

## Research Article

# From social enterprises to impact businesses: Examining the theoretical debate toward social innovation

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## Abstract

**Objective:** provide a critical examination of existing theoretical models and their disagreements that arise from divergent political views, imbued with value about what the social is, what is good and what is bad. **Methodology/Approach:** theoretical essay that examines, on the one hand, the theoretical discussion that encompasses models with different logics and organizational formats, with an emphasis on prescriptive approaches that romanticize this type of enterprise and, on the other hand, critical approaches that interpret the debate not as a rupture, but as a legitimizing and reproducing character of the established social order. **Main results:** the visions about social enterprises, divergent in many of the existing theoretical models, shift attention from socio-environmental problems by focusing on heroic individuals and miraculous "solutions". Social innovation would be the way to solve the impasse of how social transformations are generated in practice, involving different actors that go beyond the discussion in question, directing the debate to the notion of social innovation ecosystems. **Theoretical/methodological contributions:** propose an inclusive framework that involves the acceptance of diversity and pluralism, and that goes beyond the dispute between models, in order to allow greater focus on socio-environmental issues, recognizing the importance of collective approaches, socio-historical, cultural and territorial differences, in addition to hosting multiscale and multisectoral studies in the direction of social innovation as a transforming process. **Relevance/originality:** The article expands the understanding of the characteristics and typologies of social enterprises and their different interpretations, leading to reflection on their practices and advancing in the study of the real consequences that these organizations promote, bringing to the fore the debate on social innovation as focus. Social contributions: by discussing the practical consequences of social enterprises and bringing to light the social innovations that these actors co-produce in their specific realities, the article sheds light on this broader dimension directed to the serious problems experienced today.

**Keywords:** Social enterprises. Impact businesses. Social businesses. Hybrid organizations. Social innovation.

## Dos empreendimentos sociais aos negócios de impacto: Examinando o debate teórico rumo à inovação social

### Resumo

**Objetivo:** fornecer um exame crítico dos modelos teóricos existentes e seus desentendimentos, advindos de visões políticas divergentes, imbuídas de valor sobre o que é o social, o que é bom e o que é ruim. **Metodologia/Abordagem:** ensaio teórico que examina, por um lado, a discussão teórica que abarca modelos com lógicas e formatos organizacionais diversos, com ênfase em abordagens prescritivas que romantizam alguns tipos de empreendimentos e, por outro, abordagens críticas que interpretam o debate não como uma ruptura, mas sob um caráter legitimador e reproduzidor da ordem social estabelecida. **Principais resultados:** as visões acerca dos empreendimentos sociais, divergente em muitos dos modelos teóricos existentes, deslocam a atenção dos problemas socioambientais por se concentrarem em indivíduos heróis e "soluções" milagrosas. A inovação social seria o caminho para se solucionar o impasse de como as transformações sociais são geradas na prática, envolvendo atores diversos que extrapolam a discussão em pauta, direcionando o debate para a noção de ecossistemas de inovação social. **Contribuições teóricas/metodológicas:** propõem um enquadramento inclusivo que envolve a aceitação da diversidade e do pluralismo, e que extrapola a disputa entre modelos, de forma a permitir maior foco nas problemáticas socioambientais, reconhecendo a importância das abordagens coletivas, das diferenças socio-históricas, culturais e territoriais, além do acolhimento de estudos multiescalares e multissetoriais na direção da inovação social como processo transformador. **Relevância/originalidade:** o artigo amplia a compreensão sobre as características e tipologias dos empreendimentos sociais e suas diversas interpretações, levando à reflexão sobre suas práticas e avançando no estudo sobre as consequências reais que essas organizações promovem, trazendo à tona o debate da inovação social como foco. Contribuições sociais: ao discutir as consequências práticas dos empreendimentos sociais e trazer à tona as inovações sociais que estes atores coproduzem em suas realidades específicas, o artigo traz luz para essa dimensão mais abrangente direcionada aos graves problemas vivenciados na atualidade.

**Palavras-chave:** Empreendimentos sociais. Negócios de impacto. Negócios sociais. Organizações híbridas. Inovação social.

## INTRODUCTION

The discussion around enterprises trying to reconcile economic and social dimensions within their businesses has intensified in recent years (Defourny & Nissens, 2006; Sepulveda, 2015; Janes, 2016; França Filho et al., 2020). Studies on this issue form a field with numerous divergences and debates. It is not rare to find contradictory and ambiguous arguments within one research or in the theme as a whole (Ranville & Barros, 2022).

From the contemporary debate on social enterprises, Brewer (2016) uses the zoo metaphor resorting to the classification of animals, comparing this type of organization to a Platypus due to its hybrid character. According to the author, this animal has unusual traits compared to other mammals. Therefore, the classification of the Platypus by zoologists was inconclusive for a long time.

Such a metaphor helps us to think about the current debate on social enterprises. In a zoo, each animal is distinguished by particular characteristics and is therefore classified in a given typology. When restricted to existing typologies, scientists may misinterpret an unknown species. The case of the Platypus is iconic. The animal was discovered at the end of the eighteenth century. However, many discussions followed until the true nature of this animal became a consensus among researchers, and it is now considered a mammal (Brewer, 2016).

With this example in mind, this theoretical article aims to advance the understanding of social enterprises, focusing both on their characteristics and hybrid aspects and, in particular, on enterprises or organizational types compared to others in the main theoretical models existing in the literature, based on searches carried out in the Scopus, Ebsco, Scielo, Spell, and Web of Science databases, all accessed through the portal of journals offered by the Brazilian agency Capes (Portal de Periódicos da Capes). We discuss ambiguities around understanding social enterprises at the international and national levels. More specifically, we seek to help understand the differences and similarities between “social enterprises” (known in Brazil as “empreendimentos sociais”) and impact businesses (IB), considering here all their variations: social business, inclusive business, social impact businesses, among other definitions.

In addition to exploring the theoretical debate and listing the various available analytical models, the article provokes researchers to carry out a proper “sociological reduction” (Ramos, 1996), when applying the models. The study examines existing theoretical models and their disagreements, which arise from divergent political views imbued with values about what is social, what is good, and what is bad.

This study contributes to the literature by pondering that the practice of scientific research poses situations where the analyzed organizations present characteristics that do not fit a given classification, demonstrating a distance between the existing theoretical models and the manifestation in practice. The article analyzes the theoretical models and leads the debate toward social innovation, shedding light on multisectoral and multilevel studies, which are more complex but better positioned to overcome the different understandings about the socio-environmental problems and offer a transdisciplinary vision of these issues.

### RECOVERING THE HISTORICITY OF THE DEBATE ON ORGANIZATIONS THAT OPERATE ON THE ECONOMIC AND SOCIAL BORDER

Despite the recent and increasing interest in social enterprises, the literature exploring these “hybrid organizations,” which operate driven by economic and social purposes, is not recent (Defourny & Nissens, 2006; Sepulveda, 2015; Janes, 2016; França Filho et al., 2020). The first milestone in this debate emerges with the notion of social economy, whose tradition goes back to the roots of European

associativism with religious fraternities and trade guilds (Meister, 1972). The first associations were then characterized as voluntary enterprises that promoted common actions (Laville, 2009). Inspired by utopians such as Saint Simon, Charles-Fourier, and Joseph Proudhon, the field of social economy flourished in nineteenth-century Europe, expanding with the nascent cooperativism from the pioneering experience of Rochdale, in 1844, in Manchester, England. Scholars interested in the social economy’s nascent experiences sought to understand the characteristics and effects of associations with a productive purpose and also of cooperative and mutual associations, thus developing a field of study formed by different theoretical schools based on different ideologies, such as socialist, Christian reformist, liberal, and solidarity (Andion, 1998). Despite the differences, these currents shared a critique of the emerging industrial capitalist society in the nineteenth century.

With the advancement and institutionalization of the social economy, added to the crisis of the Fordist model of production in the 1980s and 1990s, the field of studies on the solidarity economy emerged at the same time as a development and also as a rupture with the notion of social economy, giving more emphasis to the dynamics of solidarity, territoriality, and local autonomy linked to the new associative and cooperative ventures that emerged, amid the Fordist crisis. The emphasis here is on the enterprises’ economic and social dimensions (with a focus on internal democracy) and their political action, focusing on including these initiatives in the public sphere (França Filho et al., 2020).

Another tradition of nonprofits has a long history that dates back to the emergence of charitable organizations in English-speaking countries, such as the Charity Organization Society, founded in 1883 in London (Anheier, 2005). The phenomenon of nonprofits assumes a global proportion, inspiring the emergence of several theoretical currents that study nonprofit associations and foundations and their performance in different segments. More particularly in this field, the definition established by Salomon and Anheier (1992) and Anheier (2005) stands out, which defines this as a “third sector” formed by nonprofit, institutionalized, private, self-governed, and voluntary organizations. The emphasis is on understanding these organizations’ internal operational aspects and their management from a more functionalist perspective. On the other hand, there is an interest in highlighting the economic role and weight of these organizations in the provision of public services in addition to the state, especially after the crisis of the Welfare State in the countries of the global North.

Later, these nonprofits also started to develop commercial activities, promoting the so-called unrelated commercialization, an activity subsidized with income from another activity carried out by the same organization (Cruz Filho, 2012). Such practices are also examined using the “cross-subsidy model” (James, 1983; Weisbrod, 1998, 2004). It is “one service produced and sold by the nonprofit at a profit, which is then used to finance the provision of another service that is more highly valued by the firm” (Hansmann, 1987, p. 39). Such cross-subsidies are characterized as deliberate strategies by nonprofit organizations (James, 1983) to finance activities perceived as essential to achieve their mission.

More recently, debates on “social business” have emerged, bringing with them approaches deemed new (Nascimento & Salazar, 2020), that do not necessarily dialogue with the previously presented traditions. Such ventures involve different organizational formats that operate in this interface between the economic and the social, giving rise to new nomenclatures for these ventures (Barki et al., 2020; França Filho et al., 2020). Such hybrid organizations are approached based on their ability to promote innovative solutions to social problems, combining characteristics of the private sector with social concern and acting from a market logic (Thompson & Macmillan, 2010; Barki, 2014). This more recent discussion has prevailed in business schools around the world, linking the promotion of a new, more responsible type of

capitalism to these ventures (Boltanski & Chiapello, 2020) and connecting them to social entrepreneurs whose inspiration is found in the seminal studies of Joseph Schumpeter (Nicholls, 2010). From this perspective, as the market grows, social entrepreneurs develop social “startups,” aided by investors and users who identify with their purpose. According to the authors, this may generate a virtuous circle attracting more investors who recognize the idea and the profit opportunity until, in the final stage, large companies adopt these models, their scale, logistics, and market knowledge.

This debate has widened and diversified considerably in the last decade, giving rise to different theoretical currents, analytical models, and nomenclatures to address this new type of enterprise, its interactions, and transactions. However, understanding this diversity of nomenclatures and models may often become complex, confusing, and challenging. In research practice, it is not uncommon to question whether such an enterprise is a social enterprise or just a new one that takes advantage of a market opportunity. This article contributes to increasing this understanding and seeks to advance the discussions. Next, the study examines this recent debate, exploring the analytical models, their propositions, contributions, and gaps.

### THEORETICAL-ANALYTICAL MODELS ON SOCIAL ENTERPRISES: CONTRIBUTIONS AND LIMITS

In the literature, several theoretical approaches compete to explain the nature, logic of action and characteristics of social enterprises. Below, we explore some of the main theoretical models discussed in the international and national literature, highlighting how they interpret social enterprises, their contributions, and their limits.

#### A discussão internacional

The international debate on social enterprises has intensified since the end of the 1990s. Initially, the models focused on exploring the differences and interfaces between economic and social logic (Dees, 1998; Alter, 2003; Massetti, 2008), emphasizing dichotomous and evolutionary approaches and proposing graded classification models to study social enterprises. However, the most recent literature points to more complex interpretations, encompassing different types of organizations from diverse sectors characterized as social enterprises, stressing their characteristics and hybridity (Young & Longhofer, 2016; Defourny & Nyssens, 2016).

#### The spectrum school of thought

The approach emerging from the spectrum school of thought was among the first theoretical models to help understand organizations that promote the interface between economic and social logic. It is an outstanding contribution within the scope of the Anglo-Saxon school of social enterprises (Dees, 1998) and one of the most cited in the literature (Defourny & Nyssens, 2017; Ferreira, 2021).

This model uses “market dependence” to classify projects (Dees, 1996; 1998). It proposes a continuum from purely nonprofit organizations to purely profit-maximizing organizations. Although this model has greatly contributed to the field (Peattie & Morley, 2008), it prevents the identification of different logic combinations and restricts the boundaries of the universe of social enterprises (Young & Lecy, 2014).

Dees’s (1998) classification was inspired by the commodification trend that gained strength in the US among nonprofits. Many of these organizations no longer depend exclusively on grants from government and private donors, seeking additional income through activities common to for-profit organizations, redirecting their business model. Raising funds through auxiliary trading companies

and marketing the core programs through which they carry out their missions are some of their strategies to lessen their reliance on donations and grants.

Thus, the spectrum proposed by Dees (1998) (Figure 1) shows purely commercial organizations on the right and traditional nonprofit organizations on the left. At the heart of the model are hybrid organizations.

**Figure 1**  
Model of the spectrum

		Purely Philanthropic <-----> Purely Commercial		
Motives,		Appeal to goodwill	Mixed motives	Appeal to self-interest
Methods and		Mission driven	Mission and market driven	Market driven.
Goals		Social value	Social and economic value	Economic value
Key Stakeholders	Beneficiaries	Pay nothing	Subsidized rates, or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donations and grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices

Note: Dees (1998, p.2).

Dees (1998) refers to a “new pro-business spirit” as a catalyst for change in nonprofits and a trend responsible for making the pursuit of profit more acceptable in this field. In this sense, income generation is seen as a more reliable source of funding than grants, and, at the same time, extensive donor dependence is considered a sign of weakness and vulnerability.

In this model, the so-called “hybrid” organizations are located in an intermediate sector, between the philanthropic and the purely commercial. However, the model does not distinguish the origin and context of these organizations nor their form of governance. The model refers to non-profit organizations seeking new financing approaches based on the market, with social programs capable of generating their own income. The author reflects that, on the one hand, this frees up philanthropic activities that can be allocated to initiatives that really need to be subsidized, but on the other hand, it can divert the social focus of these organizations as new sources of revenue can distance an organization from its original social mission.

#### Alter’s model

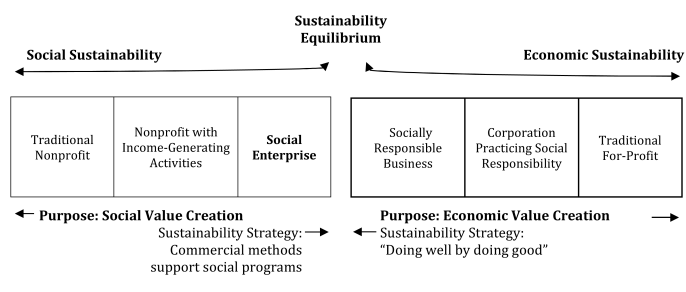
Sutia Kim Alter, in 2003, also proposed a model published in a paper entitled “Social enterprise: A typology of the field contextualized in Latin America,” presenting a variety of structures and mechanisms of “social enterprises” in the region (Alter, 2003). This paper offered the bases for the author’s best-known publication, “Social enterprise typology” Alter (2007), where she discusses the topic in-depth and presents a more robust typology. The model proposes a spectrum of organizational types of social enterprises that vary according to their mission and purpose.

Within this approach, Alter (2007), like Dees (1998), proposed a linear model in which all so-called “hybrid” organizations are placed on a continuum. At one extreme are traditional nonprofits, and at the other are traditional for-profit companies. The author



expands Dees' model, inserting hybrid organizations between the extremes in order: nonprofits with revenue generation strategies, social enterprises, socially responsible businesses, and companies practicing corporate social responsibility (CSR) (Figure 2).

**Figure 2**  
Alter's Model



Note: Alter (2007, p. 15).

The position of the organizations in the spectrum depends on their mission and purpose. The closer to the left, the more focused on creating social value; the closer to the right, the more oriented to generate economic value (profit). Notwithstanding, organizations at the left extreme of the spectrum may seek balance through strategies to reach financial sustainability (adopting business-like revenue-generating methods), moving toward the center of the diagram. In contrast, for-profit companies can do the same and move toward the center by adopting strategies leading to social impact, as the author suggested, "doing well by doing good" (Alter, 2007, p. 15).

Alter (2007) describes social enterprises as hybrid organizations willing to generate social impact and income, using the concept of "double value creation" to explain this phenomenon. The author's definition considers social enterprises as "any business venture created for a social purpose – mitigating/reducing a social problem or a market failure – and to generate social value while operating with the financial discipline, innovation and determination of a private sector business (Alter, 2007, p. 18, tradução nossa).

Alter's model advances in relation to Dees's, contributing to the debate and classification. However, its linear nature does not help increase understanding of the overlaps and shadows between these ventures.

*Social Enterprise Matrix*

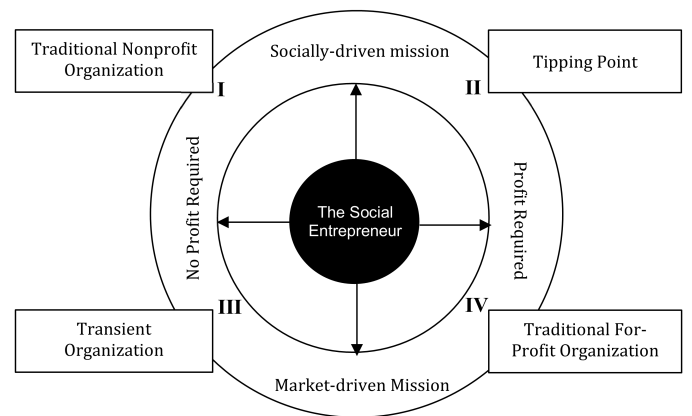
Brenda L. Massetti (2008) proposed a typology of "social enterprises" based on the variables of social mission, profitability (profitable or not), and market approach (see Figure 3).

As shown in Figure 3, the social entrepreneur may be in any of the four quadrants. According to the author, each offers a different approach to business and can guide social entrepreneurs as they try to develop and grow their enterprises. The matrix can also assist investors, analysts, and other stakeholders interested in social commerce in relation to other forms of business.

Massetti's (2008) matrix fits organizations into four quadrants: 1) traditional nonprofit organizations with a socially-driven mission; 2) socially-driven organizations that must make profits to keep operating, requiring a new model of social organization; 3) transient social organizations with a market-driven mission but not motivated by profit generation; 4) traditional market-oriented and profit-oriented organizations.

The author refers to quadrant two as the "tipping point" (Massetti, 2008, p. 11). It is located between the variables "socially-driven mission" and "profit required" and has received much attention from the entrepreneurial literature as it moves away from producing negative externalities typical of traditional profit-seeking companies. Thus, they can provide much-needed stability and a new perspective to correct the fundamental problems that stem from both nonprofit and for-profit organizations.

**Figure 3**  
The Social Entrepreneurship Matrix



Note: Massetti (2008, p.4).

In this sense, market demands are not interpreted as independent of their social impact, but the profits earned contribute to remaining agile and responsive. At the same time, these organizations can also accept funding from traditional social support systems.

Initiatives classified in this quadrant are thus represented by their social mission combined with the pursuit of profit. The author considers that "organizations in this quadrant hold the most promise for economic transformation" (Massetti, 2008, p. 4). Although Massetti (2008) advances from previous models, the author does not offer a more precise characterization of this type of organization, contributing to the confusion between the various types of hybrid social enterprises.

*Social enterprise zoo approach*

As we used in the introduction to this essay, Young and Longhofer (2016) advance the debate by exploring various "species" in this habitat of social enterprises and point to the characteristics of each of these organizational types. In their approach, among the types described are the 'Social businesses' would be, as defined by Yunus (2007), enterprises that seek to solve a social problem by marketing a product/service and reinvesting all the profit to maintain the operation and enable the expansion of the business, as also addressed in the EMES model in the sequence. Social cooperatives, on the other hand, are formed by the union of people united voluntarily in favor of economic, social, and cultural interests, through a democratically controlled enterprise and the responsibility of all those involved. Cooperatives are also considered in their specificity in the EMES model (Defourny & Nyssens, 2016) and in that of França Filho et al. (2020), derived from the social economy, explored below.

Another concept Young and Longhofer (2016) discuss is "social innovations," understood as new solutions to social problems that prove more effective, efficient, sustainable, or fair than previous solutions. Their impact aims at society as a whole rather than

private interest. Social innovations may include new organizations/companies or new practices promoting social impact. They do not require formalization in a specific type of enterprise. On the other hand, “responsible enterprises” or “socially responsible corporations” are companies that care for their stakeholders and are committed to the environment. Another type of organization is the “benefit corporation,” which emerged in the US and spread to other countries. Benefit corporations create a positive social or environmental impact and, at the same time, are examples of accountability and transparency with society. Finally, the authors highlight “sustainable businesses,” institutions that aim to increase profitability and resilience through social responsibility strategies, reconciling company interests and positively impacting society (Young & Longhofer, 2016).

Despite listing some of the “species” that can be found in the “social enterprise zoo,” Young and Longhofer (2016) recognize that others can be included. For the authors, more or less open definitions can be created to include or exclude “species,” depending on who is the zoo’s manager. Thus, the approach advances by leaving the binary logic and incorporating different organizational types, considering the possibility of expanding the plurality of existing practices based on empirical analysis. However, many of these types overlap in real life, such as responsible companies, benefit corporations, or sustainable businesses, and it is hard to distinguish them.

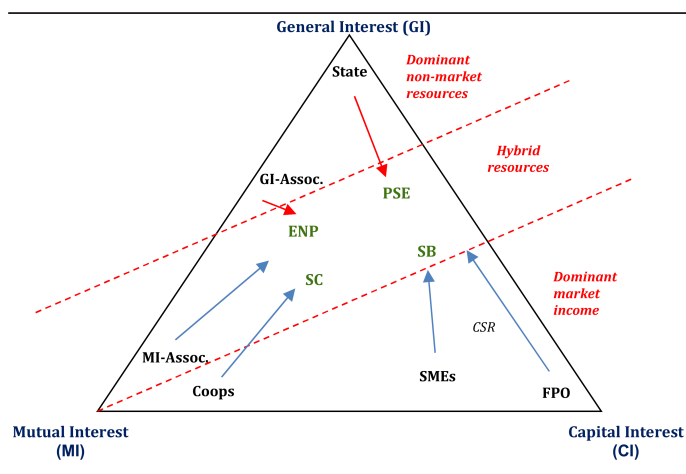
#### The EMES Network approach

The researchers from the Emergence of Social Enterprises in Europe (EMES) network proposed the gradual construction of an international corpus of theoretical and empirical knowledge plural in terms of fields of study and methodologies addressing social entrepreneurship, social economy, solidarity economy, and social innovation. For EMES, a social enterprise is an organization with a social purpose and limited profit distribution (Young & Brewer, 2016; Defourny & Nyssens, 2016). It is characterized by valuing the collective, the stakeholders involved, and accountability and transparency in management, allied to an open and participatory governance model (Galera & Borzaga, 2009).

proposed a model to explain the nature of these social enterprises based on three principles that represent their approaches: General Interest (GI), Mutual Interest (MI), and Capital Interest (CI). The authors developed a triangular diagram with these interests in each vertex (Figura 4).

Figure 4

EMES Model on the nature of social enterprises



Note: Defourny e Nyssens (2017, p.2479).

We included the trajectory of each organization profile in the model, demonstrating a trend of convergence toward the center as a movement toward hybrid organizations (Figura 4). Although Defourny e Nyssens (2017) propose a trajectory in the development of social enterprises (considering the organization’s movement from its original form toward hybridization), the authors recognize that social enterprises may also emerge independently. The proposed model is based on four profiles covering the main types of social enterprises, defined based on a combination of economic, social, and governance aspects.

The entrepreneurial nonprofit (ENP) characterizes all nonprofit organizations that develop a business-like strategy and makes an income to support a social mission. This earned-income complements public grants and donations that have an important role in the organization’s sources of revenue.

In social cooperatives (SC), members can be partners and users simultaneously. They can be single-stakeholder cooperatives when all members share a common interest and contribute to a collective/general interest or when the cooperatives’ social mission is focused on its own members. They can also be multi-stakeholders cooperatives, when members are both “associates” (co-owners) and “users,” who consume the goods or services the organization produces (e.g., consumer cooperatives, credit and savings cooperatives, insurance cooperatives, housing cooperatives). In developing countries like Brazil, socially-driven production activities are developed locally, often informally. The authors refer to these arrangements as “social cooperative-like enterprises.”

Social Businesses (SB) “are companies developing business activities for a social purpose or mission”. (Defourny & Nyssens, 2017, p. 15, tradução nossa). In this classification, the perspective of Yunus (2010) stands out. The author considers that along with being characterized as a financially self-sustainable company with a social mission, a social business has an investor that recovers their initial investment, but the profit generated is all reinvested to increase the social impact. Such a vision was developed to describe the business model focused on offering goods or services to customers in vulnerable or poor situations, which is now seen as a new market segment (bottom of the pyramid market) in poorer countries. With this characteristic, the best-known case is Grameen-Danone, which provides, at meager prices, nutritious products for vulnerable populations in Bangladesh.

The approach from behavioral and evolutionary economics (Borzaga & Tortia, 2010) follows the same perspective as observed in social businesses. It emphasizes the role of entrepreneurs and organizations in the face of social needs, political reforms, and business motivations over time (Young & Brewer, 2016).

According to Defourny e Nyssens (2017), social enterprises, understood as “businesses” geared toward a social mission, prevail in business schools, consulting firms, and corporate social responsibility (CSR) departments of large multinationals. According to the authors, defenders of this model admit that this would be an efficient means of solving social problems and reducing state costs. Defourny and Nyssens (2017) strongly criticize the logic that such components of general interest, incorporated into the business, guarantee the primacy of the social over the economic or, at least, enable the creation of double value, regardless of ownership and governance structures, and the allocation of profits. For the authors, such practices show a commodification and even financialization of the social and the public sphere, becoming a new niche for expanding global capitalism.

Defourny e Nyssens (2017) also warn of the risks of high profit and profitability prospects with so-called hybrid businesses, as in the case of large mergers that lead multinationals to control hundreds or thousands of institutions for older people, for example (p. 2483). Criticism is also directed at more open authors who include CSR of for-profit companies in this logic (Boschee, 1995; Austin, 2000). In this sense, Defourny and Nyssens (2017)

point out that CSR can represent what they call “social washing,” characterizing much more a strategy for profit maximization, of a marginal nature, than a social goal. Thus, considering CSR as a social business makes the concept very fluid.

Public-sector social enterprises (PSE) aim to increase efficiency in the provision of public services. Defourny and Nyssens (2017) point out that many governments seek new organizational models, which resort to the new public management literature. In this sense, some social enterprises can emerge as “spin-offs” of governmental initiatives, where local agencies favor the creation of community enterprises for local development. Such a process can also occur from transferring social services to new social enterprises, “reconfiguring,” or “outsourcing” these services. This often focuses on searching for improvements and innovations in service provision, influencing the issue of the size of the state’s apparatus, and reducing public expenses through outsourcing. However, the authors warn that privatization and outsourcing processes may weaken the state and public policies.

Defourny e Nyssens (2017) propose these four social enterprise models, recognizing that they are the main types, but other hybrid organizations may exist. The dotted lines in the triangle represent the various combinations of types of resources (market income, public concessions, philanthropic resources), showing the situations in which market income, government funding, or the combination of resources predominate (hybrid resources).

The lower dotted line also divides the “mutual interest” angle. Cooperatives, for example, are companies that operate primarily in the market and appear below the line. Mutual interest associations, such as sports clubs or other voluntary leisure organizations, combine market resources with resources such as volunteerism and contributions from the government (granting access to sports infrastructure, for example).

The model proposed by the EMES network is broader than the others and dialogues with other research traditions – especially European – that have studied social enterprises, such as the schools of social and solidarity economy previously discussed, considering a wide diversity of organizations and forms of economic regulation in the analysis. Teasdale et al. (2022) recognize that differences and diversity are admitted in the EMES approach. However, the focus lies on the importance of the collective, avoiding attention to the individual entrepreneur. However, the typologies considered and the examples given are still strongly situated in the realities of European countries, moving away to a great extent from the realities of developing countries and the global South. In this sense, it is also important to examine the models discussed in the academic field in Brazil, aiming for a deeper understanding of the appropriations that the authors and the field make of this debate.

### Exploring the debate in Brazil

In Brazil, the debate on social enterprises has been strongly associated with “impact business,” led not only by researchers and academic studies on the phenomenon but mainly by communities of practice and think tanks linked to the fields of innovation, technology, and social innovation. There is an undeniable influence in this field on the conception of the models developed in Anglo-Saxon countries and the notion of social business (Yunus, 2010) in its strictest sense.

#### Field organizations

The Alliance for Impact Investments and Businesses, previously known as the Brazilian Social Finance Task Force, was created to foster Brazil’s impact business ecosystem. In 2015, the Alliance published the “Guiding Principles for Impact Business in Brazil,” offering a concept and parameters for businesses that generate

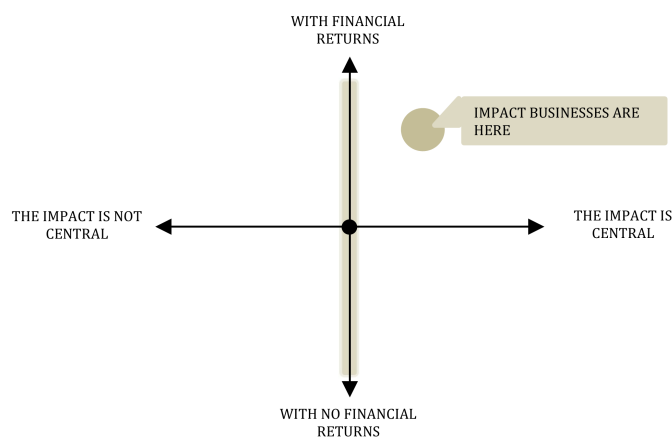
social and environmental impact in Brazil. According to the Alliance, impact businesses are “[...] enterprises that have the explicit mission of generating socio-environmental impact while sustainably producing positive financial results” (Força Tarefa de Finanças Sociais, 2015, p. 5, our translation). They must operate based on four principles: (1) commitment to the social or environmental mission; (2) commitment to monitoring the social or environmental impact; (3) commitment to market logic; and, (4) commitment to effective governance.

Thus, the definition of “impact business” encompasses different types of organizations that, as in the spectrum school (Dees, 1998), were placed in a linear scheme where at one extreme are civil society organizations (CSOs) with no revenue generation and at the other the purely commercial companies.

In the initial model, organizations located at the extremes were not considered impact businesses, but those located between the extremes were. The formats used by impact businesses are CSOs with revenue generation, CSOs with impact business activity, cooperatives, companies with a social or environmental mission with restrictions on the distribution of dividends, and companies with a social or environmental mission with no restrictions on the distribution of dividends. In other words, “impact businesses” are the same “hybrid organizations” as in Alter’s model (2007) or even synonymous with social enterprises. It is observed in this model that impact businesses encompass hybrid organizations emerging from different institutional logics.

In 2019, revisiting the guiding principles, the Alliance for Impact Investments and Businesses surveyed 280 people involved in impact entrepreneurship to redefine the concept of impact business. The definition was explained using a scheme structured in two axes (Figure 5). The first axis was related to how impact was embedded in the organization’s strategy and operations regarding centrality and intention; the second referred to the organization’s economic sustainability and ability to generate financial returns.

**Figure 5**  
Model of the Alliance for Investment and Impact Businesses and Pipe Social



Note: Aliança pelos Investimentos e Negócios de Impacto & Pipe Social (2019, p.27, our translation).

In this version, the orientation advances from the linear logic proposed by the first theoretical models (Dees, 1998; Alter, 2007) to a coordinate model constituted by two axes, very close to the theoretical model of Massetti (2008), although such theoretical models are not cited. Impact businesses are thus located between the axes “with financial return” and “the impact is central.” According to the study developed by the Brazilian Alliance, the criteria to be considered an impact business in these terms are



(1) “an impact business clearly expresses its intention to solve a social and/or environmental problem”; (2) “the core activity of the business offers a solution to a real socio-environmental problem, and this solution is the main reason for it to exist”; (3) “the business operates via market mechanisms, seeking financial returns”; and (4) “the business is committed to monitoring the socio-environmental impact it generates in society” (*Aliança pelos Investimentos e Negócios de Impacto & Pipe Social*, 2019).

The concept produced more recently by the Brazilian alliance clarifies that “impact businesses” include social businesses (Yunus, 2010), sustainable businesses, benefit corporations, businesses with purpose, conscious businesses, social enterprises, inclusive businesses, and creative economy organizations. However, it is still uncertain how the concept addresses these organizations’ context and governance beyond what the benefit corporations define.

The nonprofit organization Artemísia is a pioneer in the field. Established in 2004, it supports entrepreneurs and their businesses to leverage solutions that address society’s most prominent challenges (Artemísia, 2020). With the mission of “reimagining and recreating the economy, promoting greater inclusion and reducing inequalities to change the prevailing logic through the power of entrepreneurship,” Artemísia defines social impact businesses as those “aimed at the population in a situation of economic vulnerability that create solutions to socio-environmental problems and cause a positive social impact through their main activity”.

Another player in this field is Quintessa, an organization that presents itself as an “ecosystem of entrepreneurial and innovative solutions for the country’s central social and environmental challenges.” It has operated since 2009 in the “strategic integration between positive impact and financial result, working together with impact business entrepreneurs, large corporations, investors, and grantmaking organizations and foundations to advance innovation, positive impact, and ESG agendas.” Its definition of impact businesses reiterates the concept of the *Aliança pelos Investimentos e Negócios de Impacto e Pipe Social* (2019), assuming that such organizations are born with the “desire to lead solutions for major social and environmental challenges”; are scalable; and are financially sustainable by offering products and services, without depending on donations (Quintessa, 2019). These concepts reflect the view of relevant organizations operating in the field but lack scientific background.

*The scientific debate*

The debate in the Brazilian scientific field also includes several works that explore the phenomenon from the perspective of impact businesses and social businesses and their variations (Comini et al., 2012; Teodósio & Comini, 2012; Comini et al., 2013; Rosolen et al., 2014; Barki, 2015; Petrini et al., 2016; Barki et al., 2020).

In a recent article, Barki et al. (2020) emphasize the importance of impact businesses as a market alternative in offering solutions to socio-environmental problems, highlighting the need for collaboration and complementarity among other actors in society. For the authors, there are divergences in the literature, including different perceptions about the market and its role in solving social problems. This role seems to have been enhanced by the use of the terms “purpose” and “social impact” (Barki et al., 2020, p. 481).

In their analysis of the theme, they draw attention to the concept of organizational hybridism (Battilana & Dorado, 2010; Lee et al., 2012; Lee & Battilana, 2013; Battilana & Lee, 2014) as an alternative for understanding organizations with diverse institutional logics, converging, in this case, characteristics of business organizations with those of civil society organizations (Fischer & Comini, 2012).

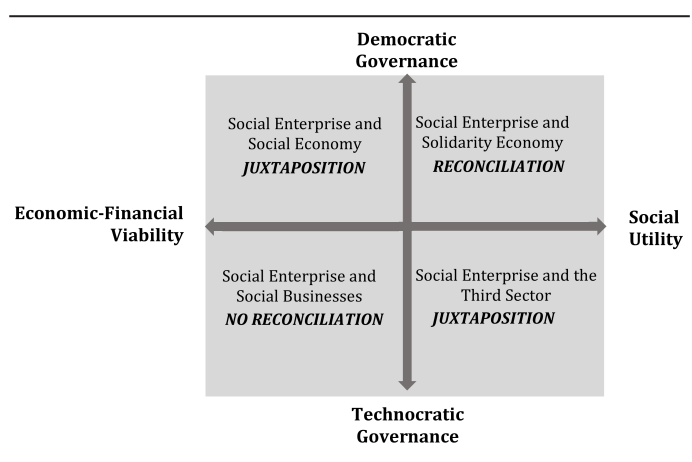
In a figure for didactic purposes, Barki et al. (2020) present an evolution of different approaches toward a new way of doing business. This new way starts with the social role and responsibility

of the organizations’ management (ethics in business, social responsibility of business, and CSR). Then, it includes incorporating the socio-environmental cause in the business strategy (stakeholder theory, corporate social performance, sustainable development, triple bottom line, and corporate citizenship). Finally, this new way is reflected in organizational models based on social objectives, represented by hybrid organizations (social business, impact business, creating shared value, benefit corporations, and the debate on conscious capitalism). The authors highlight that the field is scattered with a diversity of terms and seems far from achieving consensus. However, their idea of the evolution of the social role of business organizations suggests that impact businesses belong to the business world, leaving aside other social enterprises with characteristics of nonprofits.

Petrini et al. (2016) also discuss types of impact businesses, such as business for the bottom of the pyramid, inclusive business, and social business. For the authors, impact businesses are “organizations that aim to solve demands related to social problems, either offering products and services or including individuals or groups,” adding that “these organizations must promote their own financial sustainability, profit sharing being optional” (p. 212, our translation). In the same direction as Barki et al. (2020), the authors convey the idea that social impact businesses, or social impact companies, are organizations characterized in the model of Defourny and Nyssens (2017) as “businesses” arising from the apex of capital interest organizations (CI). In a critical view of the field, França Filho et al. (2020) seek to minimize the confusion arising from interpretations they conceive as diverse and conflicting in Brazil due to the growing spread of the notion of social enterprises to designate very different things. The authors show the discussions from four different approaches from the Anglo-Saxon and the classic European versions and from the Latin American and the renewed European versions, the latter represented by authors such as Laville et al. (2015). Thus, they start by analyzing the possibility of reconciling the economic and social dimensions through organizational practices and their ability to connect and interact between economic and social objectives.

Based on references from the Brazilian context, França Filho et al. (2020) discuss the notions of social business, third sector, social economy, and solidarity economy to analyze the possibility of this reconciliation, highlighting that this process requires a re-signification of the notion of economics. They propose an analytical matrix to illustrate the differences (Figure 6).

**Figure 6**  
*França Filho, Rigo, and Souza’s Analytical Matrix*



Note: França Filho et al. (2020, p. 577, our translation).

França Filho et al. (2020) emphasize that their focus is not on understanding the juxtaposition of economic and social aspects, arguing that these aspects do not dialogue. They focus

on reconciliation, i.e., understanding when economic purposes defer to social ones due to democratic political processes. Thus, they propose an analytical matrix based on two attributes: (1) organizational purpose, considering social utility and economic-financial viability (horizontal axis); and (2) management operation, considering decision-making processes and methods adopted to manage the organization, including democratic governance and/or technocratic governance (vertical axis).

The authors build their argument by contextualizing these types of organizations, their origin, history, objectives, political participation, and management practices. They demonstrate that finding univocity in interpretations when observing the reality of these enterprises is impossible, warning of the urgency of rethinking how they are understood in the Brazilian and Latin American reality. Based on a Polanyian interpretation of the problem, they pay attention to the fact that “the economic dimension is, above all, an analysis of how it is instituted or institutionalized in the organization of society” (França Filho et al., 2020, p. 559, our translation).

In the authors’ view, such practices must be anchored in a notion of solidarity economy understood as reconciliation between the economic and the social dimensions, due to the economic nature of the organization, according to them, is inseparable from its practice, be it social, political, cultural, or environmental. Such practices occur through collaborative management based on economic solidarity, redistribution, reciprocity, and re-signification of economics, supported by intrinsic principles and values, such as conscious consumption, solidarity finance, and fair trade.

Specifically regarding social businesses, the authors highlight in their conclusion that the primary purpose of these organizations (and all their variants) is financial viability. This characteristic, added to technocratic governance, makes the reconciliation and the juxtaposition between the economic and social dimensions unacceptable. They understand that, in the case of social businesses, social issues are always subordinated to economic gains and highlight the vagueness of their social purpose: “a service at a supposedly more affordable price for the low-income population [...]” (França Filho et al., 2020, p. 578). For the authors, the fact that these enterprises follow strict standards of technocratic governance to achieve organizational efficiency confirms the market rationality intrinsic to such businesses.

In this sense, they show that the indiscriminate use of the term social enterprise brings together very different organizations in terms of essence/purpose, origin, and governance. In their analysis, they lead to the understanding that impact/social/inclusive businesses do not allow the effective creation of the double value desired by authors who defend such hybridization. In the view of authors, the term social enterprises may represent very different things.

## REFLECTING ON SOCIAL ENTERPRISE MODELS

The analysis of the approaches described in the literature, which seek to encompass this universe of social enterprises, reveals issues that deserve to be highlighted. The first concerns the breadth of categories presented in many models because, depending on the approach, any organization can be included or excluded from this “zoo” (Brewer, 2016), including large capitalist organizations with a CSR narrative. Therefore, using these models does not exempt the observer’s influence and interpretation, complicating the researcher’s work. This is because, depending on the spectrum of analysis, any organization can be included or excluded from this universe, subjected to the perspective of those who analyze it. Additionally, a social enterprise in a developing country, such as Brazil, can differ greatly from those in other realities, such as North America or Europe (Kerlin et al., 2016). Thus, it is essential

to promote the “sociological reduction” (Ramos, 1996) of these approaches, to treat them as inspiration but not as “straitjackets.” Comini et al. (2012) contribute to the debate by bringing up three perspectives on social business from Europe, North America, and emerging countries.

In addition to these issues, numerous organizations not recognized as social enterprises have clearly defined missions to mitigate social and/or environmental problems (Howardt et al., 2018). For example, many innovations in the business field are brought by startups or initiatives that emerge from government-established innovation centers. These initiatives seek to solve environmental and/or social problems without having a connection with the field of impact business or social economy.

We observe that, in the international literature, in addition to the lack of consensus among the existing frameworks on social enterprises, in Brazil, there is also no consensus on what type of organization they clearly are or are not (Barki et al., 2020; Young & Brewer, 2016). In this sense, current classifications cannot explain this phenomenon, which, although old, resurfaces with force today, assuming organizational formats considered innovative and tackling quite complex realities (Teasdale et al., 2022).

Despite the debate about organizational hybridity and its dissonances, there is an attempt to seek a common concept. However, in practice, the confusion grows, fed by well-known institutional standards. Therefore, all organizations are assumed to fulfill the legal purposes of one of the three sectors of the economy: government (public), for-profit (private companies), and nonprofit (voluntary organizations) (Brewer, 2016). The legislation applied to each sector strengthens the “institutional logic” (Thornton et al., 2012), i.e., the organization’s likelihood of behaving in a certain way.

Thus, each organization seeks to find an appropriate place in one of these three sectors of the economy, which, in turn, indicate and influence many important aspects of organizations, such as (1) who can create the organization (founder); (2) how and by whom the organization may be funded or financed (funder); (3) how an organization is taxed and who can legally regulate the organization (regulatory body); and (5) who controls and governs the organization (governance) (Brewer, 2016, p. 38).

However, many currently existing social enterprises do not follow these legal “instincts” in practice. These social enterprises suggest a break with this traditional way of looking at “institutional logic.” Such ventures start from plural purposes and put them into action in different ways, giving rise to the so-called hybridity that combines market logic with a social mission, demanding a closer look that can be guided by the practices developed and the consequences arising from them.

Although there is still no legal form to designate businesses with a social mission in Brazil, there is a growing interest in the subject. In 2017, this resulted in a network of agencies and entities of the federal government, the private sector, and civil society called the National Strategy for Investments and Impact Businesses (Enimpecto) to promote an environment favorable to the development of what was defined as “impact business.” Enimpecto works together with some of the leading organizations of the field and is structured around five strategic axes, namely: I – Expansion of the supply of capital for impact businesses; II – Increase in the number of impact businesses; III – Strengthening of intermediary organizations; IV – Promotion of an institutional and regulatory environment favorable to investments and impact businesses; and V – Strengthening the generation of data that provide more visibility to investments and impact businesses. The Impact Investments and Business Committee and Enimpecto, made official by Decree 9244 (2017), of December 19, in the Federal Official Gazette, define impact businesses as “enterprises with the objective of generating socio-environmental impact and positive financial result sustainably.” In 2019, a new decree 9977



(2019), of August 19, 2019, revoked the original text, reformulating the Impact Investment and Business Committee. Although field actors celebrate such texts, Enimpecto does not clarify the concept, leaving the interpretation of the IB origin and ways of acting open and treated differently by the Brazilian states.

In this momentum, in 2019, the Brazilian states of Rio Grande do Norte, Rio de Janeiro, and Paraíba instituted state investment policies and impact business policies. In their legal provisions, they adopted the same definition as Enimpecto, including companies with economic purposes (companies), cooperatives, civil society organizations (CSOs), and organizations working with impact businesses, recalling some of the first theoretical models discussed here and even the first definition of impact businesses given by the Alliance for Impact Investments and Businesses.

However, it is not only in Brazil that the concept remains confused. O'Shaughnessy & O'Hara (2016) discussed the diversity and multifaceted nature of the debate around the Irish social enterprises. The influence of European and North American traditions produces a reality that reveals the complex missions, varied organizational structures, networks, and entrepreneurial behaviors that characterize individual Irish social entrepreneurs and social enterprises.

Thus, many reflections and questions arise and provoke possibilities for new research in the field. After all, what exactly defines impact businesses, and precisely how do they differ from other social enterprises that market products and services for a social purpose? Would it be possible to define, a priori, its characteristics without knowing the consequences of its action or its real impact? What has been called impact? Is there a consensus on this definition? What about the countless impact businesses that are prototyped but never developed? What are the reasons for the failure of many impactful business ideas? Why does much of the "impact industry" focus on the early stages of these endeavors? What is the future for impact businesses?

These are some of the questions that arise from this reflection that goes beyond the limits of the field and directs a research agenda around these enterprises since the problems underlying such organizational models are inter and transdisciplinary and require a deeper look at the issue.

### GOING BEYOND THE DEBATE ON SOCIAL ENTERPRISES: SOCIAL INNOVATION ON THE AGENDA

This article focused on the Brazilian and international debates on the subject, offering elements that confirm the growing interest in understanding "hybrid" organizations and their effects to balance and integrate economic/instrumental logic and social/environmental issues. The debate has led to analytical models conceived from matrices and intellectual traditions forged in the American-European contexts. They are based on dichotomous approaches (opposing the economic and social dimensions) and favor evolutionist analyses, in which social enterprises are often romanticized and placed as solutions to severe social and environmental problems faced.

The dissemination of normative models in this debate raised questions and criticisms (Gonin et al., 2012; Smith et al., 2013; Crane et al., 2014) to demystify the practices of social enterprises, pointing out their supposed character of legitimizing and reproducing a given social order, often without deep questioning as to the real principles that motivate them and their effects.

Based on the assumption that research on social enterprises contains implicit normative concerns, Ranville and Barros (2022) present a complementary lens based on political philosophy, showing how different normative anchorages are linked to different theoretical approaches and identify points of divergence in the already vast literature. For the authors, previous research, such

as Boddice (2011), Cho (2006), Choi and Majumdar (2014), and Lyon and Sepúlveda (2009) reveal that defining social enterprises involves value-laden debates about the concept of social, what is it good or bad and for whom.

Research also shows that traditional social and solidarity economy organizations experience conflicts inherent to the dichotomy between their social mission and performance and financial sustainability, which in many cases promotes an appreciation of commercial and industrial logic (Boltanski & Thévenot, 2020) even among CSOs linked to traditional social movements (Krieger & Andion, 2014). Thus, the interface between economic and social dimensions in the organizational field becomes complex and dissonant, raising the need for new looks from researchers and calling for new epistemological, theoretical, and methodological approaches.

Ranville and Barros (2022) also discuss the place and role of social enterprises in the economy as a whole and their interaction with the market, civil society, and public policies. They emphasize that the normative debates around social enterprises also reach their connection with the different levels of society, including individual and collective behaviors, forms of organization, interorganizational relations, markets, and state policy, among others.

In the direction of Ranville and Barros (2022), we believe that political philosophy can provide subsidies for understanding social enterprises' different definitions, objectives, and impacts. It can also clarify the different levels of analysis and reveal the contradictions between theoretical and empirical elements. Such paths can favor greater robustness of research and minimize the conceptual ambiguity that further hinders the clarity and consistency of the research object.

Another direction given to this discussion concerns research that has focused no longer on the phenomenon of social enterprises and impact businesses but on social innovation. For example, Domanski (2018) and Howardt et al. (2018) discuss the reductionism of the entrepreneur-centered view for not recognizing other aspects and key actors of a comprehensive concept of social innovation, such as those arising from networks, the public sector, or even from the business field, academia and many other non-institutionalized organizational forms that seek to mitigate social and/or environmental problems. The reductionism in the debate on social enterprises and impact businesses suggests that an "impact ecosystem" has to emphasize the social entrepreneurs based on the idea that these actors are behind the organizations and are largely responsible for the solutions to social/environmental problems.

In this regard, Martin and Osberg (2007) highlighted the growing attraction of talent to the field of social entrepreneurship, emphasizing not only its cause but money and attention, magnitudes discussed by Boltanski and Thévenot (2020) and Boltanski and Chiapello (2020). However, despite their increasing popularity, few are certain about what social entrepreneurs are and what they do, including their ventures' impact.

In the same direction, Phils Jr. et al. (2008) admit that the approach of social entrepreneurship is, above all, centered on individuals, while social businesses focus on the organizational level. Therefore, according to the authors, social innovation is the way to solve the impasse of how social transformations are generated.

However, understanding social innovation does not mean entering a field without controversy. Different research approaches reflect disciplinary, conceptual, epistemological, and focus differences (Domanski et al., 2020; Moulart et al., 2017), including the notion of 'social' and 'innovation'.

In this sense, Montgomery (2016) draws attention to the uncertainties surrounding social innovation and its discourses in the academic and political fields. Based on Thomas Kuhn, the author performs a paradigmatic analysis of the field and identifies two

emerging schools: technocratic and democratic. The identification of some of the main thinkers and the dispute between the two paradigms allows the study to reveal part of a broader conflict between neoliberalism and its opponents. The author concludes by stressing the need for new research that promotes knowledge about specific contexts and consequences, considering that social innovation “cannot be separated either from its social-cultural context or from its social-political context” (Moulaert et al. 2013, p. 17).

### FINAL CONSIDERATIONS

In the field of organizational studies, similarly to the Platypus that challenged the traditional classifications of zoology, the various social enterprises have challenged traditional organizational classifications, leading to the emergence of new models that gradually led to norms and regulations. Nevertheless, similarly to the discovery and subsequent study of the Platypus, it may take some time to understand the real difference between social enterprises and their practical consequences (Brewer, 2016).

Beyond this path, inspired by James (1974), one of the precursor philosophers of pragmatism, we believe that the central issue in this debate is no longer to define what is meant by a social enterprise or impact business but to understand its practical consequences and what difference it makes in the realities in which it operates. Looking at this phenomenon – considering its different nuances and hues, organizational types and practices, interactions, and transactions produced beyond models and from more empirical research – may help in its interpretation, tracing its practical consequences over time toward the minimization of current socio-environmental problems.

In this sense, we lean toward the direction of social innovations with their multiple actors and networks forming true ecosystems that, among advances, setbacks, agreements, and disagreements, push for effective social change.

The final questions we ask are what practical difference would be in this “new notion” of social enterprise? Is this a phenomenon that reveals a real transformation in the economic and social relations in organizing, producing, and distributing wealth in contemporary societies? Or would it be a new expression of the “spirit of capitalism” (Boltanski & Chiappelo, 2020) that fits our current times?

These are some of the final provocations arising from our reflections on the subject that can contribute to advancing the research agenda in the field. They can only be answered through new studies that address the differences between countries and the diversity of existing realities within one country as large and unequal as Brazil.

Finally, we reiterate our belief in the importance of an inclusive framework (Chliova et al., 2020; Teasdale et al., 2022) that involves the acceptance of diversity and pluralism and that goes beyond the dispute between models to allow greater focus on socio-environmental issues, recognizing the importance of collective approaches, socio-historical, cultural, and territorial differences, in addition to welcoming multiscale and multisectoral studies.

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*The authors declare that there is no conflict of interest.*

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### Authors' statement of individual contributions

Roles	Contributions		
	Alperstedt D.G.	Andion C.	Pires P.K.
Conceptualization	■	■	■
Methodology	■	■	■
Software		N.A.	
Validation		N.A.	
Formal analysis	■	■	■
Investigation			■
Resources	■	■	
Data Curation	■		
Writing - Original Draft	■	■	■
Writing - Review & Editing	■	■	■
Visualization	■	■	■
Supervision	■		
Project administration	■	■	
Funding acquisition	■		

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