



**Enhancing Young People Skills and Competencies in Social Entrepreneurship by Virtual Reality**

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**Course 5.2**

**SOCIAL ECONOMY**

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# Introduction

The concept of a social economy has evolved over time and emerged as a response to certain economic and social challenges. While the specific origins of the social economy can be traced back to different historical contexts and countries, it’s possible to provide a general overview. The social economy is an alternative economic model that prioritizes social and environmental objectives alongside financial goals. It seeks to address societal needs, promote social inclusion, and create sustainable development. The main aim of the social economy is to combine economic activity with a strong focus on social value creation, rather than solely pursuing profit maximization. It’s origin can be found in various movements and ideas, including cooperatives, mutual organizations, and non-profit organizations. These initiatives were often born out of the need to address social issues and provide services that traditional markets and governments were not adequately fulfilling. It's important to note that the development and recognition of the social economy vary across countries, depending on their historical, cultural, and institutional contexts. Different regions have different approaches and policies to support and promote the social economy, recognizing its potential for addressing societal challenges and fostering inclusive and sustainable economic growth.

The social economy is thus a sector that is distinguished by its main purpose, which is to create positive social impact by promoting the well-being of people and communities. Unlike the traditional economy, which focuses solely on profit-making, the social economy combines the production and exchange of goods and services with the goal of creating social and environmental value.



This sector has a long history and has evolved in many countries around the world, taking different forms and characteristics depending on local conditions. In Europe, the social economy has ancient roots dating back to the cooperative movement of the 19th century, when groups of workers organized themselves into production and consumption cooperatives. The basic principles of the social economy are solidarity, reciprocity, participatory democracy, sustainability, equality and social justice. In particular, cooperatives are based on solidarity and reciprocity, while participatory democracy is the basic principle of associations and foundations. The social economy plays an important role in the current situation, which is characterized by an economic and social crisis that has hit many people and regions hard. Indeed, socio-economic organizations are often able to meet the needs of local communities by creating jobs, services and useful goods in their daily lives.

# Chapter 1

# social economy definition and fundamental principles

Within the works of the European Commission related to the Action Plan for the Social Economy, the working team stated that "there are very diverse traditions and definitions means that a very precise (and therefore somewhat narrow) definition of social economy would likely exclude some organizations and can therefore not be assumed to be in the best interests of the social economy in Europe. Only a broad and inclusive definition takes into account the existing diversity and preserves the possibility to pursue a variety of approaches (at Member State level, as well as at the level of individual organizations)."

Therefore, there is no formal definition of social economy, which can vary from country to country. A highly inclusive definition provided by the Italian Ministry of Labor and Social Policies is as follows: "The social economy is characterized by non-profit activities and social utility carried out by Third Sector organizations that act based on principles of reciprocity and democracy."

Social economy is a broad concept that encompasses organizations and enterprises pursuing both economic and social objectives, promoting solidarity and participation. This approach is based on the understanding that economic development should go hand in hand with social progress and community well-being.

Social economy organizations often emerge from grassroots initiatives within local communities in response to shared needs or perceived opportunities by the citizens themselves. These organizations include social enterprises, cooperatives, mutual societies, associations, and foundations. Their primary goal is not only to generate profit but also to create social value and meet the needs of the communities in which they operate.

One of the fundamental principles of the social economy is democratic participation. This means that all members of the organization have the right to actively participate in important decisions and the management of the enterprise. This is achieved through an inclusive decision-making process that involves all members of the organization. Democratic participation can occur through the election of representatives or through forms of direct democracy, such as general assembly meetings. This principle ensures that no individual or restricted group makes decisions unilaterally, but rather all voices are heard and taken into consideration.

Another key principle of the social economy is solidarity. Organizations in this sector are committed to promoting the common good and mutual support among members. This means that the primary focus is not only individual profit but also the creation of positive social impacts. Social economy organizations seek to meet the real needs of people at the local or global level, adopting innovative solutions to address social and economic challenges. Additionally, they foster relationships based on trust and collaboration between the members of the organization and the community in which they operate.

Attention to the needs of the community is another central principle of the social economy. Organizations in this sector concentrate on creating products or services that are beneficial to the community in which they operate, addressing the actual needs of people. The goal is not only to satisfy the needs of individual individuals but also to contribute to collective progress. Social economy organizations strive to build positive relationships with the community, working in collaboration to address social and environmental issues and thereby enhancing the quality of life for people.

Social economy organizations distinguish themselves from conventional businesses through several characteristics. They often develop from the bottom-up, emerging within local communities in response to shared needs or recognized opportunities by citizens. These organizations actively involve volunteers who play a significant role in the initial phase of enterprise creation. Volunteer engagement contributes to creating a sense of belonging and strengthening the relationship between the organization and the community.

An important aspect of the social economy is its resilience in the face of economic crises, thanks to the principles, values, and practices based on participation, democracy, and solidarity. During periods of economic hardship, social economy organizations demonstrate greater resilience due to their collective well-being orientation. This is made possible through long-term commitment to the common good, the creation of support networks, and the ability to adapt to the changing needs of society.

## 1.1 Social enterprises in the social economy

Social enterprises represent an important aspect of the Social Economy. They are economic organizations that combine social goals with profit-seeking and sustainability objectives. Their main mission is to create social value by using entrepreneurship as a tool to meet community needs and solve the social and environmental challenges of our time. What is the difference between a social enterprise and a traditional enterprise? Social enterprises differ from traditional enterprises in terms of social purpose, structure and operational management. In addition, social enterprises emphasize community involvement and collaboration with stakeholders, thus building trust with them and promoting social inclusion and job creation. Social enterprises offer many benefits, such as sustainable development of local communities, creation of social value and promotion of social innovation. They also have many goals and often focus on job creation, poverty reduction, environmental protection and cultural promotion. However, these goals may vary depending on the specific needs and requirements of the social enterprise operating system.



Social enterprises can use various financial instruments to develop their activities. The most common are crowdfunding, microloans, social investment, and European funds. Either way, obtaining financing remains a significant challenge for social enterprises, which often struggle to obtain traditional financing from banks. There are several challenges facing the development and success of social enterprises. These include competitiveness, financial sustainability, access to finance, relationships with public and private institutions, and communication and marketing. However, despite these challenges, social enterprises represent an innovative response to the social and environmental problems of our time. In short, it can be said that social enterprises are an innovative form of business that combines social goals with profit-seeking and sustainable development objectives. Because of their social mission, social enterprises are able to respond to community needs by creating social value and promoting social inclusion.

# Chapter 2 SOCIAL ECONOMY ORGANIZATIONS

Social economy organizations can be diverse, and each has its own characteristics and purposes. The most common types of cooperative and socio-economic organizations are: cooperatives, associations, foundations and social enterprises.



**2.1 Cooperatives**Cooperatives are organizations that are owned and operated by their members, who participate in the management of the organization and its economic activity. They can be of different types, including consumer cooperatives, production cooperatives, labor cooperatives, and service cooperatives.

Consumer cooperatives are organizations that offer goods and services to their members at affordable prices and are non-profit. Members of the cooperative may be consumers themselves or producers of goods or services. These cooperatives are common in the food sector, with consumer cooperatives offering organic, fair trade, and 0-mileage products to their members.

Production cooperatives are organizations in which members participate in the production and distribution of goods or services, on a nonprofit basis. Members may be the workers themselves or the owners of the businesses. These cooperatives are common in agriculture, handicrafts and manufacturing, where members work together to produce quality and affordable goods and services.

Labor cooperatives are organizations in which members participate in the management of the organization and the production of goods or services. In this case, the members are also the workers of the organization themselves. These cooperatives are common in the service sector, such as worker cooperatives that offer home care or cleaning services.

Service cooperatives are organizations that offer services to their members, such as access to funding, training or support services. These cooperatives are common in various sectors, such as agriculture, handicrafts, culture and social services.

**2.2 Associations**  
Associations are organizations that unite their members around a common goal, such as the promotion of a social, cultural or political cause. This goal may be social, cultural, educational, political or economic in nature.

Associations are usually run by a steering committee, and most of them are incorporated in a legal form.

They can be of different types: voluntary associations, trade associations, cultural associations, and sports associations.

Voluntary associations unite volunteers around goals such as helping the needy, promoting human rights, protecting the environment, caring for the sick, or organizing cultural events. These associations are usually nonprofit, and their activities are financed through members' voluntary contributions, donations or grants.

Trade associations represent the interests of a group of businesses or professionals, such as labor unions, artisans' associations, farmers' associations, or lawyers' associations. These associations work to promote the interests of their members, such as by negotiating wages, working conditions or product prices.

Cultural associations promote culture and the arts by organizing cultural events, performances, exhibitions, training courses, and seminars. These associations may have different purposes, such as promoting contemporary art, enhancing cultural heritage, or disseminating literature.

Sports associations promote sports and physical activity by organizing competitions, sporting events, training courses, and recreational activities. These associations may have different goals, such as promoting sports as a tool for social integration, training young talent, or promoting health and physical well-being.

In general, associations are organizations that promote the welfare of society by providing an opportunity for active participation and voluntary engagement for their members. Due to their flexibility and ability to adapt to community needs, associations play a key role in supporting and promoting social and cultural activities.

**2.3 Foundations**  
Foundations are nonprofit organizations whose purpose is to support and promote social, cultural, scientific or educational causes. Unlike associations, they do not have members, but are managed by a board of directors or an executive committee.

Foundations can be of various types: charitable foundations, cultural foundations, scientific foundations, educational foundations, and corporate foundations.

Charitable foundations work for the common good, providing financial support for social causes, such as fighting poverty, promoting health, caring for the sick or helping the disadvantaged. They raise funds from donations or inheritances and use them to fund projects or organizations pursuing the same goals.

Cultural foundations promote culture and the arts by supporting the production and dissemination of literary, musical, theatrical or cinematic works. Cultural activities such as exhibitions, performances, research projects and publications are funded through them.

Science foundations support scientific research by funding research projects and providing grants to researchers and students. They operate in various fields of science, including medicine, biology, physics, computer science and social sciences.

Educational foundations focus on education and improving access to education. They usually work to promote youth learning and development through various programs and initiatives such as providing scholarships, funding educational projects, and supporting colleges and universities.

Corporate foundations aim to support social or environmental causes, such as protecting the environment, promoting health or supporting local communities. They operate outside the core activities of the company and focus on charitable, philanthropic and corporate social responsibility initiatives.

In general, foundations work for the common good, funding projects and organizations that promote culture, science, education, and support for people in need. Through their ability to provide long-term financial support, foundations can have a significant impact on society and the causes they support.

# Chapter 3 SOCIAL ENTERPRISES

Social enterprises are organizations that combine social objectives with business activities. These enterprises have as their main purpose to create social value but at the same time operate in an entrepreneurial way, producing goods and services and generating profit. The profit generated is used to finance the social activity of the enterprise, invest in new projects or distribute dividends to its shareholders.

Social enterprises are distinguished from traditional enterprises by their social mission, which is integrated into their main objectives, business strategy and organizational structure. They are often founded by individuals or groups motivated by a vision of social change and aim to respond to social or environmental problems, such as poverty, unemployment, environmental protection, public health or access to education.

They can take different forms, such as cooperatives, limited liability companies (LLCs), joint stock companies (SPAs) or nonprofit organizations, depending on the specific needs of their sector or target audience.

Social enterprises have proven to be an effective model for addressing social and environmental challenges and creating a positive impact on society. In addition, they can play an important role in improving the sustainability of their business model and society at large by adopting responsible business practices, such as reducing greenhouse gas emissions, using renewable energy, or promoting ethical and sustainable practices in production processes.

In sum, social enterprises are an important resource for the social economy, as they combine social development goals with sustainable business activity, and can contribute significantly to improving the living conditions of people and the environment in which they live.

**Challenges, Opportunities and Difficulties of Social Enterprises**

Access to social funding and investment is one of the main opportunities for social enterprises. These organizations can benefit from sector-specific funding, such as the European Social Innovation Funds, which provide financial resources for the development and expansion of social enterprises. With this funding, social enterprises can carry out projects with high social impact, invest in research and development, or improve their operational infrastructure. In addition, social enterprises can benefit from collaborations with other actors in the sector. Working in synergy with cooperatives, associations, and foundations allows social enterprises to join forces, share resources and expertise, and amplify the social impact of their activities. These partnerships can foster strong networks and promote the exchange of knowledge and best practices among different social sector organizations. Another opportunity for social enterprises is the technical and training support offered by organizations specializing in the field. Social enterprise incubators and training centers provide specific skills and knowledge to help social enterprises develop and grow. This type of support can include entrepreneurial training, mentorship, legal and financial advice, and access to networks of social entrepreneurs and experts in the field.

Social enterprises can also access public markets through participation in tenders that require innovative solutions to social or environmental problems. Public institutions, at the European and national levels, are increasingly interested in involving social enterprises in the provision of public services or the implementation of socially relevant projects. This gives social enterprises the opportunity to expand their social impact and obtain contracts to provide services or implement long-term projects. Finally, social enterprises are increasingly gaining recognition at the institutional level. European institutions are gradually recognizing the key role of social enterprises in creating a more inclusive and sustainable economy. This recognition is translating into more favorable public policies for social enterprises, such as the introduction of laws and regulations that facilitate their creation and operation. Such institutional recognition helps improve the visibility and reputation of social enterprises, while also facilitating their access to funding and resources.

Social enterprises face a number of significant challenges in pursuing their social impact goals. Among the main challenges these enterprises face, the following stand out:

Although as we have seen there are a number of funding opportunities, access to adequate funding is still a major challenge for social enterprises. Often, these organizations face difficulties in obtaining sufficient funding to develop and expand their projects, especially in the early stages. Lack of adequate funding can hinder the growth and sustainability of social enterprises, limiting their ability to maximize social impact.

A second major challenge for social enterprises concerns the measurement of social impact. Determining and evaluating the effectiveness of activities carried out by social enterprises can prove complex. Measuring social impact requires appropriate tools and methods to collect meaningful data and convincingly demonstrate the effectiveness of the actions taken. The difficulty in measuring social impact can make it complex to obtain funding, as investors and funders require concrete evidence of the effectiveness of the social activity carried out.

Competition with the private sector is another challenge for social enterprises. These organizations must compete with for-profit enterprises for resources, funding and markets. The nonprofit nature of social enterprises can make them less attractive than traditional businesses, especially when it comes to obtaining funding or attracting investors. Competition with the private sector can challenge social enterprises and require innovative strategies to maintain their relevance and economic sustainability.

Another significant challenge for social enterprises concerns the complexity of regulations. These organizations face a range of complex rules and regulations that can vary from country to country. Compliance with regulations can require time, resources and specific expertise, posing an operational and financial challenge for social enterprises. Compliance with regulations may require close collaboration with legal counsel or industry experts to successfully navigate the maze of regulations.

Finally, social enterprises often face the difficulty in finding qualified staff with specific social sector skills. Social enterprises require professionals with a combination of business knowledge and social skills, which can be difficult to find. Lack of qualified staff can hinder the development and growth of social enterprises, limiting their ability to effectively implement their programs and achieve their social impact goals.

Addressing these challenges requires a combination of innovative strategies, effective partnerships, and support from public and private institutions. Social enterprises must seek creative solutions and pursue funding, training and collaboration opportunities to overcome challenges and maximize their social impact.

Social entrepreneurs meet various challenges while pursuing their social and environmental missions. Here are some common difficulties they encounter:

Funding: Securing adequate funding is a significant challenge for social entrepreneurs. Traditional sources of capital, such as banks and investors, may be hesitant to invest in ventures that prioritize social impact over immediate financial returns. Social entrepreneurs often have to seek alternative funding options, such as grants, impact investment, crowdfunding, or partnerships with foundations and philanthropic organizations.

Scaling Impact: Scaling up the impact of a social enterprise can be challenging. Social entrepreneurs often operate in complex and resource-constrained environments, where replicating and expanding their solutions is not always straightforward. Scaling requires sustainable business models, access to markets, supportive policies, and strong partnerships.

Measuring Impact: Demonstrating the social and environmental impact of their initiatives is essential for social entrepreneurs. However, measuring impact can be complex, as it often involves quantifying intangible outcomes and long-term effects. Developing effective impact measurement methodologies and systems is crucial to attracting funding, building credibility, and refining programmatic approaches.

Balancing Financial Sustainability and Mission: Social entrepreneurs face the delicate task of balancing financial sustainability with their social or environmental mission. Generating revenue and ensuring the financial viability of the enterprise is necessary to sustain their operations and scale impact. However, maintaining a clear focus on the mission and avoiding mission drift can be challenging when financial pressures arise.

Building Partnerships and Networks: Collaboration is vital for social entrepreneurs to maximize their impact. Building partnerships with diverse stakeholders, including government agencies, non-profits, corporations, and communities, can be time-consuming and require effective relationship-building skills. Social entrepreneurs often have to navigate complex networks and work towards aligning different interests and objectives.

Overcoming Resistance and Systemic Barriers: Social entrepreneurs often face resistance from entrenched systems, structures, and societal norms. Challenging the status quo and introducing innovative solutions can encounter pushback or resistance from those who may perceive the change as threatening. Overcoming systemic barriers and building support for their initiatives often requires persistence, advocacy, and strategic communication.

Managing Complexity and Uncertainty: Addressing social and environmental challenges can be complex and multifaceted. Social entrepreneurs often work in dynamic and uncertain contexts, where multiple interconnected factors influence their work. Adapting to changing circumstances, managing risks, and making informed decisions in complex environments can be demanding.

Despite these challenges, social entrepreneurs play a crucial role in driving positive change and innovation. Their dedication and resilience contribute to tackling societal issues, promoting sustainable development, and shaping more inclusive and equitable economies.

# References

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