård, 2016).

To capture the key dimensions of a social enterprise, the authors will construct an index based on the data collected in the International Comparative Social Enterprise Models (ICSEM) project (2013-2019). This research project forms part of the Belgian government's IAP-SOCENT programme and is developed by the EMES Network. It aims to compare social enterprise models and their respective institutionalisation processes worldwide. The project involves more than 230 researchers from some 55 countries who have developed a survey to fulfil the project's objective.

To be precise, the questionnaire utilised for the survey was designed to capture whether the interviewed social enterprises fulfil the different aspects included in the definition of the ideal type defined by EMES. In other words, the questionnaire included every type of question (multichoice, dichotomous, open, etc.) regarding economic, social, and governmental issues. This questionnaire therefore constituted a common tool to be used by all the researchers participating in the project, who personally interviewed different social enterprises representing this reality in their countries in 2015 and 2016. In this way, international comparisons between countries were made possible<sup>1</sup>.

The final database consists of 721 cases from 40 different countries and the information extracted has been codified and compiled into the indicators that define the

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<sup>1</sup> For more details on the ICSEM project, visit <https://emes.net/research-projects/social-enterprise/icsem-project-home/>

three dimensions recognised by the EMES approach. The variables used here to analyse all the conditions of the ideal type of social enterprise are as follows:

Economic variables:

- A continuous activity producing goods and/or selling services: this variable takes value '1' if the organisation has a specific legal form and '0' otherwise, since it is understood that informal organisations carry out activity only sporadically.
- A significant level of economic risk: this variable takes the percentage of income coming from sales expressed in times one. The reason for choosing this variable is related to the exposure to change that the income of an organisation experiences when it depends solely on market forces, such as changes that may arise in the environment or in the sector, which may affect its activity. The more resources that come from sales (and consequently less from subsidies and/or donations), the greater the risk the organisation has to bear.
- A minimum amount of paid work: This variable takes the value '0' if the organisation has no workers and '1' if it has at least one full-time or part-time worker.

Social variables:

- An explicit aim to benefit the community: This variable takes the value '0' if the production/provision of the main goods or services is not related to the social mission of the SE, value '0.5' if the provision is related to the social mission, and value '1' if the provision of the goods or services is the central mission. Although the authors are aware that many organisations carry out economic activity that is unrelated to their social mission in order to obtain sufficient income to maintain said mission, they have taken this relation of economic activity with social



mission because it is the only way to capture the ‘explicit objective of benefit to the community’ variable. This choice is justified since, having consulted other researchers and professionals in the sector, the survey was applied to companies chosen by the researchers, all of which were selected because they had a social mission.

- An initiative launched by a group of citizens or a civil society organisation: This variable takes value ‘1’ if the initiative has been launched by a group of workers/inhabitants of a neighbourhood/citizens/individuals/a social movement/an association/a non-profit or voluntary organisation/a foundation or a cooperative, and value ‘0’ otherwise (an individual/a private business/a governmental agency).
- A limited profit distribution: This variable takes value ‘1’ if the SE has rules that regulate the distribution of the net income and reinvest the benefits in the SE, ‘0.5’ if the SE has no rules but reinvest the profits, and ‘0’ otherwise.

#### Governance variables:

- A high degree of autonomy: This variable takes value ‘0’ if the final decision is made by the parental organisation and ‘1’ otherwise.
- A decision-making power not based on capital ownership: This variable takes value ‘1’ if the decisions are made by a General Assembly and ‘0’ otherwise.
- A participatory nature, which involves various parties affected by the activity: Every SE was asked about the presence of different collectives on its board or other governance body. Each collective participant such as workers, users/customers, suppliers/providers, managers, volunteers, investors, donors, experts, citizens, and others were rated ‘0.1’ and the final value was the sum of the scores with a maximum value of 1.

The descriptive statistics of indicators included in the analysis are presented in Table 2.

TABLE 2 AROUND HERE

### *Data Analysis*

The data has been put to use in three steps. Firstly, a confirmatory factor analysis has been carried out to verify whether the different variables suggested to measure the economic, social, and governmental aspects are correct. In other words, the authors ascertain whether the model suggested is valid. Secondly, a different index has been constructed for each of the economic, social, and governmental fields in order to reduce all the information to just three figures per organisation. And thirdly, with these three variables, a hierarchical clustering analysis has been performed to test whether different social enterprise models exist.

#### a) First step: confirmatory factor analysis

In order to carry out the confirmatory factor analysis, a structural equation model was developed using the IBM SPSS Amos Graphics software. In order to prevent the model remaining unidentified due to the number of items or variables for each factor, it has been necessary to impose restrictions on two slopes of a specific factor (continuous producing activity and economic risk, from the economic factor). The imposition of these slopes has been carried out based on the results obtained through a previous exploratory factor analysis and the estimated slopes of the items on the factor obtained in said exploratory analysis.

#### b) Second step: construction of indices

The second phase involves the construction of indices, and, as can be inferred from the previous section, the value 1 is given to the variable when the response of the

SE reflects maximum compliance with the corresponding indicator according to the ideal type of social enterprise as stated by EMES, and 0 otherwise.

Hence, by applying Equation 1, it is possible to construct three different indices for the economic, social, and governance dimensions of each company in the sample. In the same way, these indices also take values between 0 and 1 for each dimension. The highest values are for those social enterprises whose economic, social, and governance dimensions place them closer to the ideal type of SE, and the lowest values are for those social enterprises whose characteristics distance them from the classification of social enterprise as proposed by this article.

$$W_i = \beta_1 Z_{i1} + \beta_2 Z_{i2} + \beta_3 Z_{i3} \quad \text{Equation 1}$$

where  $\beta_i = \frac{\bar{Z}_{ij}}{\bar{Z}_{i1} + \bar{Z}_{i2} + \bar{Z}_{i3}}$

c) Third step: hierarchical cluster

Once all the information on the various dimensions has been simplified into a single figure, the hierarchical clustering methodology could be applied through the SPSS Statistics software program to test whether there are different social enterprise models. This hierarchical cluster procedure was used using Ward's distance measurement (Everitt, Landau and Leese, 2009). To determine the optimal number of clusters, a visual examination of the dendrogram and an application of the variance ratio criterion (VRC) (Calinski and Harabasz, 1974) were carried out. This procedure, which is obtained through an ANOVA test and a post-hoc analysis with Scheffe's pairwise mean comparison, has allowed us to achieve intra-cluster homogeneity and inter-cluster heterogeneity. To calculate the VRC, Equation 2 was applied, where BGSS is the

between-group sum-of-squares, WGSS the within-group sum-of-squares, k the number of clusters, and n the number of samples.

$$\text{Equation 2} \quad VCR = \frac{BGSS}{k - 1} + \frac{WGSS}{n - k}$$

The results obtained are presented in the following section.

## **Results**

### a) First step: confirmatory factor analysis

The confirmatory factor analysis concerning the economic, social, and governmental aspects was performed on a structural equation model presented in Figure 1. As can be observed, the covariances between the three factors remain very low (0.000; 0.001, and 0.002), which means that the three factors or fields (economic, social, and governmental) are unrelated and, consequently, they should be studied separately. Regarding the goodness of fit of the model, the results obtained confirm the validity of the model, since the goodness-of-fit index (GFI) and the GFI adjusted for degrees of freedom (AGFI) both exceed 0.9 (Joreskog & Sorbom 1981), attaining 0.964 and 0.935, respectively. In addition, the root mean square residual (RMR) is less than 0.05, standing at 0.005, which indicates a reasonable model fit (Joreskog & Sorbom, 1981; Brown, 2006).

FIGURE 1 AROUND HERE

Therefore, the model proposed regarding the variables around economic, social, and governmental aspects in social enterprises is confirmed.

### b) Second step: construction of indices

Once Equation 1 was applied to the economic, social, and governance dimension fields, three indices were obtained for each observation. The characteristics of these indices are shown in Table 3. As can be observed, the means of the three indices are high, (the means of the different indicators are presented in Table 2), which signifies that the sample chosen, in general terms, coincides with the indicators that define social enterprise according to EMES.

TABLE 3 AROUND HERE

These indices constitute the variables to be included in the third stage of the analysis, which is the hierarchical clustering procedure.

c) Third step: hierarchical cluster

First of all, the dendrogram is inspected (reading from left to right) (Figure 2) and it is possible to observe that some of the segment merging occurs within the distance 0-5 (horizontal axis), which is the lowest solution of the analysis in this space of 7 clusters. However, from this point (distance 5-10) the merging of this segment continues, and gives rise to groups of 6, 5, 4, and 3 clusters. To obtain the optimal number of clusters, the variance ratio criterion is studied (Table 4), which indicates that a six-cluster solution proves optimal at producing inter-cluster heterogeneity and intra-cluster homogeneity, as the figure of the Sum of VRC is the highest. In relation to this, the ANOVA test proves that the F statistic is significant, which indicates that all the variables included in the analysis are useful for the classification of observations (Table 5). Finally, the post-hoc analysis through the Scheffe pairwise comparison of means also confirms that practically all the clusters differ at a 95% level of confidence in all three variables included in the analysis (Annex 1).

FIGURE 2 AROUND HERE

TABLE 4 AROUND HERE

TABLE 5 AROUND HERE

Ultimately, the characteristics of the six clusters are presented in Table 6. As shown in the table, a large proportion of the observations are included in cluster number 6 (41% of the sample), which is, in turn, the group with the highest means in the three indices (0.9018, 0.8383, and 0.9211). This indicates, once again, that most of the social enterprises interviewed for the ICSEM project were selected following the criteria of the EMES ideal type and that, consequently, the three indices proposed in this article meet the EMES objective.

Furthermore, if the index scale is divided into terciles following the criteria that 0-0.33 is low, 0.33-0.66 is medium, and 0.66-1 is high, then it is possible to regroup the clusters in the following way:

- Clusters 2, 4, and 6: focusing on the means of the three indices in the three groups, it is possible to detect that they all give equal importance to economic and social aspects, since the values of both these indices are high (over 0.66). However, the governance index varies depending on the group: high in Group 6 (0.9211), medium in Group 2 (0.5837), and low in Group 4 (0.0106).
- Clusters 1 and 5: both groups attribute high importance to the economic sphere (with economic index levels of 0.9053 and 0.8864, respectively) and average importance to social aspects (the respective values are 0.4097 and 0.4149). Again, the governance index changes according to the group, whereby it is medium in Cluster 1 (0.5803) and high in Cluster 5 (0.9197).
- Cluster 3: this group is significantly different from the other clusters, in that it gives an average importance to the social and economic dimensions (0.4599 and

0.6398, respectively), while the importance of the governance aspects is relatively high (0.7160).

TABLE 6 AROUND HERE

## **Conclusions**

This article analyses whether the social enterprise identity is determined by its participatory governance along with the attributes through which it creates social and economic value, and whether participatory governance may be considered as a criterion for social enterprise categorisation. To this end, having conducted a confirmatory factor analysis to examine the validity of the defining variables of the social enterprise, three different indices have been developed which refer to the economic, social, and governance dimensions that define and delimit social enterprises, while applying them to a sample of international data on social enterprises. Based on these indices, a hierarchical cluster analysis has been carried out to obtain a categorisation of social enterprises. On the evidence of the results, two major conclusions can be drawn.

Firstly, it has been empirically confirmed that social value creation and economic value creation are essential attributes of SE identity. The understanding of this duality can be enhanced through the S-D logic. This perspective does not conceive the supplier as creating value for the consumer, but rather as making value propositions, understood as the value that the enterprise wants to provide to its target market (Anderson et al., 2006; Austin et al., 2006; Kraus et al., 2014). Although the value proposition that the social enterprise makes to its stakeholders contains the dual dimension of social value and economic value, when these are combined and understood as one value, the process of co-creation of value can take place from this shared understanding.

Secondly, it has been empirically confirmed that participatory governance is not an essential attribute of SE identity. Although, according to the stakeholder theory, a participatory governance would increase the social mission of the enterprises, this kind of governance is not always present at the same level in all organisations. Moreover, in the light of service-dominant logic, and considering that value is intersubjective, collective, and that it is its context that endows it with meaning, it is necessary to consider the identity of the social enterprise not in an abstract way, but within a context. This idea would reinforce the existence of an ideal type of social enterprise offered by EMES, according to which, a variety of real degrees of social enterprise would exist (Defourny et al., 2021). In this respect, this study contributes to the specific literature on social enterprise by clarifying the role that participatory governance plays in social enterprise identity (Byrne, 2022). This justifies and reinforces the distinctness between the Anglo-Saxon and European schools of thought under the same umbrella.

Thirdly, it is concluded that, although participatory governance is not present as a CDE attribute, it remains a key characteristic in distinguishing typologies of SEs. However, once the different typologies are determined, the three major groups obtained are defined through economic and social criteria, whereas participatory governance incorporates the variability therein. The three major groups are: Group (1), composed of SEs with high levels of economic and social indices; Group (2), composed of SEs with a high economic index and medium social index; and Group (3), composed of SEs with medium economic and social indices. This would be in accordance with other previous contributions in the specific literature on social enterprise that characterises social and economic missions in the heart of social enterprises, with participatory governance appearing as an additional characteristic (Domenico et al., 2010; Kolk and Lenfant, 2016; Granados and Rosli, 2020; Defourny et al., 2021).



From the Service-dominant (S-D) logic perspective, value is a consequence of the social embeddedness of value creation and is not independent from the service ecosystem in which it occurs (Meynhardt et al., 2016). Values are shared among members of a group or community, and the process of valuation “occurs within particular relationships and social contexts” (Meynhardt et al., 2016, p. 2983). Related to the idea above, it seems that, while social and economic issues are widely accepted in practice by the social enterprise itself, the issue of participatory governance is not equally well established among SEs in a comparable manner. Therefore, a universe is found where some organisations carry out this strategic governance, whereas, at the same time, there are many of these organisations that appear unaware of the impact that a democratic and collective strategy can have on their actions (Michaud and Audebrand, 2022). Therefore, in accordance with the wish of these enterprises to increase their social value creation, the incorporation of this participatory governance would remain a pending task for these organisations. However, this idea led us to the fact that many social enterprises are called as such due to the good image they grant the organisation, thereby fulfilling their social mission at a minimum level without attaining the opportunity to increase their social value creation in both internally and externally (e.g., giving a voice to the different stakeholders) (Solórzano-García et al., 2018). Consequently, if their social spirit is absent beyond their specific social mission, then it should not be surprising that they fail to put a democratic and participatory governance into practice.

On the other hand, this research also has different practical implications, which can be described as belonging to one of two fields. First, in the academic field, this research contributes towards introducing a certain order in the social enterprise approach. To be precise, the creation of this new tool based on indices helps to delimit the realities in order to study the social enterprise area. In this respect, quantifying the characteristics

of SEs, including participatory governance, facilitates the comparison of specific aspects between organisations. This could contribute to the empirical research of one of the most visited topics in recent years regarding the social enterprise (Hota et al., 2020).

And second, in the practitioners' field, this research could serve as a support for public authorities implementing certain measures in order to encourage SEs to introduce participatory governance, thereby achieving higher social value creation in their performance. Political power could also use this tool based on the indices as a criterion of classification and hierarchisation for public procurement, which would allow them to rank the different organisations with regard to a criterion of fit. This would be very useful for supporting social entrepreneurship from the public environment, by giving more visibility to activities of this kind (Bhatt et al., 2019).

Finally, this research is not without its limitations. The source of data from which the different indicators are extracted to calculate the indices is limited by the range of questions included in the ICSEM survey. Along these lines, the indices could be improved by including questions in the survey that ask how the indicators can best be measured. Further to this, the categorisation analysis could also be improved by including social enterprises in the sample that have not been chosen in accordance with the criteria of the EMES ideal type, which appears to have happened with the ICSEM project. Despite these limitations, the authors plan to overcome all these issues in future research. Furthermore, regarding future research, this paper constitutes a new framework for the understanding of social enterprise identity by focusing on social enterprise value co-creation. This opens up an opportunity for lines of research focusing on stakeholders' participation in social enterprise value creation and on how this affects social enterprise identity, how social and cultural context exerts an influence on social enterprise identity, and how stakeholders assess the value created by social enterprises.

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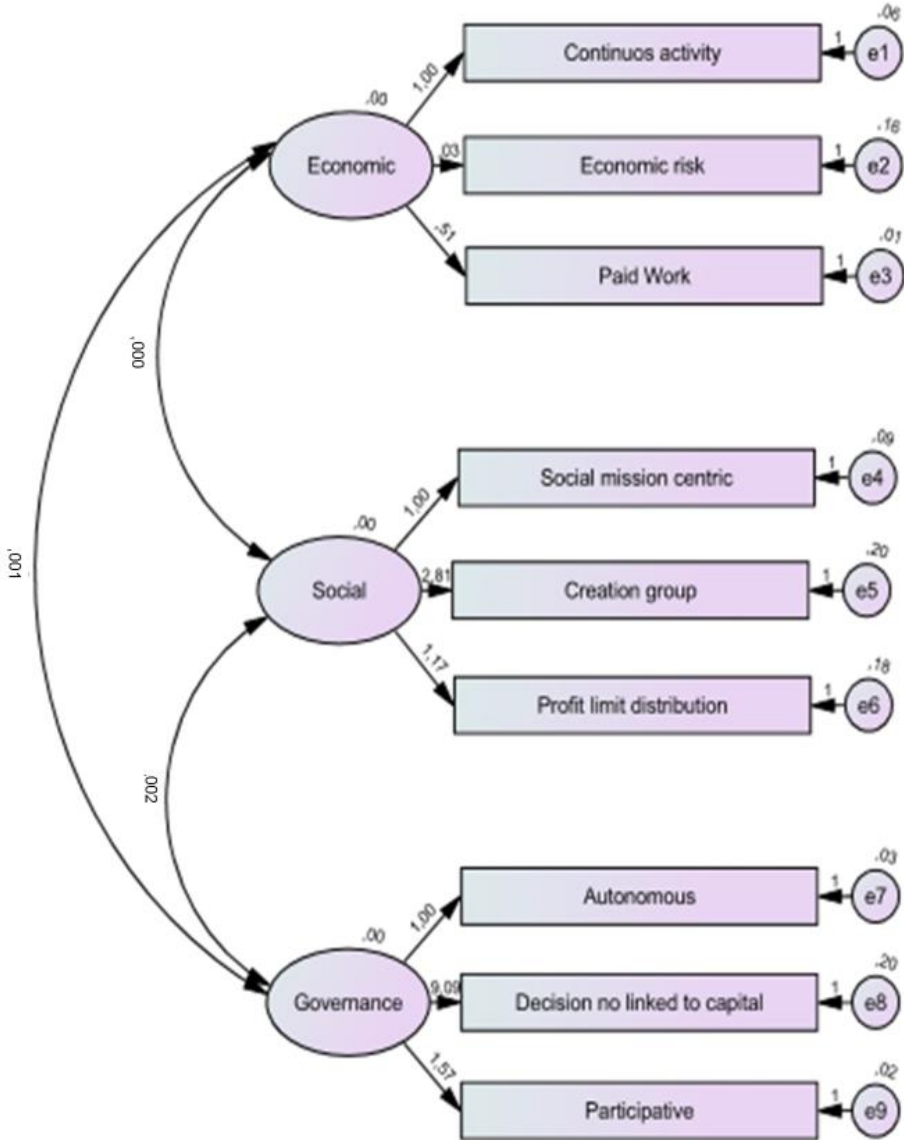
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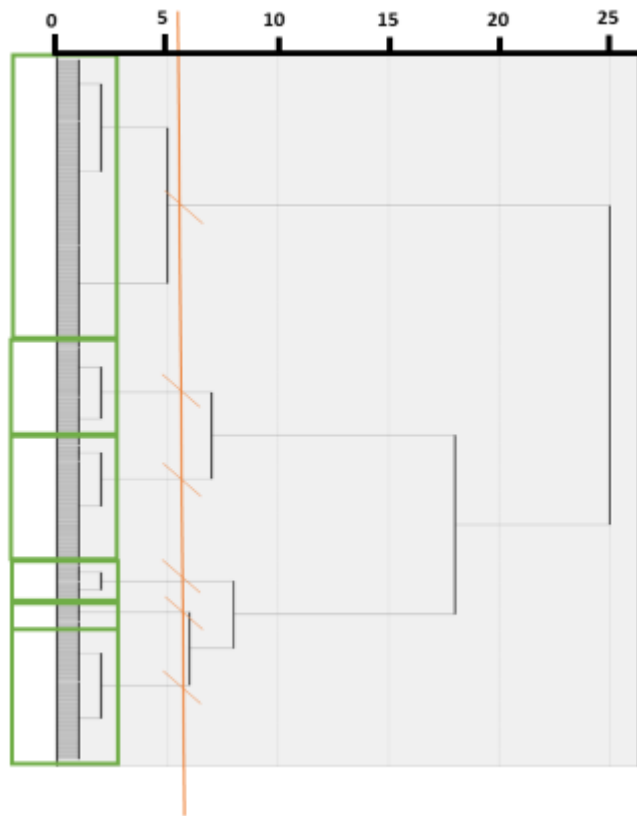
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**FIGURE 1. Structural equation model of social enterprise characteristics**



Source: figure by authors

**FIGURE 2. Rescaled Distance Cluster Combine**



Source: figure by authors

**TABLE 1. EMES definition of social enterprise**

<b>CRITERIA OF SOCIAL ENTERPRISE</b>	<b>CONTRIBUTIONS</b>
<b>Economic and entrepreneurial dimension</b>	
A continuous activity producing goods and/or selling services	Kast and Rosenzweig, 1970; Sánchez Gil, 1969
A significant level of economic risk	Doherty et al, 2014; Lavelle and Nyssens, 2001; Sánchez Gil, 1969
A minimum amount of paid work	Bueno, 2010; Sánchez Gil, 1969
<b>Social dimension</b>	
An explicit aim to benefit the community	Dees, 1998; Young and Salamon, 2002; Defourny and Nyssens, 2010; Di Zhang and Swanson, 2013
An initiative launched by a group of citizens or civil society organisation	Montgomery et al. 2012; Olsom, 2009; Spear, 2006; Nicholls, 2006
A limited profit distribution	Monzón, 2006; Monzón and Chaves, 2017; Weisbrod, 1988; Díaz, 1988; Durán and Guadaño, 2002
<b>Participatory governance</b>	
A high degree of autonomy	Sánchez Gil, 1969; Froelich, 1999; Pestoff and Hulgard, 2016
A decision-making power not based on capital ownership	Monzón, 2006; Monzón and Chaves, 2017; Pestoff and Hulgard, 2016
A participatory nature, which involves various parties affected by the activity	Ebrahim et al., 2014; Austin, 2000; Pestoff, 1998; Pestoff and Hulgard, 2016

Source: Table by authors



**TABLE 2. Descriptive statistics of indicators**

<b>IDEAL-TYPE FIELDS</b>	<b>INDICATORS</b>	<b>Mean</b>	<b>SD</b>	<b>Minimum</b>	<b>Maximum</b>
Economic variables	A continuous activity producing goods and/or selling services	0.9278	0.25904	0.00	1.00
	A significant level of economic risk	0.5441	0.39449	0.00	1.00
	A minimum amount of paid work	0.9889	0.10482	0.00	1.00
Social Variables	An explicit aim to benefit the community	0.7725	0.29626	0.00	1.00
	An initiative launched by a group of citizens or civil society organisation	0.6865	0.46422	0.00	1.00
	A limited profit distribution	0.5693	0.42579	0.00	1.00
Governmental variables	A high degree of autonomy	0.9723	0.16434	0.00	1.00
	A decision-making power not based on capital ownership	0.5770	0.49438	0.00	1.00
	A participatory nature	0.1642	0.13661	0.00	0.60

Source: Table by authors

**TABLE 3. Descriptive statistics of dimensions**

	<b>Mean</b>	<b>Standard Deviation</b>	<b>Minimum</b>	<b>Maximum</b>
<b>Economic Index</b>	0.8675	0.13989	0.22	1.00
<b>Social Index</b>	0.6864	0.23401	0.00	1.00
<b>Governmental Index</b>	0.7617	0.20490	0.00	0.96

Source: Table by authors

**TABLE 4. Variance Ratio Criterium**

<b>Variable</b>	3 Clusters	4 Clusters	5 Clusters	6 Clusters	7 Clusters
Economic Index	57.18	249.39	187.83	162.43	135.39
Social Index	622.16	453.60	339.79	272.56	384.67
Governmental Index	403.89	317.43	638.01	3010.23	2507.47
<b>Sum of VRC</b>	<b>1083.23</b>	<b>1020.42</b>	<b>1165.63</b>	<b>3445.22</b>	<b>3027.53</b>

Source: Table by authors

**TABLE 5. ANOVA TEST**

		<b>Sum of Squares</b>	<b>df</b>	<b>Root Mean Square</b>	<b>F</b>	<b>Sig.</b>
<b>Economic Index</b>	Inter-groups	7.483	5	1.497	162.198	.000
	Intra-groups	6.588	714	.009		
	Total	14.071	719			
<b>Social Index</b>	Inter-groups	25.830	5	5.166	272.178	.000
	Intra-groups	13.552	714	.019		
	Total	39.382	719			
<b>Governmental Index</b>	Inter-groups	28.824	5	5.765	3006.024	.000
	Intra-groups	1.369	714	.002		
	Total	30.193	719			

**TABLE 6. Means of the six-cluster solution**

Ward Method		<b>Economic Index</b>	<b>Social Index</b>	<b>Governmental Index</b>
<b>1</b>	Mean	<b>.9053</b>	<b>.4097</b>	<b>.5803</b>
	% of N total	17.1%	17.1%	17.1%
<b>2</b>	Mean	<b>.8799</b>	<b>.8053</b>	<b>.5837</b>
	% of N total	19.7%	19.7%	19.7%
<b>3</b>	Mean	<b>.4599</b>	<b>.6398</b>	<b>.7160</b>
	% of N total	5.6%	5.6%	5.6%
<b>4</b>	Mean	<b>.7479</b>	<b>.7576</b>	<b>.0106</b>
	% of N total	2.5%	2.5%	2.5%
<b>5</b>	Mean	<b>.8864</b>	<b>.4149</b>	<b>.9197</b>
	% of N total	13.9%	13.9%	13.9%
<b>6</b>	Mean	<b>.9018</b>	<b>.8383</b>	<b>.9211</b>
	% of N total	41.3%	41.3%	41.3%
<b>Total</b>	Mean	.8675	.6867	.7620
	% of N total	100.0%	100.0%	100.0%

Source: Table by authors

## ANNEX 1

### Multiple Comparisons

Scheffe

Dependent Variable	(I) Ward Method	(J) Ward Method	Difference of means (I-J)	D. Error	Sig.	Confidence interval 95%	
						Lower limit	Upper limit
Economic Index	1	2	,02536	,01183	,468	-,0141	,0648
		3	,44532*	,01748	,000	,3870	,5037
		4	,15731*	,02424	,000	,0764	,2382
		5	,01889	,01293	,830	-,0243	,0621
		6	,00351	,01030	1,000	-,0309	,0379
	2	1	-,02536	,01183	,468	-,0648	,0141
		3	,41996*	,01719	,000	,3626	,4773
		4	,13195*	,02403	,000	,0518	,2121
		5	-,00647	,01254	,998	-,0483	,0354
		6	-,02186	,00980	,420	-,0546	,0108
	3	1	-,44532*	,01748	,000	-,5037	-,3870
		2	-,41996*	,01719	,000	-,4773	-,3626
		4	-,28802*	,02726	,000	-,3790	-,1970
		5	-,42643*	,01797	,000	-,4864	-,3665
		6	-,44182*	,01618	,000	-,4958	-,3878
	4	1	-,15731*	,02424	,000	-,2382	-,0764
2		-,13195*	,02403	,000	-,2121	-,0518	

		3	,28802*	,02726	,000	,1970	,3790
		5	-,13841*	,02459	,000	-,2205	-,0564
		6	-,15380*	,02332	,000	-,2316	-,0760
	5	1	-,01889	,01293	,830	-,0621	,0243
		2	,00647	,01254	,998	-,0354	,0483
		3	,42643*	,01797	,000	,3665	,4864
		4	,13841*	,02459	,000	,0564	,2205
		6	-,01539	,01111	,860	-,0524	,0217
	6	1	-,00351	,01030	1,000	-,0379	,0309
		2	,02186	,00980	,420	-,0108	,0546
		3	,44182*	,01618	,000	,3878	,4958
		4	,15380*	,02332	,000	,0760	,2316
		5	,01539	,01111	,860	-,0217	,0524
<b>Social Index</b>	1	2	-,39561*	,01697	,000	-,4522	-,3390
		3	-,23018*	,02508	,000	-,3139	-,1465
		4	-,34794*	,03477	,000	-,4640	-,2319
		5	-,00521	,01855	1,000	-,0671	,0567
		6	-,42864*	,01477	,000	-,4779	-,3793
	2	1	,39561*	,01697	,000	,3390	,4522
		3	,16543*	,02466	,000	,0831	,2477
		4	,04767	,03447	,861	-,0673	,1627
		5	,39040*	,01799	,000	,3304	,4504
		6	-,03303	,01406	,357	-,0799	,0139
	3	1	,23018*	,02508	,000	,1465	,3139
		2	-,16543*	,02466	,000	-,2477	-,0831
		4	-,11776	,03910	,108	-,2482	,0127
		5	,22497*	,02577	,000	,1390	,3110
		6	-,19846*	,02320	,000	-,2759	-,1210

<b>Governmental Index</b>	4	1	,34794*	,03477	,000	,2319	,4640	
		2	-,04767	,03447	,861	-,1627	,0673	
		3	,11776	,03910	,108	-,0127	,2482	
		5	,34274*	,03527	,000	,2250	,4604	
		6	-,08069	,03344	,325	-,1923	,0309	
		5	1	,00521	,01855	1,000	-,0567	,0671
	5	2	-,39040*	,01799	,000	-,4504	-,3304	
		3	-,22497*	,02577	,000	-,3110	-,1390	
		4	-,34274*	,03527	,000	-,4604	-,2250	
		6	-,42343*	,01593	,000	-,4766	-,3703	
		6	1	,42864*	,01477	,000	,3793	,4779
			2	,03303	,01406	,357	-,0139	,0799
	3		,19846*	,02320	,000	,1210	,2759	
	4		,08069	,03344	,325	-,0309	,1923	
	5		,42343*	,01593	,000	,3703	,4766	
	2		2	-,00340	,00539	,995	-,0214	,0146
	1	3	-,13575*	,00797	,000	-,1623	-,1092	
		4	,56964*	,01105	,000	,5328	,6065	
5		-,33940*	,00590	,000	-,3591	-,3197		
6		-,34079*	,00470	,000	-,3565	-,3251		
2		1	,00340	,00539	,995	-,0146	,0214	
		3	-,13234*	,00784	,000	-,1585	-,1062	
	4	,57304*	,01096	,000	,5365	,6096		
	5	-,33600*	,00572	,000	-,3551	-,3169		
	6	-,33738*	,00447	,000	-,3523	-,3225		
	3	1	,13575*	,00797	,000	,1092	,1623	
2		,13234*	,00784	,000	,1062	,1585		
4		,70538*	,01243	,000	,6639	,7469		

4	5	-,20365*	,00819	,000	-,2310	-,1763
	6	-,20504*	,00738	,000	-,2296	-,1804
	1	-,56964*	,01105	,000	-,6065	-,5328
	2	-,57304*	,01096	,000	-,6096	-,5365
	3	-,70538*	,01243	,000	-,7469	-,6639
	5	-,90904*	,01121	,000	-,9464	-,8716
5	6	-,91042*	,01063	,000	-,9459	-,8750
	1	,33940*	,00590	,000	,3197	,3591
	2	,33600*	,00572	,000	,3169	,3551
	3	,20365*	,00819	,000	,1763	,2310
	4	,90904*	,01121	,000	,8716	,9464
	6	-,00138	,00506	1,000	-,0183	,0155
6	1	,34079*	,00470	,000	,3251	,3565
	2	,33738*	,00447	,000	,3225	,3523
	3	,20504*	,00738	,000	,1804	,2296
	4	,91042*	,01063	,000	,8750	,9459
	5	,00138	,00506	1,000	-,0155	,0183

\*. Difference of means is significant at a 0.05 level.

Source: Table by author

## **About the authors**

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