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RESEARCH ARTICLE

AN “ECOSYSTEM OF ENTREPRENEURIALISATION”? An interpretative approach to the transformation of the third sector.*

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ABSTRACT: Since the early 2000s scholars have observed a tendency, within the third sector, to combine social values and market objectives in new hybrid configurations. This entrepreneurial turn of non-profit organisations (NPOs) has intersected another historical trajectory of change: their integration in the provision and governance of human and social services.

The research contributes to the debate on the transformation of the third sector by addressing the relationship between these two trajectories of change. An interpretative tool is devised, drawing upon public policy research and new discursive institutionalism. To exemplify the interpretative approach, a case study of social entrepreneurship rooted in southern Italian local communities is explored.

The research helps building an explanation of the transformation of the third sector centred on the evolving and interactive policy context in which NPOs are embedded, presently resembling an “ecosystem of entrepreneurialisation”.

KEYWORDS: entrepreneurialisation, network governance, social enterprise, third sector, welfare mix.

* Although this article is the result of joint effort, Edoardo Esposto wrote paragraphs 3, 4 and 5.2; while Cecilia Ficcadenti wrote paragraphs 2 and 5.1. Paragraphs 1 and 6 have been written jointly.

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1. Introduction

Since the early 2000s scholars have observed a tendency, within the third sector, to combine social values and market objectives in new hybrid configurations. Social enterprises and social entrepreneurship have become common topics of the academic researches focusing on the transformation of non-profit organisations (NPOs). This entrepreneurial turn has intersected another historical trajectory of NPOs' change, initiated in the 1980s, which led to their integration in the provision and, later, the governance of human and social services.

A recent special issue on this journal, *Social Movement and the Third Sector*—focusing on the more general and complex relationship between social movements, the third sector, the market and the state— has offered a wide array of cases falling into either one or both these trajectories. The variety of combinations between entrepreneurship and institutional integration discussed by contributors—ranging from the ideal and pragmatic divergence identified by H. Wagenaar (2019) to the instrumental overlap described by S. Citroni (2019)— are thought-provoking. Clarifying these interconnections seems helpful to disentwine the «“tangle of incentives”, both tangibles and intangibles, [existing] within the institutional environment» (Busso and De Luigi 2019, 284) in which NPOs are embedded.

Our research contributes to this debate, moving from the hypothesis that it exists a connection between these two trajectories of change, and that the interlink can be explored by addressing the evolving system of interdependence relating institutional, third sector and market actors. To pursue its hypothesis, the investigation applies an interpretative approach informed by public policy research, policy instrument analysis and discursive new institutionalism.

To exemplify this interpretative approach, we present an exploratory case study of social entrepreneurship rooted in local communities, the project *Rete dei Piccoli #ComuniWelcome*, headquartered in Benevento, Campania, Italy.

The paper is organised as follows: the second section briefly reviews the literature on the two trajectories of change, considered in isolation. The third section develops a heuristic tool guiding interpretative research on public policy change. The fourth section re-tells the transformation of the third sector as a unitary phenomenon, describing the path towards an “ecosystem of entrepreneurialisation” and its main features. The fifth

section introduces and discusses the case study. The final section presents the main results of the research.

2. Third sector in transition: two trajectories of change?

2.1 The institutional integration of NPOs

Since the 1980s, NPOs have reached the forefront of the provision of healthcare, education, recreation, training and job placement, i.e. human services that were associated with direct public provision in the “Keynesian” welfare state (Grønbjerg 2001).

The well-known theoretical-economic explanation of NPOs’ integration in the delivery of public goods revolves around the notion of “government failure” (see *inter alia* Kingma 1997; Salamon 1987). Governments, so the argument goes, tend to provide public goods uniformly for all types and levels of demand. Conspicuous minorities and high demanders, whose preferences are unmet by the government, may turn to integrative provision from non-public actors (Grønbjerg and Paarlberg 2001). The third sector can help diversifying the supply of collective goods and services while ensuring they retain certain traits of public goods, such as avoiding the exclusion from consumption of worse off households (Steinberg 2006).

A second argument emphasises the efficiency improvements and cost-saving effects of public-NPOs partnerships (see *inter alia* Brinkerhoff 2002). This stream of literature is strictly associated with New Public Management (NPM), the collective name of new approaches to public administration geared towards managerial practices and businesslike organisational models (see *inter alia* Hood 1995; Pollitt and Bouckaert 2011). NPM stresses the importance of instilling competitive pressure in the provision of public services, primarily by contracting out their production and delivery (Alonso, Clifton and Fuentes 2015; Dunleavy *et al.* 2005). NPM changes the conceptualisation of welfare beneficiaries too, from citizens endowed with universal rights to customers exhibiting individualised needs and preferences (Streeck 2012). Centralised and bureaucratic approaches to social needs were discredited as one-size-fits-all, while the new approach insisted on customer’s freedom of choice among diversified service providers (Heffernan 2006; Thomas 2013).

Scholars attributed a comparative advantage to NPOs, possessing a track record in dealing with social marginalisation, over the for-profit sector in obtaining governmental contracts for social service provision (Billis and Glennerster 1998). NPOs were conceived of as reducing the cost of provision by mobilising voluntary labour (Cunningham 1999)

and taking full advantage of tax exemptions (Cordes and Weisbrod 1998). Moreover, they were described as capable of generating trust in the prevalence of their social mission over the profit-motive —through e.g. the non-distribution constraint. This trustworthiness in turn minimises the regulatory costs of monitoring opportunistic behaviours (e.g. avoiding cream skimming) (Hansmann 1980), and helps revealing the preferences of beneficiaries, thus aligning service provision to customer needs (Ben-Ner and Gui 2003)

The long-term result of NPM was the consolidation of “mixed economies” of human and social services, or welfare mixes, where a pluralistic service provision is sustained by the reorientation of public spending and the creation of enabling policy instruments (e.g. quasi-market and vouchers for healthcare) (see *inter alia* Evers 1995; Powell and Barrientos 2004).

Since the mid-1990s, policy makers, scholars and practitioners focused on reworking the relationship between NPOs and the state in the welfare mix, which had to move from the instrumentality of outsourcing to share decision-making power (Borzaga and Fazzi 2011). In an important contribution to policy instrument analysis, L. M. Salamon (2001) argued that the proliferation of new policy tools has *de facto* reconfigured societal response to collective problems. To deliver policy choices, in this new configuration, states extensively relied upon private and non-profit third parties, which operate according to professional knowledge and technical skills foreign to government’s own. This factual condition called for a “new governance” of public policy, centred around decision-making networks where public, private and third sector actors would exchange the relevant policy knowledge and negotiate the creation, or revision, of suitable policy tools.

If Salamon justified the new public governance on a pragmatic terrain —as a cognitive necessity for managing an increasingly complex “third-party government”— engaging NPOs into collective decision-making was later justified on normative grounds. The normative argument maintains that the reflexive contribution of organised civil society to the discovery of social needs and to the solution of collective problems broadens the public sphere and reinforces the transition to participatory democracy (Alexander and Nank 2009; Clemens 2006; Kelly 2007).

2.2 *The commercialisation of NPOs*

Since the 1990s, the third sector was described as undergoing yet another transformation, which directed it towards organisational and operational strategies more closely resembling commercial ventures (see *inter alia* Dees 1998; Maier, Meyer and Steinbereithner 2016). Following B. A. Weisbrod’s model of NPOs as multiproduct firms

(1998), commercialisation can be analytically defined as the prioritisation of the revenue streams deriving from charges for mission-related services (e.g. admission fees for a museum) or for non-mission-related services (e.g. rental fees for hosting conferences on the museum’s premises) over the supply of public goods financed by public or private lump sum contributions (e.g. free entry to the museum supported by subsidies or donations).

Salamon (1999) authoritatively proposed that the retrenchment of public funding and the reduction of private donations were the causes of NPOs’ commercialisation. While this thesis was subjected to empirical scrutiny with mixed results (see *inter alia* Froelich 1999; Kerlin and Pollak 2011), the underlying hypothesis about the changing nature of NPOs has gained traction among academics and policy experts, contributing to the emergence of the concept of NPOs’ hybridity (see *inter alia* Defourny 2001; Skelcher and Smith 2015).

Social enterprise (SE) is the label introduced in the early 2000s to describe the new hybrid NPOs (Defourny and Nyssens 2008; Kerlin 2006). The concept is in itself hybrid and contentious (Choi and Majumdar 2014; Teasdale 2011), bundling together various notions of the nature of NPOs’ social commitment, the desirable scope of their commercial activities and the organisational forms they should adopt. A stringent definition, proposed by Galera and Borzaga (2009), identifies SEs with those entities that, while engaging in a wide range of ventures, 1. pursue social goals (i.e. provide general-interest goods and services), 2. are subjected to the non-distribution constraint and 3. exhibit multi-stakeholder ownership (shared among e.g. members, users, donors) and participatory governance.

Other authors, belonging in particular to the North American strand of the debate, have provided looser definitions of SEs. The focus is here more on the social goals and mission of a SE, and less on its legal and organisational specificities. Social entrepreneurship is thus defined as a type of entrepreneurial disposition explicitly seeking to achieve social innovation, social change and to produce social value (Peredo and McLean 2006). Non-profit status and multi-stakeholder ownership are possible, not necessary, features of a SE. Thus, this definition broadens the category to all the “socially minded” businesses (Austin, Stevenson and Wei-Skillern 2006).

These two views have been bridged by the common acceptance of a functional definition of SEs as hybrid organisations, pursuing the “dual mission” of generating a stable or increasing stream of revenues —by adopting some mix of commercial activity and non-commercial fundraising— that can sustain the pursuit of social goals (Doherty, Haugh and Lyon 2014).

3. Devising an interpretative approach to the transformation of the third sector

The brief review of the literature in the previous section described two broad transformative processes involving the third sector. On one hand, it has been integrated in the provision of welfare services, in a first phase for instrumental reasons (e.g. cost-effectiveness and personalisation of services under NPM) and later for normative reasons such as its contribution to participatory governance through reflexivity.

On the other hand, the third sector broadened the scope of its activities, its organisational models and operational rules, becoming more closely integrated in the market and acquiring, in some cases, the physiognomy of the private sector.

Both types of transformation have been scrutinised by critical scholars. On the side of institutional integration, authors have highlighted its potential negative effects on third sector's legitimacy as a separate sphere of social life, where collective actors exercise democratic practices and strengthen social cohesion (see *inter alia* Koheler-Koch 2009; Steffek, Kissling, and Nanz 2007). Moreover, the involvement in the policy-making process may hamper NPOs' capability to express adversarial views and to follow conflictual strategies, weakening their function of advocates for social needs (Schmid, Bar and Nirel 2008).

The use of policy instruments such as contracts and performance-based agreements has been interpreted as moving the third sector into a "governable terrain" (Carmel and Harlock 2008) or even turning it in a surreptitious state apparatus, a "shadow state" enforcing government's priorities outside democratic scrutiny (Wolch 1999).

On the side of commercialisation, critical contributions cast doubts on the compatibility of economic reasoning, focused on financial sustainability, and the social mission of the third sector (see *inter alia* Guo 2006; Jäger and Beyes 2010). The greater reliance on corporate models of management and internal governance has been contrasted with the democratic and associative character of traditional NPOs (Hvenmark 2013). Other scholars have called into question the legal differentiation, in terms of e.g. tax exemptions, of commercialised NPOs and market actors (Rose-Ackerman 1990).

Both positive and critical accounts risk to develop two irreconcilable narratives —and counternarratives— of NPOs' transformation, which stress respectively the bending of the third sector towards the state and towards the market.

We argue that these two trajectories of change can be interpreted as the twofold components of a unitary process, which modified the policy context in which NPOs are embedded. We thus attempt to reconcile NPOs' institutional "hyper-embeddedness" and their "entrepreneurial turn" —as they were shrewdly typified by S. Busso (2018)— into what we describe as an "ecosystem of entrepreneurialisation".

Accounting for the transformation observed in the third sector requires, in our view, taking seriously the interdependence of the institutional, civil society and market actors in the provision of human and social services. Change can thus be interpreted, according to this relational view, as a reconfiguration of the patterns of interaction between these three groups, reshaping how certain social needs are met.

Social interdependence is here understood as the condition characterising all collective and public actions (Moini 2013). Social reproduction and collective problems call for, and are affected by, these kinds of action. Actors, individual or collective, are situated within an institutional framework, composed of rules and routines of conduct, and are guided in interaction by the pursuit of their goals and interests. Interactions are carried out by mobilising ideational and material resources, and develop in the interplay of adversarial, or cooperative, normative and cognitive representations (Lascoumes and Le Galès 2018).

The configuration of this system of interdependence may differ in each field of collective or public action. Borrowing a concept from the advocacy coalition framework (see *inter alia* Sabatier and Weible 2007), the system of interdependence in each of these “policy subsystems” is organised around dominant representations (“policy core beliefs”) and operative strategies (“secondary aspects” of the subsystem)¹. The former is the relatively stable set of values and causal theories orienting reflection and practical undertaking in a policy field (such as, in social policy field, the prioritisation of certain social problems and the identification of preferential types of response). The latter encompasses the situated knowledge that translates policy core principles into day-to-day policy instruments (e.g. outcome measurements for social programmes, requirements for accessing intergovernmental grants, etc.). Systemic change (“external shocks”) has a primary role in altering the policy core beliefs dominating a subsystem, while interaction-driven incremental changes are most likely to happen at the level of secondary beliefs (Jenkins-Smith and Sabatier 1994).

These insights can be complemented by the distinction between foreground and background normative and cognitive representations existing within a certain policy subsystem. Foreground representations are a matter of discussion, negotiation, (dis)agreement and conflict among actors, while background ones encompass the taken-for-granted values and causal theories embedded in policy discourses and practices (Campbell 2002; 2008). Background representations are tacitly shaping the rules and routines

¹ The third stratum, the “deep core”, comprises those ontological judgments about the social order which are common to a wide variety of policy subsystems and are relatively fixed. For example, in contemporary democracies, popular —rather than divine— legitimisation of state authority.

guiding interactions between actors, thus framing their potential outcomes and the trajectory of incremental changes.

The uncertain and conflictual terrain represented by a political or economic crisis is a fertile ground for new normative and cognitive representations to establish themselves as dominant, but this reconfiguration of a policy field is secured when the new policy core is normalised (Hay 2004) —structuring the policy field from the backdrop— by being naturalised in the design and implementation of policy instruments.

The construct “normalisation by naturalisation” is incompatible with a reductionist view of policy instruments as technical means to narrowly defined policy ends. They should rather be seen as “bearers of values” (Lascoumes and Le Galès 2007), implicitly reproducing in time and across institutions the desirability of, and the causal path to, a particular configuration of a social (sub)system (Le Galès 2011). Busso (2015), for example, argued that the pairing of efficiency and productivity postulated by the “social investment” approach to the welfare state is inscribed in the design of evidence-based social policies. J. Peck (2012) found the hallmarks of “devolved austerity” in the reforms of the local public sector and in the pursuit of public-private-partnerships pervading the US states and urban administrations after the financial crisis of 2008.

After this brief presentation of a heuristic tool for interpretative research on public policy change, our working hypothesis can be restated as follows. The two trajectories of change of the third sector can be unitarily interpreted as a transformation of the social policy field. This transformative process can be broken down into three logical steps: 1. a systemic shift, affecting a large number of policy subsystems, that reconfigured the patterns of interactions around new dominant representations, 2. the normalisation of this reconfiguration, through the implementation of policy instruments naturalising the policy core beliefs, and 3. incremental evolution of the new configuration, due to the recursive interactions among actors and the revision of policy instruments.

Adapting a familiar trope in the business literature, we propose to interpret the actual stage of this transformation as an “ecosystem of entrepreneurialisation”. This formula, which will be analytically described in the next section, is an attempt to synthesise the role played by NPOs’ embeddedness into an evolving system of interdependence in directing them towards entrepreneurialisation.

4. Towards an “ecosystem of entrepreneurialisation”

The acute crisis of the post-war regime of accumulation, experienced by the advanced capitalist countries in the mid-1970s, paved the way for the retrenchment of the welfare

state and the expansion of the market in new realms of social reproduction (Estes and Alford 1990; Nicholls and Teasdale 2017).

In the phase of political and economic rupture resulting from the crisis, the call for a greater involvement of the third sector in the welfare system was instrumental to the load-shedding of the direct costs of welfare provision from state agencies. More radical attempts were made —notably the campaign for “active citizenship” during M. Thatcher’s last term in office— to remove from governmental responsibility entire areas of intervention, substituting institutional action with local community engagement (Fyfe 2005; Mowbray 2005).

The diminished role of governments was compounded by the increasing administrative decentralisation experienced in the majority of OECD countries in the 1980s and 1990s (Pollitt 2005), which typically granted greater regulative and fiscal autonomy to the subnational institutional levels by transferring them competences over policy matters and, to a certain extent, responsibilities and means to generate revenues.

The result of this double-movement of subsidiarity —vertical and horizontal— was what I. Bode (2006) has shrewdly characterised as “disorganized welfare mixes”, the de-structuring of the nation-wide institutions and social compacts with the civil society that have characterised the European (including British) welfare regimes after WWII.

This highly fragmented space of relationship corresponds to a new configuration of the institutional framework in which the actors partaking to the welfare system were embedded. The typification of the variegated modes of interaction between these actors became an analytical problem in its own right (Coston 1998). However, a prevalent if variegated regime of partnership between institutions, non-profit and for-profit actors emerged (Rom 1999). The policy instruments that made possible these new forms of coordination can be roughly clustered around two genres: instruments that prioritise the «‘free customer model’ [...] where users receive direct payments from public bodies and purchase bids of care on a competitive provider market» and “competitive tendering”, where «providers respond to public tenders in order to be selected for the provision of care packages according to pre-fixed output and performance standards» (Bode and Brandsen 2014, 1060).

The policy core beliefs informing these clusters, such as efficiency, flexibility, de-bureaucratisation, freedom of choice (Anheier 2009), aligned public policy in the social sub-system to market-based models, acting as vectors of the neoliberalisation of the welfare state (Jessop 2002; Peck and Tickell 2002). In other words, the representations naturalised in these policy instruments, which bended social service provision towards “managed competition” (see *inter alia* Ascoli and Ranci 2002), contributed to the

normalisation of an open-ended process of welfare state restructuring (Eikenberry and Kluver 2004; Evans, Richmond and Shields 2005).

The reconfiguration of the social policy field created new remunerative opportunities for NPOs, while commanding the abidance to outsourcing contracts —establishing precise output and time requirements— and the adaptation to a competitive environment. These opportunities and constraints were important levers for the incremental development of professional expertise by NPOs, in particular by their managers (Buckmaster 1999), and the diversification of their economic strategies and product mix, for achieving stabler revenue inflows (Smith and Lipsky 1993).

NPOs' evolving relationship with for-profit enterprises was equally conducive to the formation of professional skills and hybrid operative models. As Weisbrod (1997) noted, in the wake of NPM the private and third sectors did not only compete for service provision, they started establishing cooperative interactions in the market for human and social services. Incentives to cooperate have been multiplied by market actors' interest in corporate social responsibility, as a source of legitimacy vis-à-vis their stakeholders (Carroll 1991), as a resource for influencing public disposition and policy agendas (Preston and Post 1981) and as a path to enter markets for premium "socially responsible" goods (McWilliams and Siegel 2001). An array of corporate philanthropic initiatives, sponsorship, strategic partnerships and joint ventures ensued (Wymer and Samu 2003). More recently, the growth of social impact investing has tightened the link between social responsibility and profitable financial activities (Fraser *et al.* 2018; Martin 2015).

The third sector is placed at the intersection of two sources of interactional and incremental change: the market-orientation of public policy and for-profit firms' greater stake in the provision of certain social services or "socially responsible" goods.

NPOs that turned into, or are created as, professional providers of human services can diversify their funding pool more easily, by partnering with governments and enterprises. Moreover, they develop additional ideational resources, such as garnering trust across their public-private network (Hasenfeld and Gidron 2005), being the repository of policy knowledge (Trudeau 2008) and mobilising local constituencies around specific policy issues (Marwell 2004).

Thus, NPOs increasingly exhibit material and ideational resources that allow them to have a greater say in the decisions of the social policy subsystem. These new capabilities of NPOs consolidates the incremental change of the institutional framework into —borrowing the efficacious formulation of E.H. Klijn and J.F.M. Koppenjan— a «hybrid institutional assemblage[e] that combine NPM-like arrangements aimed at efficiency and transparency, with network governance-like provisions enhancing interaction and commitment» (2012, 600).

These features are certainly unevenly distributed among NPOs, and they are likely to be more effective on the decision-making when the public counterparts are municipalities and local branches of the administration endowed with limited or diminishing material and ideational resources.

NPOs’ role as partners of local authorities becomes even more prominent as the “value for money” administrative posture, typical of the NPM, widens from procurement and provision to the funding mechanisms allocating public spending (Sjöblom, Löfgren and Godenhjelm 2013).

Intergovernmental transfers, complementing local finances with central funding, are increasingly refashioned from rule-based distributive mechanisms and development plans to flexible, outcome-oriented and contractual-like agreements (Cheung 2011; OECD 2007). A new emphasis has been placed upon competitively assigned, performance-oriented intergovernmental transfers, temporary directing resources to sub-national or local authorities —if their application meets eligibility requirements and selection criteria— tying the disbursement to output and outcome measurements (Spahn 2007)².

Project-specific grants are akin to other policy instruments, such as outsourcing contracts, designed for fostering competition, enabling site-specific innovation and introducing flexible responses to social needs. However, the “projectification” of public policy (Hodgson *et al.* 2019) not only reproduces these prescriptions, but further advances the incremental reconfiguration of the social policy field.

First, it is quite self-evident that public policies acquire a greater temporary and reversible character by being implemented in a sequence that goes from design to termination, and that does not necessarily incorporate provisions for continuation beyond a definite lifespan. Second, the initiation and execution of projects entail broader entrepreneurial skills and risk (Lundin and Söderholm 1995), e.g. in discovering funding opportunities, building up expertise to secure successful applications, supervising the achievement of time and performance targets.

Third, projects can be conceived of as temporary organisations, more or less formally recognised, which bend the institutional and organisational boundaries existing between and within implementers and establish a common framework for distributing discrete tasks to dedicated subunits (Jensen, Johansson and Löfström 2012).

² This trend is particularly prominent in EU intergovernmental transfers, carried out by means of fixed (e.g. the five European structural and investment funds) or temporary (e.g. Asylum, Migration and Integration Fund) programmes, co-managed by EU institutions and national and sub-national governments, financing the implementation of national or local projects in partnership with the third sector or market actors (Godenhjelm, Lundin and Sjöblom 2015).

The fourth and final item in this —necessarily incomplete— list is instilling “experimentalism” in public policy, i.e. enhancing information sharing, monitoring and benchmarking for identifying successful “pilot projects” and devising economic and regulatory incentives aimed at their scale-up or transfer (Sabel and Simon 2011). Project selection, evaluation and dissemination —together with the legitimising force of best practices— become instrumental to steer policy agendas, bypassing conflictual political arenas (Jensen, Johansson and Löfström 2018).

Projects and project-specific grants are an important aspect, as studies on urban governance have shown (Bernt 2009), of the re-centring of local political and economic space around network of public, private and third sector actors seeking to attract public and private funding to their locality.

NPOs and local authorities entering these “grant coalitions” (Cochrane, Peck and Tickell 1996) for financing their initiatives are at risk of suffering from the shortcomings of “projectification”: the uncertainty over the medium and long-term continuation of policy programmes; the pressure to professionalise and managerialise to cope with competition for funds; the weakening of the boundaries between implementing partners, which implies a redefinition of the accountability and legitimacy of the interventions; the steering of policy agenda “at a distance” by eligibility requirements and performance measurements (Barberis *et al.* 2019).

To sum up the results of our interpretative analysis of the historical and relational transformation of the third sector, we have seen how an external shock (the “paradigm shift” of the late 1970s) has paved the way to a new orientation of the social policy sub-system, registered in and reproduced by the proliferation of contractual policy instruments. This new path allowed for further incremental reconfigurations, driven by actors’ interactions and the refinement of policy instruments naturalising the market-oriented policy core. “Grant coalitions” and “projectification” —or the deepening of network governance and contractualisation— are two interlinked expressions of the actual stage of this evolution.

We propose to define this stage an “ecosystem of entrepreneurialisation”, characterised by 1. an institutional framework incentivising pragmatic, discrete and provisional interactions, 2. the preponderance of market-based policy core beliefs (e.g. competition, professionalism, performance-based incentives), 3. the related convergence of actors’ own goals and interests towards these dominant representations, cutting across their historical and institutional differentiation, and 4. the introduction and revision of policy instruments naturalising this configuration and increasingly rendering its reproduction technical and self-directing.

5. Case study: Rete dei Piccoli #ComuniWelcome

In selecting a case of entrepreneurialism in the Italian third sector, we specifically surveyed hybrid organisations handling both mission-related and non-mission related (i.e. commercial) activities. Our research interest was motivated by the recent reform of Italian third sector (law no. 106/2016), and the related broadening of the legal definition of social enterprises (law no. 112/2017)³.

Social enterprise is not a new phenomenon in the landscape of Italian welfare system. In the 1990s, during the season of “modernisation”, Italy followed the trend towards greater vertical and horizontal subsidiarity (Kazepov and Barberis 2013). NPOs came to be seen as functional substitutes to direct public provision in a wide range of human services, as for the tenets of NPM. By the early 2000s, the third sector was a major provider and partner in the governance of local welfare (Anconelli, Michiara and Saruis 2018).

In the early stage of this institutional change, the development of public-NPOs partnership was accelerated by the recognition of a new legal entity, the social cooperative (law no. 381/1991) (Mancino and Thomas 2005; Poledrini 2015). The growth of social cooperatives matched the increasing use of contracting out by local municipalities, regional healthcare agencies and other institutional actors (Fazzi 2010).

The institutional framework of social policy that emerged was extremely fragmented and variegated, with the provision bending towards marketisation in high-demand service sectors such as healthcare (Caselli 2016). On the one hand, the Italian welfare system seems to be aligning with the tendency towards deepening competition, moving from competitive tendering to the establishment of quasi-markets —as in the case of the voucher system for healthcare in the northern region Lombardia (Ranci 2015). On the other hand, a trend towards the development of collaborative relationships between municipalities and the third sector, where the regulative and steering role of local authorities is more prominent, has been identified in the literature (Bifulco and Vitale 2006).

5.1 Case presentation

In selecting the case, we considered a newly established project to be more in line with the exploratory nature of our empirical research. The review of several recent projects of social entrepreneurship in Italy led to the selection of the project *Rete dei Piccoli*

³ For two introductory accounts of the recent reform see M. D’Ambrosio (2018); S. C. Pulino, R. Maiolini and P. Venturi (2019).

#ComuniWelcome (PCW). It was launched in 2018 by the consortium of cooperatives *Sale della Terra* (SdT), a spin-off of *Caritas Benevento* in the southern region Campania, in partnership with local municipalities and small enterprises (e.g. local food, wine and oil producers) (Moretti 2018).

The aim of the project is to revitalise and re-populate the inland areas⁴ through entrepreneurial activities involving individuals at risk of social exclusion, linking the right to migrate of asylum seekers and refugees included in the *Sistema di protezione per richiedenti asilo e rifugiati* (Sprar)⁵ with the “right to stay” of local residents.

The operational strategy informing PCW is the creation of a network of community-based social enterprises following a “double-output” approach (Galera 2010): produce goods and services for the market while ensuring work inclusion for disadvantaged people and reinvesting the commercial revenues in member local communities.

The case was selected because it strongly resembled the model of a hybrid NPO partnering with local authorities and communities. The geography of the project was a second interesting feature of PCW, being far from the better-known experiences of social entrepreneurship in the northern regions of Italy.

Data collection was conducted through semi-structured interviews with a) 4 members of SdT staff, b) a manager in the national federation of cooperatives *Legacoop*⁶. Secondly, a written questionnaire was handed out to the 14 mayors participating to PCW. Non-participant observation was carried out during a general meeting between mayors and the SdT staff, as well as during a conference launching the project. The collection of data was conducted over a period of four months, in the first operational phase of the PCW project. The interviews were carried out in Italian; we decided to rely mostly on our elaboration of interviewees’ words, rather than translate excerpts from interviews. In all the cases where quotations are provided, we take full responsibility for the potential mistranslation of the interviewees.

⁴ Inland areas are those territories far from basic services (as hospitals, schools, mobility services) and at risk of depopulation. A national strategy exists since 2013 for supporting these municipalities (*Strategia Nazionale per le Aree Interne* —SNAI).

⁵ The second-level reception system, it is co-financed by the EU Asylum, Migration and Integration Fund and is implemented by voluntary agreements between the Ministry of Interior, the Italian National Association of Municipalities (ANCI) and local municipalities. The 2018 contested reform of immigration laws (law no 113/18) have denied access to the Sprar to asylum seekers, restricting it to individual with a refugee status and unaccompanied minors. Most of the municipalities partaking to PCW have an active Sprar centre.

⁶ *Legacoop* is the Italian federation of sectoral associations of cooperatives, providing instruments for their coordination, development and advocacy. Formed in the late nineteenth century, *Legacoop* is a repository of the traditional workers’ mutualism as well as an important actor in the economic and political landscape of the country.

5.2 Data analysis

The network connecting the actors partaking to PCW is rather complex. It is formed by: the consortium of cooperatives SdT, a separate non-profit entity —yet deeply entwined with *Caritas*, from which it originated— with a professional staff; the social cooperatives which joined SdT (4 main organisations); the small municipalities located within the administrative borders of the cities of Avellino, Campobasso and Benevento; local businesses in the food and agriculture sector.

The aim of the project, according to the interviewees from SdT, is developing entrepreneurial activities as an instrument to pursue the social goals of PCW. These goals encompass both the social and work integration of migrants and the revitalisation of local communities by attracting people and investment to marginalised areas.

Although PCW is explicitly framed in terms of these aspirational goals, the project is also a response to the downturn of Italian welfare system since the 2008 crisis.

The country underwent a tightening of the fiscal rules after the 2011 mutation, in Europe, of the financial crisis into a sovereign debt crisis. While the fiscal discipline and the increase of social needs affected all levels and geographies of government, small municipalities were more likely to suffer from the combined effect of diminishing state and regional transfers and limited tax base.

The capability of tapping into different sources of finance became extremely valuable for both municipalities and local third sector actors, which in the welfare mix came to rely upon public contracts for continuing their operations.

The strategic planning informing PCW reflects this necessity. The project made use of mix resources since inception. It was kick-started thanks to a project-specific grant provided by *Fondazione con il Sud* (FcS)⁷. The grant, as it is in general the case for FcS, is an example of venture philanthropy: a short-term investment in a social project which has the potential to achieve an independent financial sustainability, by the virtue of its revenues, fundraising capabilities or access to credit.

⁷ FcS is philanthropic foundation created in 2006 and financed by the great majority of Italian banking foundations —in partnership with an advocacy association for the third sector (*Forum Nazionale del Terzo Settore*)— in abidance to the legal requirement of directing a substantive share of their financial profit to philanthropic initiatives. FcS has the statutory aim of channelling its resources to the Italian southern regions, by financing “exemplary” social projects and thus helping to develop a “social infrastructure” in the South.

Furthermore, members of PCW have received funding for discretionary welfare measures: the “health budget”⁸, the funds for the Sprar centres, the National Strategy for Inland Areas SNAI and the National Operational Program (NOP) for social inclusion⁹. The allocation of these funds to local administrations occurs through project-specific grants, thus it is competitive, temporary and, to a certain extent, conditional to performance monitoring.

Municipalities should deploy a broad set of technical expertise for e.g. discovering funding opportunities, designing successful applications or complying with monitoring and performance requirements. Thanks to PCW, SdT is integrating the limited technical expertise of the municipalities with its repertoire of knowledge and skills. Hence, SdT is responsible for a significant degree of coordination among actors, performing administrative functions on behalf of the network, directing the effort of the municipalities to access public or private funding and devising a strategy to systematise the inflow of funds and to redistribute them among the public partners. For example, the consortium provided the mayors with a list of national and regional call for bids and related project applications, and established a sequence so that each municipality could orderly apply for public grants.

While SdT is designing the projects, the SdT member cooperatives are, at the actual stage, implementing them, after being selected by the municipalities through competitive tendering. In the future, this task will be carried out by one of the “community cooperatives” (CCs), while social cooperatives in the network will become part of one of the new entities.

CCs are a major operative objective of the PWC project. They are an experimental cooperative form (no national legal recognition exists yet), designed to manage collective assets in the interest of a local community (Tricarico 2014). They may have a non-profit legal status, but their activities should have a commercial orientation and not be limited to any specific field of intervention, contrary to the present Italian regulation for social cooperatives and social enterprises.

The nation-wide association of cooperatives *LegaCoop*, which offered external expert advice to PCW, is strongly advocating for the wide adoption of CCs. The interviewee at *Legacoop* stressed the suitability of this flexible model to a variety of site-specific needs. This feature is reflected in CCs ownership structure, a community ownership (shared

⁸ Financial instruments directed at developing individualised projects for physically or psychologically disadvantaged individuals, experimented in several Italian regions and introduced in the national legal framework by law no. 112/2016.

⁹ Programme co-financed by the European Social Fund to strengthen local welfare services in order to promote active citizenship and social inclusion.

among e.g. local for-profit enterprises, citizens and other NPOs) that should maximise members’ capability to confront collective problems. While not falling under public ownership, CCs are connected to an identifiable territory (i.e. a municipality), which provides the collective assets —such as publicly owned but uncultivated lands— for initiating entrepreneurial activities.

In designing their experimental CCs, the PCW network sought the advice of the Department of Management and Economics of the University of Benevento *Unisannio*, which in addition is offering to the mayors a training period on establishing business incubators.

The financial autonomy and sustainability of CCs will be ensured by the revenues of agricultural and food production, a field of operation already tested by pilot initiatives carried out by SdT member cooperatives. Tourism is being explored for future business diversification. Rather than focusing narrowly on local demand, as in the strong version of the local food miles, the PCW project aims at «increasing the quality and type of offering» (interview SdT 1) to appeal to a «medium-high market segments» (interview SdT 3), such as the consumers of biological products.

The CCs will employ both Italian nationals and foreign nationals —«we planned 15 workers per cooperative, 5 migrants and 10 nationals» (interview SdT 1)— relying mainly upon paid work.

SdT is leveraging its expertise and policy knowledge to develop a “social masterplan” for each municipality. This is another strategic aim of the project: «even if one implements CCs, if you don’t arrange the masterplan you don’t get the vision» (interview SdT 1). The idea is to create enabling public policy environments for the development of CCs over time. Mayors will share their annual socio-economic plan with the professionals at SdT in order to improve or amend it, and submit it to local councils for approval.

The representation of CCs fostered by SdT staff was that of a tool for the re-appropriation of localities and economic activities. The creation of CCs was presented as «a means of bottom-up emancipation» and «the best way for fostering participation» (interview SdT 2). The ideal task of the CCs should be creating commercial activities which have positive impacts on both beneficiaries-*cum*-workers and local communities: their goal «should be to generate [...] for emancipating» (interview SdT 1).

This latter characterisation of the overall goal of CCs is in line with the hybrid mission and the focus on productivity associated with social entrepreneurship. The generation of new commercial ventures is not conceived of only as the precondition to reproduce the project in time, but as a practical means to empower beneficiaries. In the case of the asylum seekers and refugees, the success of the initiative will be measured by its capability of engendering a viable job alternative to both the provisional help offered by the

reception system —the «impermanence of reception centres» (interview SdT 1)— and the dependence from a growingly residual welfare system. When asked if the recent reform of the immigration laws, which restricts the eligibility criteria for accessing the Sprar, and the looming end of the European and national funding cycle for the reception system (2014-2020) constitute an existential threat to the project, a SdT professional answered that the two facts only «accelerated the process. Social agriculture must create employment [and growth] before we anticipated» (interview SdT 1).

6. Discussion and Conclusion

Despite being limited to a single exploratory case study, we regard the results of our empirical analysis as being representative of what we defined an “ecosystem of entrepreneurialisation”. While bearing certain traits specific to the Italian welfare mix (e.g. disorganised decentralisation, strong post-crisis welfare retrenchment), we do not consider the characteristic we elicited —and that we will now briefly summarise— to be confined to the Italian context. The Italian welfare system is less an anomalous and more a variegated form of the reconfiguration of the social policy subsystem detailed in the previous sections.

The necessity of coping with uncertain future public or private funding exerts an observable influence on the medium and long-term strategy of the PCW project. The capability of generating commercial revenues and achieving the autonomous financial sustainability of CCs is thus a central objective of the network. However, SdT staff frames the pursuit of commercial activities as the most desirable form of empowerment for individuals at risk of social exclusion, following the “generative welfare”¹⁰ discourse. This close overlap between the commercial and the social in the representation of the normative and cognitive core of the project is hinting at the normalisation of market-based representations circulating in the social policy field. Wider analyses of public, private and third sector actors’ discourses are needed for assessing their points and degree of

¹⁰ The concept, that can be traced back to the “generative equality” proposed by A. Giddens in his political works (McCullen and Harris 2004), is gaining traction in the Italian welfare debate, and has been embraced by a number of important policy mediators within the third sector. In very succinct terms, «the “generative perspective” urges [...] to shift from the traditional approach, based on collecting taxes and redistributing resources (mainly through transfers), towards [...] regenerating resources and letting them yield individual and social returns, by also making beneficiaries responsible for helping others and thereby giving back to the community part of the help they received» (Vecchiato 2015, 198-9). In a skeletal outline, the discourse revolves around converting social investments into immediately productive investments, and beneficiaries into direct labour contributors (co-producers) to the realisation of the return on investment.

convergence. This is an area where comparative research would help bettering our understanding of the dominant representations forming the policy core of the social policy subsystem.

As observed in the literature about “grant coalitions” and “projectified” public policy, the boundaries of actors within the PCW network are blurred, and coordination happens on technical elements such as the selection of funding opportunities or the crafting of “social masterplans”. Municipal administrators showed a positive attitude towards the policy support they obtained by joining PCW, as confirmed in the answers they gave to our questionnaire. For example, mayors consider the creation of new tools supporting administrative activities as one of the most relevant aspects of PCW, together with the repopulation of their municipalities.

The fact that local administrations rely on the expertise and policy knowledge of SdT to carry out what is now their day-to-day administrative tasks is a sign that NPOs endowed with sufficient skills may take a leading role in the local governance of social policies. This situation switches the terms of the dependence between NPOs and public actors envisioned by scholars in the “shadow state” tradition. However, it is unclear if this will lead to more democratic and shared policy choices. First, it seems rather possible that leading NPOs will foster «local, issue-based organization of interests» (White 2012, 214) rather than broaden civil society’s engagement in public policy.

Second, the relative freedom of manoeuvre acquired by SdT in PCW is mitigated by the network’s reliance on project-specific grants. Both private and public —at the various level of government— financial tools come with performance prescriptions and evaluation mechanisms. These policy instruments thus perform a meta-governance function on the network governance of social policy. Assessing the specific content of this meta-governance went beyond the scope of our empirical data collection, a limitation which calls for further comparative research on project-specific grants —both public and private— for typifying their requirements and monitoring mechanisms, and evaluating their effects on actors’ patterns of interaction.

The ecosystem in which the NPOs are embedded is undergoing a long-term transformation, which is the result of the recursive interaction between third sector, market and institutional actors. The entrepreneurial turn of NPOs, in other words, is neither a purely exogenous (deterministic) nor a purely endogenous (voluntaristic) phenomenon. Rather, it can be interpreted as the provisional result of an ongoing social and political evolution (i.e. the result of a power struggle, not of a functionalist telos), which established a specific ecosystem in the social policy subsystem, incentivising the autonomous financial sustainability of all social projects, and enabling a renewed expansion of profitable investments in the provision of social goods and services.

Generalising the result of our interpretative analysis, an “ecosystem of entrepreneurialisation” is a configuration of a policy subsystem where the construction of markets (through public and private ideational and material means) increasingly becomes the only frame of reference for collective and public actions.

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