

EFESEIIS Enabling the Flourishing and
Evolution of Social Entrepreneurship
for Innovative and Inclusive Societies

Understanding evolutionary pathways and societal embedding

Evolutionary Theory of the Social Enterprise

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List of content

1. Introduction	5
2. Methodological account	8
2.1 Introduction	8
2.2 Conceptual Framework	9
2.3 Grounded Theory	9
Analysis of origination	10
Analysis of traits	10
Ecosystem analysis	10
Analysis of the enabling power of an ecosystem	11
Analysis of path dependencies and embedding	11
2.4 Theoretical Design	11
3. Conceptual framework	13
3.1 Darwinian considerations	13
3.2 Applying basic evolutionary concepts	14
Species and the environment	15
Ecosystem relations in evolutionary theory	16
Evolutionary beneficial traits and behaviour	17
Evolutionary pathways	18
4. Grounded theory	20
4.1 Introduction	20
4.2 Macro-evolutionary considerations	20
4.3 Micro-evolutionary comparison across Europe	21
Analysis of origination	21
Analysis of the traits leading to success and failure	25
Ecosystem analysis: relationships between the social entrepreneur and the ecosystem	27
Analysis of an enabling and an inhibiting environment	31
Analysis of the path dependencies and embedding	34
5. An evolutionary theory of SE	39
5.1 Introduction	39
5.2 Variation	41
5.3 Survival of the fittest entrepreneurs: Selection	41
5.4 Heredity	43
Stepping stones and tipping points	44
6. Discussion	46
6.1 Usefulness of the theory	46
6.2 Scientific embedding	49
6.3 Difficulties	49
7. Conclusions	51
Literature	53



1. Introduction

Any in-depth analysis of social entrepreneurship across Europe reveals significant differences in the way it developed (Hazenberg, Bajwa-Patel, Mazzei, Roy, & Baglioni, 2016). The analytical reports of EFESIIS give full proof of that, as do other European project outcomes such as those of SIMPACT and SEFORIS (SEFORIS, 2016). In many cases national specificities are explained by referring to differences in the context (Svensson, 2015), such as resources, institutions, economic objectives, social needs, political objectives and governance (Terstriep, Kleverbeck, Deserti, & Rizzo, 2015). In most cases analyses are done in a pre-structured way, using directly applicable science, based on the distinction between the actor and the structure or institution. The study of social entrepreneurship, however, can also be based on the idea that science is always in the making, as Latour pointed out (Latour, 1987). The object of study is rapidly changing, whereas scientists have not yet achieved any consensus on how to observe and classify it.

The question that is posed here is how different patterns in the rise of social entrepreneurship came into being as processes in themselves. Answering this question requires an evolutionary perspective. The best analysis would then be to describe all the events and interventions that in due course shaped the environment in which social entrepreneurship came into being and developed further. A rather childish storyline –“and then this happened and then that happened” –would be the best way of describing the pathways of development, but would probably not go down well with academics. Nevertheless, in EFESIIS longitudinal and biographic approaches have been adopted to get a fuller picture of the evolution of social entrepreneurship.

Based on the literature a distinction can be made between two kinds of social entrepreneurship: the romantic and visionary kind, involving creativity and the spread of innovations (Ryszard Praszkiel & Nowak, 2012), and the realist approach that focuses without any moral judgement on social enterprises. The aim of using evolutionary theory in the study of social entrepreneurship is to avoid any moral judgement such as observing them exclusively from a governance perspective (Fuchs, 2001) and find the mechanisms or path dependencies that lead to radiation and diversity in the coevolution of the social enterprise and the ecosystem and account for the contextuality of these mechanisms. Moreover, it helps to overcome the gap between the economic sciences which adopted evolutionary principles (Constanza, Norgaard, Daly, Goodland, & Cumberland, 2007; Foster, 2003; Kamimura, Burani, & França, 2011; Nelson & Winter,

2002; Pelikan, 2011) and the social sciences which study economic behaviour (Cavalli-Sforza, 2001; Chantarat & Barrett, 2012; Granovetter, 2005; Tan, 2005; Tata & Prasad, 2010).

This report aims to use evolutionary theory to increase our understanding of:

- the start and (initial) growth of social entrepreneurship;
- relationships between the social entrepreneur and the ecosystem;
- what it takes to initiate and run a social enterprise;
- the difference between an enabling and an inhibiting environment;
- the path dependencies that lead to diversity, context specificity, radiation and other forms of pluralism;
- societal embedding of social entrepreneurship as an evolutionary process.

The idea of an evolutionary perspective on ecosystem relations (Nambisan & Baron, 2012) or on entrepreneurship (Dodd, 2013) is not new, but here an attempt is made to use a more comprehensive account of ecosystem theory. It may help to close the gap between economic and social sciences (Granovetter, 2005). The evolutionary perspective may increase our understanding of the relationship between a social enterprise and its environment. Within its environment one can see charity, finance, culture, business, government, science, welfare, CSR and other components in a web of constantly changing relationships. We may wonder what the drivers of change are in the evolution of social entrepreneurship within the wider environment. Are these to be found in SE advocacy or in the financial system, or is there real discursive SE co-creation, or are the drivers less ideological and just austerity-driven or opportunist behaviour in the ecosystem? The legal/institutional provision for meeting the needs of the social enterprise sector on a country and municipal level can also be seen as a product of a policy evolution. It shows whether SEs are seen as a “race, a population, a subspecies or a species”. Informal relations are formalised differently in each national context (K. A. M. Van Assche, Beunen, & Duineveld, 2014).

Evolution can take place via a process of social learning (Mesoudi, Chang, Dall, & Thornton, 2016). This will be an important element of the evolutionary theory on social entrepreneurship. Social learning may increase the “competitiveness” of a social enterprise (Åmo, 2013). Those who learn together may be “fitter” than those who are muddling along in solitude. Social learning within an ecosystem may also contribute to “radiation” as a strategy to avoid “competition”. “Traits” that contribute to “competitiveness” can include the ability to gather and use social capital, to start an enterprise with a minimum of resources or to express the political dimension of the work, and an enthusiasm

for ex ante taxation of impact. The issue of scaling is relevant here: how does it take place? Is scaling about the traditional company growth? Or is it based on cloning of the idea, creating a swarm-based organisation? Or is it more about establishing a new enterprise for each new idea in a repetitive way?

The ecosystem analysis is related to the ecological idea of “succession”: an increasing complexity of relationships that builds up to a stable situation. This stability is based on more than just competition between its composing elements. Rather, one would assume it to be based on cooperation. This idea would be at odds with the common assumption of competition in economic sciences. We shall see how far this evolutionary analysis will shed new light on the relevance of this opposition and competition within the sector of social enterprise.

Parts of the evolutionary theory was published during the EFESEIIS project (Borkowski, Petrushak, Praszkiel, Kacprzyk-Murawska, & Zabłocka, in prep; Durand, Dam, & Salverda, 2016).

2. Methodological account

2.1 Introduction

The EFESEIIS project has been keen on acknowledging patterns of development, to be seen as path dependencies creating very specific conditions and practices of social entrepreneurship. EFESEIIS highlighted differences in the understanding of social entrepreneurship in different European countries and also in their practicalities. The aim of a new theory would be to improve our understanding of these path dependencies and their practical outcomes. This can only be achieved if relations between the social entrepreneur and his ecosystem are scrutinised, requiring causal process tracing.

Ten partners from nine countries contributed to this evolutionary analysis: Scotland, England, France, Sweden, Austria, Serbia, Italy, Poland, Germany and the Netherlands.

Designing an evolutionary theory on social enterprise involved various steps and approaches:

- A. Conceptual Framework: building a consistent framework of elements of a new theory that can be used as a tool for understanding historical, cultural, institutional and political developments from an evolutionary point of view; description of evolutionary path dependencies that can inform the grounded theory work
- B. Grounded Theory: systematisation of observed patterns in the fieldwork using causal process tracing, competitive traits analysis and non-comparative issues clarification
- C. Theoretical Design: formulating, embedding and cross-referencing the evolutionary theory in social and economic system theory

The first part (A) has been accomplished in the first year of the project. Notions of evolutionary thinking were made available during the project and could inform several of its work packages. This does not mean that all the work has been done from an evolutionary perspective. Only in the final stage of the project, almost in the last few months, were partners asked for an evolutionary analysis of their national analyses. It should be acknowledged that the partners were very unfamiliar with such an analysis. A discrepancy was felt between the research questions sprouting from evolutionary thinking and the way they performed the analyses in their national contexts.

Below, the three levels of analysis are elaborated.

2.2 Conceptual Framework

This analysis is grounded in a specific conceptual report (During, 2017) in which evolutionary concepts are discussed in terms of their potential uses for the study of social entrepreneurship. We have used biological theory to hypothesise about mechanisms (path dependencies) of variation and selection that contribute to the success of a social enterprise. It was not possible to give a full account of evolutionary theory, because this would imply a lengthy summary of one and half century of biological research. The focus was on coevolutionary mechanisms of path dependencies and interdependencies that can inform emerging social entrepreneurship and its institutional environment. Following Darwin, the structure of the theory will be wrapped around the concepts of variation, selection and heredity.

2.3 Grounded Theory

A five-step analysis was defined, consisting of specific questions crisscrossing the boundaries of distinct work packages, and requiring a secondary analysis.

The EFESEIIS project includes several qualitative and semi-quantitative work packages. It is considered vital for any theoretical progress to understand how different patterns are the result of context-specific processes and how evolutionary pathways develop. Causal process tracing (CPT) (Blatter & Haverland, 2012) has been used to relate the changes that have been observed by respondents in interviews and focus groups to the institutional framework of previously accomplished work packages. The combination of Process Tracing and Evolutionary Theory is suitable for a multivariate analysis, which is needed for gaining a better understanding of the social entrepreneur and the complex ecosystem he is embedded in. This was done in a qualitative and interpretative manner by all partners in EFESEIIS.

The analysis of evolutionary pathways in the rise of social entrepreneurship has had the following components:

1. Analysis of origination
2. Analysis of traits, leading to success and failure
3. Ecosystem analysis: relationships between the social entrepreneur and the ecosystem;
4. Analysis of an enabling and an inhibiting environment
5. Analysis of the path dependencies and embedding

Each part of the analysis, and the questions asked, are clarified below. The questions were meant to inform the analysis and to align the work of the different partners. It was not necessary to answer them all. This combination of

questions for each level of analysis proved necessary to overcome the problem identified by some of the partners of a gap between questions that were too specific and empirical findings that could not provide the detailed answers they required. The answers were collected in a report, from which micro-narratives were created for each theme and each country, based on direct citation and interpretation. The narratives were written as a systematisation of the observations in a country. No top-down organising of facts was used, to ensure that no diversity of information would be lost. The interpretations have been checked by the authors of the country reports.

Analysis of origination

How did social enterprise as a sector start and develop in its first five years? What picture can be sketched of its discursive environment and/or of the story of its forerunners? A further description of the institutional predecessors of the social enterprises was asked for, referring to both a new generation and to innovators. Did they originate from (civil society) projects, other types of enterprises, social platforms and so forth? A further reflection was asked for on the evolutionary processes observed within the community of entrepreneurs during EFESEIIS: how would one describe the community structure that emerged in this five-year period? Should it be seen as a cellular structure based on individual entrepreneurialism or as a family structure in which the bonds are stronger than the linking structure of individual identities? The origin of the SE also involves the start of individual enterprises in the first phase of development. Did they start from just a good idea, or did they develop from other businesses or social welfare institutes?

Analysis of traits

This part of the analysis focuses on the specific traits required for success in a specific national context. Did the new generation of entrepreneurs learn from the older generations or in learning communities when setting up their enterprise, or from previous experiences? How do they see their competitiveness or their added value to ordinary enterprises? How does the social entrepreneur portray his improvement, his learning or his business development? How do they see their improvements in making new business models?

Ecosystem analysis

The most important question is how the ecosystem changed when dealing with social entrepreneurs? Partners were asked to describe how the institutional landscape of funders, regulating institutions, platforms and so on became more complex. They were asked to take into account how interviewees refer to the history of their country or city. How should relations between a social entrepreneur and the ecosystem be understood: as many separate relationships

or as a (food) web-like structure? A further question was whether the partners observed orchestration within the ecosystem itself to make it more enabling or more of a coevolution in which changes in the ecosystem structure were primarily invoked or even forced by social entrepreneurs?

Analysis of the enabling power of an ecosystem

The partners were asked to recollect what was said in interviews and focus groups on enabling and inhibiting the social enterprise sector (including improvements and drawbacks). They were invited to describe and analyse how actors speak about opportunities. Such quotes could be related to the previous step of ecosystem analysis.

Analysis of path dependencies and embedding

The final step of each national analysis was about path dependencies and societal embedding. Partners were asked to describe what was said in the interviews that can be interpreted as embedding. One clear example of embedding and one of path dependency/evolutionary pathway was requested, for further elaboration. The partners were asked to choose an example which illustrates the peculiarities of the country in question. Because of the complex nature of this part of the analysis, examples were provided. Examples of embedding, for instance, may be the way that funding relations developed in response to impact achievements, or may lie in non-monetary value exchanges within communities. Path dependencies may describe the coevolution of the social enterprise sector and the ecosystem, or the broader institutional framework. If for instance the government provides a legal status, a clear definition or a set of working principles, this will have consequences for funding, regulation, public procurement, shareholding and the like, which in turn affects the sectoral environment of the social entrepreneur.

2.4 Theoretical Design

An evolutionary theory of social entrepreneurship was drafted over a short span of time towards the end of the project. This theory was used to cross-analyse the national evolutionary reports. The first step consisted of a short summary of the main specificities and their consequences, which was sent back to the partners. In most cases this led to a discussion on the main features of the social enterprise evolution. A further cross analysis of the national reports was done for each of the five levels of analysis. This resulted in an in-depth understanding of contextuality and path dependencies in each country, with which the evolutionary theory has been improved. The final steps involved positioning the new theory in the academic literature on social entrepreneurship and evolutionary theory.

The evolutionary theory can be expected to provide added value through a combination of two strengths:

- It describes longer pathways of change
- It makes the analysis more multivariate.

This remains to be proven, however, and will be discussed in the discussion section of this report. Note that the discussion of the theory's value is speculative at this stage, and this should therefore be considered as an issue open for debate.

3. Conceptual framework

3.1 Darwinian considerations

In 1859 Darwin presented his ideas on evolution in his book *On the Origin of Species by Means of Natural Selection, or the Preservation of Favoured Races in the Struggle for Life*. All species emerged from other species by descent, was his message, and this collided with the more pastoral views on nature as a harmonious creation. As a consequence it became obvious that species can change over time. Darwin postulated that the success of an individual's offspring depends on the way its characteristics fit in its environment and only the best characteristics will be passed on to the next generation. His theory is based on three principles: variation, selection and heredity. Variation describes how individual animals and populations differ from one another. The differences may be small and seemingly insignificant, but they are very important for the process of evolution. If all individuals of a specie were exactly the same, then there could be no process of change. Variation can be the source of selection, depending on the individual's environment. Some characteristics are favourable and others are problematic. A population with predominantly favourable characteristics (relative to other populations of the same species) has a greater chance of producing offspring than an individual with less favourable characteristics. This very central part of his theory describing mechanisms of selection was called "survival of the fittest". Darwin knew that plants and animals pass on their characteristics to the next generation. A few years later, in 1865, Mendel published his famous work on heredity, based on experiments with peas. With his research he had shown each characteristic to have two heredity factors, one from the mother and one from the father. One of these dominates the other. When in 1953 the chemical structure of the chromosome was disclosed, it became clear that changes in the genes of an individual (mutations) can be a source of variety that in the end may lead to subspecies or new species. The collection of genes in an individual is called its DNA. DNA contains the prescriptions for the formation of all the components of an individual plant or animal in its developmental stages.

Until recently genes were considered to be the static carriers of genetic information, but this has been proven to be a false assumption. They are competing with each other, as shown by Richard Dawkins (1976) in his book *The Selfish Gene*. He concluded that individual genes to go for success, even at the cost of success for the species. In his theoretical account of evolution there is a role not only for genes but also for memes. A meme is the behavioural complement of a gene. He used his memetic theory to understand the creation of niches as an a priori coevolutionary process.

Very recently this dynamic idea of the expression of genes has been extended with epigenetics (Verhoeven & Preite, 2013). Epigenetics accounts for changes in heredity that are not induced by mutations in the structure of the DNA¹. Some genes may be activated and others not, and this pattern of activation can be passed on to the next generation. The DNA is wrapped around certain proteins, called histones. Both DNA and histones are covered with chemical tags. This second layer structure is called epigenome. The epigenome shapes the physical structure of the genome (the DNA strings). It tightly wraps inactive genes, making them unreadable. It relaxes active genes, making them easily accessible. Different sets of genes are active in different cell types. Epigenetic tags react to signals from the outside world (e.g. stress).

3.2 Applying basic evolutionary concepts

If we try to apply Darwin's theory to our new species of social enterprise we are immediately confronted with misfits and problematic choices to be made. Nevertheless, we give it a try below. Note that in evolution theory the concept of a species is defined by sexual reproduction: if this remains possible despite all sorts of variety we still speak of one species, or of subspecies in the case of striking differences. Only if sexual reproduction does not occur between two populations that share their ancestors does Darwin consider them to have become separate species. Currently social enterprises can be understood as varieties of profit or non-profit enterprises. Up to now there are no clear legal or organisational distinctions that inhibit a merge with a traditional company. Most traditional enterprises would, if asked, claim to produce social value for society. This blurs the possible differences. We have not yet reached the stage of a separate species that cannot reproduce with traditional enterprises, but the variation in what are called social enterprises is growing and therefore they are definitely in a process of institutionalisation. In evolutionary terms, the social enterprise can be called a subspecies, or even better a complex of different subspecies adjusting to its relevant environments. The parallel with the finches on the Galapagos Islands discovered by Darwin is obvious. It is just a matter of time before the subspecies of social enterprises becomes a species that generates a fertile environment, producing new niches for subspecies and species. If a species becomes abundant it becomes necessary to conquer the next best niches or even niches providing harsh living conditions. It is in those niches that genetic modifications can lead to new species. If identical social enterprises coexist in a certain social context, they will tend to specialise and avoid competition in this way. This is similar to specialisation and differentiation in an evolutionary pathway.

¹<http://www.kennislink.nl/publicaties/de-basisprincipes-van-de-evolutietheorie>

Evolutionary concept	Application to social enterprise
Species	Social enterprise (status nascendi)
Fit	Economically viable (including low rating of productive hours inherent to small enterprises)
Genotype	Legal status
Phenotype	Organisational structure
Epigenotype	Expertise → Business model/value proposition
Mutation	Change in legal structure
Variation	Inherent diversity in organisational structure and business models
Selection	Environmental pressure on organisational structures
Meme	Idea that competes with other ideas on social impact

Species and the environment

If a population of a certain species enters an ecosystem, the ecosystem inevitably changes. The web of relations changes due to competition for food resources and living conditions such as light or nutrients, or due to emerging new structures e.g. in vegetation. This implies that there is no undefined context in which a new species has to find its way, but a complex web of relations it has to deal with. The idea of a species and its environment is crucial, and this is also a fundamental point in social system theory (Luhmann, 1995).

Darwin tried to account for the variation within species. He considered three important mechanisms causing variation (Burian, 2005): a) gradual geological change, b) isolation of populations from one another and c) adaptation to new environmental conditions. These mechanisms of change will be discussed here.

Darwin knew that the surface of the earth is subject to great changes. He was strongly influenced by Charles Lyell, who wrote about this in his book *Principles of Geology*: being an attempt to explain the former changes of the Earth's surface, by reference to causes now in operation. Lyell defended his idea of a steady accumulation of minute changes over enormously long spans of time. The subtle processes of change that can be witnessed now are the same that shaped the earth. "The present is the key to the past" was his central theme. Darwin understood how some islands were geologically much younger than others and he even described the emergence of atolls. He understood how new islands have to be conquered by populations from elsewhere.

MacArthur and Wilson elaborated this part of evolutionary theory with their account of island biogeography and stepping stones (MacArthur & Wilson, 1967). The more isolated a population will be on a remote island, the more it will develop its own pathways of change. Darwin saw this clearly when visiting the Galapagos archipelago. MacArthur and Wilson developed a mathematically analytical framework to account for the distance and species dispersion.

Within their analytical framework they integrated the idea of stepping stones. Stepping stones are small islands not big enough to host a viable population of a species, but functioning as in-between locations that enable species to conquer more remote islands.

An organism is well adapted when its structure and programmed patterns of behaviour enable it to solve foreseeable challenges in the environment optimally (Burian, 1983). Burian (Burian, 2005) discriminates between absolute and relative adaptation. Absolute adaptation accounts for the design, while relative adaptation accounts for the process by which the design was produced (60). If the variations of a given feature, system, or behaviour pattern were causally efficacious in refining that feature, system or behaviour pattern by means of natural selection, then that feature counts as an adaptation relative to its alternatives.

Evolutionary concept	Application to social enterprise
Gradual geological change	Socio-economic transitions such as the reform of the welfare state
Isolation of populations	Thematic and city groups of social enterprises
Stepping Stone	Small in-between locations that enables species to proliferate to remote areas
Adaptation	Ability to address social needs in a transitioning de-institutionalising social economy

Ecosystem relations in evolutionary theory

In the interplay between a species and a changing environment, new niches emerge. A niche is a specific set of environmental conditions in which a certain species can live and actually shape its living conditions.

Relations between the species and its environment are always reciprocal, which means that there is always an element of coevolution². Relationships and patterns of behaviour may change and in the end change the epigenome and the DNA of populations living in an ecosystem. These coevolutionary relations have been described with many different concepts such as competition and food web relations such as symbiosis: mutualism, commensalism and parasitism.

The richness of species has diverse relations with the productivity of an ecosystem, referring to heterogeneity of the substrate, the species pools nearby, the environmental regulators (nutrients and limiting factors) and possible sources of disturbance (Grace et al., 2016). Disturbance can have an enhancing effect on species richness (Grace et al., 2016).

²This is also accounted for in Neo-Institutionalism

For a long time, theorists worked with the concept of climax (especially in vegetation sciences), referring to a relatively stable situation in which the succession of an ecosystem ends. Recently it became clear that seemingly stable ecosystems can undergo a sudden change, due to minor causes. Gladwell developed his idea of tipping points for sociological changes in society (Gladwell, 2000). This idea was taken up by ecologists facing sudden changes in ecosystems (Scheffer, 2009, 2010).

Evolutionary concept	Application to social enterprise
Competition	Competition for grants and contracts
Food web relations	Working together on specific social needs
Symbiosis	Local exchange trading system bringing the enterprises to a more advanced stage
Operational relations	Account management
Conditional relations	Meeting the requirements of contractors or grant providers
Positional relations	Relating to target groups, institutional setting and public administration
Sequential relation	Exchanging leads to possible follow-ups of projects
Succession	The complexity in ecosystems emerging over time
Tipping Point	Small change invoking big effect in ecosystem structure

Ecosystem relations tend to evolve and this is called succession, a process by which the plants and animals of an area are being replaced by others of a different nature (Spurr and Barnes, Forest Ecology, 1980).

Evolutionary beneficial traits and behaviour

The key to survival is the capacity to learn how to cope with changes in the environment. It has recently been proved that this learning can in fact be social learning, even by rather primitive animals like small fish (Mesoudi et al., 2016). Mesoudi et al. (2016) make an oppositional distinction between cultural behaviour and individual learning by animals. The idea here is that the plasticity of the phenotype (its capacity to structurally adapt) increases under the influence of social learning. Naturally there is a strong relationship between social learning and epigenetics. Changes in social behaviour are considered to be a key aspect of the social evolution of the human species. These changes are poorly understood, however. Academicians try to understand this by studying the conditions of cultural change in the animal world, for instance the behavioural evolution of primates (Foley & Lee, 1989). The analysis consists of mapping social systems, using distribution states, calculating evolutionary distance and creating an overview of (marginal and preferential) evolutionary pathways (Foley & Lee, 1989). This methodology is very interesting and could inform and inspire an evolutionary analysis of the social enterprise.

Evolutionary pathways

Evolution is a blind process, there is no plan whatsoever. Basically two elements of change coevolve. On the one hand, environments are constantly changing and species have to cope with these changes. On the other hand, there is variation in the behaviour of individuals within a population of a species, or failures occur in the reproduction of genetic materials. The two change processes are connected by the survivors of a population and if no connection is made, a species will eventually become extinct. We can illustrate this with reference to the behaviour of salmon. Salmon tend to return to their place of birth for spawning. This process is very precise, so in each river system the genetic composition of the salmon population will drift away from its origins. If a river dries out or undergoes major geographic changes in its estuary for instance, the salmon probably cannot find the entrance to their spawning grounds anymore. However, a very small proportion of the fish will stray. They behave differently and swim into estuaries that do not give access to their spawning grounds. Most of them will not reproduce, but a very few will succeed. In cases of a sudden change in the geographical pattern of a river, those will be the survivors.

Evolutionary pathways normally reconstruct how one species developed into another. Reptiles adjusted to a colder climate, and developed hairy structures on their skin that eventually became feathers with which they could fly. Palaeontologists are always looking for missing links to show how these changes gradually occurred. Big evolutionary changes were caused by the Ice Age for instance, and nowadays scholars discuss the consequences of human behaviour on evolution, using the concept of the Anthropocene gap (Galaz, 2015).

Evolutionary pathways are studied by macro-evolutionary and micro-evolutionary biologists. The macro strand can be divided into systematics, palaeobiology and biogeography. On the micro level the study of population genetics and molecular genetics can be distinguished. Micro-evolutionary changes are the basis for those taking place on the macro level. Changes on the macro level may however result in new evolutionary pathways on the micro level.

If we apply this concept of evolutionary pathways to the field of social enterprise, a haphazard, seemingly chaotic pattern of changes can be reconstructed. The pathway may start with impact discussions and actions to measure social impact. If a system of impact measurement has been developed, further actions on procurement may evolve, with certain legal implications. Another pathway may emerge if impact measurement leads to a discussion on business models and how to use expected impact to acquire funding. Actions and decisions taken in the ecosystem and by the social entrepreneur respond

to previous actions, but will also be directed by mostly political and moral discussions on what is fair and what is needed. The discussions will show how the social enterprise is sometimes a specific category in the economy and is sometimes just portrayed as an entrepreneurial brand. Is it a deviant population, a race or even a new species? The evolutionary pathway is influenced by those kinds of implicit judgement.

Evolutionary Concept	Application to social enterprise
Succession	The complexity in ecosystems emerging over time
Tipping Point	Small change invoking a big effect in an ecosystem structure
Stepping Stone	Intermediate structure enabling a longer distance pathway of change

4. Grounded theory

4.1 Introduction

The evolutionary concepts described above have been used to explore the specificities of the evolution of the rise of Social Entrepreneurship across Europe, in the countries participating in EFSEIIS. These findings have separately been reported per country, accompanied by a comparison with another contrasting country. They are summarised in tables below, with each table representing a thematic perspective on the evolutionary analysis. This makes it possible to focus on highlights and differences in an overall picture. Any factor that is mentioned in a specific country context may be present in one or many other contexts, but if such a factor has not been mentioned, it might be less relevant. The tables should therefore not be interpreted as an exact and exclusive summary of the main facts, but as a specific narrative of how evolutions took place. One may notice a lack of uniformity in the way these narratives are provided. This can be seen as a consequence of the principal of creating a bottom-up systematisation of observations in each separate context instead of a top-down organisation of the facts. In ecology one can find the same diversity of ways of presenting facts, because no ecologist would describe the evolution in an oceanic ecosystem in the same way as that of a tropical rainforest.

Based on the distinction between macro- and micro-evolution, some long-term considerations are outlined here first, setting the context of what happened in the past 30 years

4.2 Macro-evolutionary considerations

The exact beginning of the rise of social entrepreneurship cannot be located in time. What can be considered as its origins? Should we look for the very first social enterprise? Or is the evolution of ideas more important as a driver of change (Hull, 1982)? It is obvious that there were social enterprises long before the concept of social entrepreneurship had been invented. In England a cooperative social movement emerged alongside the urbanisation and industrialisation of society in the 19th century. One can see the establishment of the Rochdale Pioneers in 1834 as a starting point. In Austria a notable example of an early social business is the Erste Bank, which was founded in 1819, to provide the working population with a savings account. Social cooperatives in Italy, as predecessors of social enterprise, date back to the 19th century. One example is the Mutual Aid Society Magazzino di previdenza, established in Turin in 1854, that took care of the needs of citizens in the years of famine. The first cooperatives worked as communities with a family structure and strong internal bonds.

Despite the introduction of cooperatives in 19th century Poland, taking care of the consolidation of agricultural production and local supply, the discussion on SE was influenced by the communist legacy with its State Agricultural Farms: the idea that everything should be taken care of by the state and that individual initiatives are at best unnecessary and at worst persecuted. SE could only emerge as a presence here after the transformation in 1989. The forerunners of the solidarity movement became the initiators of the rise of SE. In some countries modernisation progressed gradually, while the transitions in Serbia have been truly disruptive. During the Yugoslavian period of socialism after WW2, workers were supposed in theory to co-own an enterprise, but in practice had no say at all in any decision. Cooperatives became an integral part of the political system under the full control of the state. This affects notions of citizenship and the understanding of what it takes to be social. After the overthrow of the government in 2000, the concepts of both 'social' and 'entrepreneurship' had to be re-invented to a certain extent. In Sweden, the strong and well-developed welfare state goes back to the period between 1880 and WW1, called the Liberal Reform Era. Its ideas on sickness benefits, injury insurance and pensions were heavily influenced by the German Bismarck reforms. So although the proto-history of social entrepreneurship can be traced back to the 19th century, it was affected in some case by disruptive events such as revolutions.

4.3 Micro-evolutionary comparison across Europe

The exact beginning of the rise of social entrepreneurship cannot be located in time. What can be considered as its origins? Should we look for the very first social enterprise? Or is the evolution of ideas more important as a driver of change (Hull, 1982)? It is obvious that there were social enterprises long before the concept of social entrepreneurship had been invented. In England a cooperative social movement emerged alongside the urbanisation and industrialisation of society in the 19th century. One can see the establishment of the Rochdale Pioneers in 1834 as a starting point. In Austria a notable example of an early social business is the Erste Bank, which was founded in 1819, to provide the working population with a savings account. Social cooperatives in Italy, as predecessors of social enterprise, date back to the 19th century. One example is the Mutual Aid Society *Magazzinodi previdenza*, established in Turin in 1854 took care of the needs of citizens in the years of famine. The first cooperatives worked as communities with a family structure and strong internal bonds.

Analysis of origination

The partners of EFESIIS were asked to look into the history of social entrepreneurship and try to find out when the movement became visible and gained momentum. These findings will be summed up below in a table in which the most important findings in the ten countries are presented. In all the countries the

sector responded to austerity measures, but although a key driver of change and often accompanied by policy decentralisation, austerity is indiscriminate and is therefore left out of the table. The information is based on national analyses of the evolution of social entrepreneurship. These reports tell more detailed stories including more of the complexities; here a rather simple sketch is offered of the main differences across Europe. The main findings on the origins of SE in various European countries have been summarised below. In each case the context is provided for the emergence of some form of SE, portrayed as an innovation and as a source of variation.

	Ecosystem context	Innovation and variability
Austria	Evolved in the realm of the third sector; corporatist approach between State, Catholic church, labour movement and large welfare organisations	The Nobel Prize for Yunus in 2006 was a trigger for awareness among established actors, followed by a new generation of modern SE, inspired by international networks and located in Vienna
England	Community empowerment in the 70s and 80s followed by public sector cuts in the 90s leading to compulsory competitive tendering and marketisation of charities, under the political ideology of Big Society. Marketisation of public services began in the 80s.	Public service spin-out, starting with Leisure Trusts in the early 90s. In the crisis after 2008 these organisations were forced to find new sustainability paths, leaving open many niches for a new generation of SE. The far-reaching Big Society context sustained the emergence of a diverse range of business phenotypes.
France	The historically strong status quo role of the national authorities towards regulation and institutionalisation of the Social Economy (decree in 1981) and Solidarity Economy (label in 2001) decreased under the influence of the EC (GECES Network advocacy) and local authorities. Major changes caused by definitions, labels and law (2014): causing many areas of uncertainty and ambiguity.	After the new law on the SSE in 2014, private companies were allowed to operate as part of the Social and Solidarity Economy (SSE), causing a major and instant break with the past.
Germany	Strong institutional framework of Welfare Organisations that connect well to the church and government. The non-profit social service providers in this framework have recently been adapting to changes in the ecosystem by becoming more businesslike and market-driven. There is no clear definition of social enterprise nor a common understanding of what it should encompass.	The first 19th century examples of SE started as an innovative combination of charity and business in the form of local initiatives, often led by charismatic leaders. These became integrated step by step in the welfare bureaucracy. A new generation of social entrepreneurs seek to solve actual problems with tools and instruments from the business world. As single-issue organisations, they often find specialised niches of social service provision.

	Ecosystem context	Innovation and variati
Italy	Social cooperatives (defined by law) connected to the Roman Catholic Church or to socialist institutions historically delivered social services. Social entrepreneurship is conceived of as a primarily bottom-up process. The cooperatives responded to legal changes that support the social role of private entrepreneurship and became more business-oriented.	Besides the social cooperatives, other third-sector organisations developed into social enterprises under the umbrella of a new law. These enterprises have to compete with the well-established social cooperatives to achieve their objectives and for resources.
Netherlands	Absence of SE policies. No embracement of SBI. Reluctant governmental attitude towards specific economic status requiring additional regulations, because of overregulation choking innovation. Strong and efficient advocacy using the momentum of Corporate Social Responsibility. Social innovation discussions focused on workplace innovation. Individualist culture is a problem initially. Ecosystem developed primarily at a city level (Amsterdam).	The first SEs were established in the 80s and 90s by public officers in Amsterdam fed up with austerity measures that excluded citizens without status from welfare. Business model innovation in the Social Enterprise NL network: reforming CSR to adopt a social impact strategy. Micro enterprises developing niche markets. Innovations are found in the way they deal with densely regulated service delivery.
Poland	Ambivalent context: both lack of social capital due to communist legacy and open to modernisation inspired by concepts and solutions from EU countries. Strong influence of the church towards charity and social sector, as the result of its support for the Solidarity underground movement.	Members of the Solidarity movement developed a specific form of cooperation, which combined innovation, self-organisation and trust in others. This became crucial for successful SE as contemporary spin-offs of Solidarity movement.

	Ecosystem context	Innovation and variati
Scotland	Has a longstanding tradition of mutuality and cooperativism. Strong role of politics, especially the Labour Party, having historical roots with cooperatives and a focus on social justice, emphasizing SE in the third sector and including voluntary and community organisations. Government investments in facilitating and funding bodies (ecosystem investments). No legal definition, but a Voluntary Code of Practice for Social Enterprises.	The government recognises that SE is a label used to describe the activities of a variety of organisations. So a substantial organisational diversity emerged: community enterprises, building societies, charity trading arms, consumer retail societies, credit unions, fair trade companies, housing companies, marketing cooperatives, social firms, time banks, voluntary enterprises and more
Serbia	Political turmoil: dissolution of Yugoslavia, and a subsequent extensive political crisis during the 90s, resulting in the overthrow of the regime in October 2000. NGO funding played a key role in rebuilding the civil society and political structures, often funded by the UNDP. State is working on supportive legal frameworks.	.Following a new law on Associations and on Endowments and Foundations, and as a result of the funding programmes, an ecosystem emerged supporting diverse SE networks with incubators and spin-offs.
Sweden	The ecosystem has its roots in the social economy stemming from the struggle between liberal reformers and a growing labour movement and the popular movement, as well as the diminishing influence of the church at the turn of the century (1900). Traditional small role for philanthropy. Open marginalisation of groups from the 80s onward. No specific governmental policies, no regulations, no definition, apart from a knowledge-based investment programme in 2008.	SE as a concept emerged as a description of local counterstrategies and initiatives (70s) responding to the decline of large corporate and industrial activities in smaller communities. SE took off in the 80s, with an emphasis on work integration. Four streams of entrepreneurship are distinguished: Community, Civic, Social and Public, partly springing from local and partly from foreign influences.

This overview of the origins of SE in various European countries shows how context and macro-evolutionary backgrounds shape ecosystem developments. In each country this is a unique interplay of political history, understandings of citizenship that affect entrepreneurship and social attitudes, social memory-based moral dispositions and institutional conditions. In most case a simultaneous development can be observed of existing institutions adapting to the new logic of social impact and the emergence of a new generation of social entrepreneurs. Hegemonic structures alternate with open competition in relatively comparable countries such as Germany and Austria. Where marketisation has been rigorous, a multitude of new niches may emerge.

Analysis of the traits leading to success and failure

One may pose the question what specific traits are needed to survive in each ecosystem and overcome ecosystem constraints. These are called the fitness parameters.

	Ecosystem constraints	Fitness parameters
Austria	New entrepreneurs excluded from governmental funding schemes. Passive attitude towards executing European procurement directives. Poor ecosystem developments outside Vienna. The Multi Stakeholder Group produced an action plan to activate and improve. Big role for private impact investors.	New entrepreneurs have to create their own niches with innovative ideas, and avoid competition with existing NGOs. They have to be keen on business models that meet the requirements of private investors. A pioneering mentality is required.
England	Ecosystem is based on privatisation on macro level, giving rise to a great complexity of legal and organisational forms of SE, coming from Charitable Incorporated Organisations, Limited Companies, Industrial and Provident Society, Community Interest Company, spin-outs from the public sector and sole traders. If one adds that over 90% of the SEs are medium sized or less, one can see the great complexity an SE is confronted with.	Ability to translate privatisation on the macro level into entrepreneurial opportunities, often on the local level. Dealing with heterogeneity in the ecosystem and in the field of competitors.
France	Ambiguous discussions about Social and Solidarity Economy, leading to institutionalisation of Social Economy, Solidarity Economy and SE, with the risk of institutional isomorphism.	Daring attitude to compete with any organisation on social impact delivery. Strong adaptive capacity to ensure an endeavour to fit in the legal and regulative frameworks.

	Ecosystem constraints	Fitness parameters
Germany	Social service delivery dominated by the Welfare Associations. One has to engage with the formal institutional networks for entrepreneurial activities.	Good knowledge of the formal system and its institutional framework, investing in strategic contacts with representatives of the formal system.
Italy	Legal framework may be too tight to support fine-tuning of the activities of an SE with the needs of a local community. The legal framework represents both a resource and a constraint at the same time.	Capacity to read the needs of a local community, while cooperating with local stakeholders. Elaboration of relevant projects should precede identification of legal status and this requires entrepreneurial capacities and political and diplomatic skills.
Netherlands	Systematic lack of clarity on how a SE activity relates to a complex system of formal regulations. Hard cut between volunteering and SE. Focus on a level playing field with traditional entrepreneurs. The ecosystem contains many funding opportunities, both public and private.	Ability to discovery-learn. Create one's own crystallisation points instead of persuading public administration stakeholders or adjusting to definitions. The social entrepreneur has to have a daredevil spirit, and to move swiftly from one phase to another without lingering in uncertainty. He should use his impact to acquire legitimacy. To overcome difficulties the SE has to be keen on sustaining collaborative and supportive peer networks.
Poland	Liberal philosophy aims at self-reliance of citizens and a minimal level of social services. SE has to be built up from the grounds, by private initiatives. Authorities often unaware of the potential role and benefits of SE.	International orientation as well as a capacity to build social capital is key to success.
Scotland	The role of SE is recognised differently across the country, with great variation in the acceptance of its importance as an actor in a diverse economy.	Profound knowledge of the bureaucratic requirements to set up an SE and on fund raising possibilities. SEs have to combine the skills of a third sector social worker with those of an entrepreneur. The entrepreneur has to maintain his financial position and survive in a volatile environment and a fluctuating market.
Serbia	High unemployment rates, lack of resources. Social and environmental challenges are considered less important than boosting the economy.	Smartly creating a personal employment opportunity in a context of little resources.

	Ecosystem constraints	Fitness parameters
Sweden	SEs have to operate in the intermediate space between communities and local/regional institutes as service providers, and the intersection of the welfare sector and supported labour market. These contexts are very hybrid. Funding opportunities are scarce and severely competed for.	Adequate knowledge is considered vital as a starting point. Knowledge focuses on how the welfare system works and on entrepreneurship, and less on innovation. How to organise work integration or integration of new immigrants can lead to success. Commonly entrepreneurs divide their business into for-profit and non-for-profit.

Not surprisingly, the fitness parameters vary widely as a consequence of the diversity of the ecosystem constraints. In some contexts, the game to play is formal and well organised, in others it is experimental, and in some cases it is primarily based on informal building of networks and social capital. Everywhere the quality of ideas is vital, and differences arise when putting them into practice. Knowledge is important everywhere, but what knowledge exactly is needed? Knowledge about the system and its regulations, about how to run a business or maybe how to build social capital? Knowledge on impact and impact measurement is important, especially to attract funders. It seems the more densely an ecosystem has been institutionalised, the more specific and innovative niches should be sought by the SE. If privatisation has been an almost complete abandonment of rules, competition is harsh and may be chaotic. If the ecosystem is very hybrid and ambivalent, networking strategies may become crucial.

Ecosystem analysis: relationships between the social entrepreneur and the ecosystem

Relations between the SE and the ecosystem can be analysed by looking at the evolution of the ecosystem itself and how SEs relate to these changes. Some ecosystem changes are omnipresent, such as the combination of austerity and decentralisation. Against this background the differences shown below should be looked at.

	Ecosystem developments	Nature of relationships between SE and ecosystem
Austria	<p>Slowly developing ecosystem. Federal promotional bank and the University provide funds for good ideas (award and innovative service call 2014). Procurement still selecting the cheapest providers.</p> <p>Absence of leadership on national level. International actors such as EU Investment Funds and Ashoka trigger the changes. Changes are often related to social learning, training and education, starting at early age, but also on academic level.</p>	<p>SE are a source of innovation in the context of the welfare state. The Impact HUB seems to be a main driver for SE. As a consequence of the slowly developing ecosystem, a lot of effort goes into evidence finding, such as SRO models and storytelling. This is used to attract private funders and investors.</p> <p>SEs are also experimenting with crowd funding.</p>
England	<p>SE builds on CSR and Fairtrade. Deep history of third sector involvement in societal problems. Political paradigm shift: establishment of the CIC legal form, SI Investment Fund, Right to Request and Right to Provide, Mutual Pathfinder/Support Programme, Social Value Act and Localism.</p> <p>Ecosystem is characterised by diversity, reciprocation and partnership; pluralist networks, richly embedded institutional and policy support.</p>	<p>In order to cope with change in the ecosystem SE needs to have contact with a range of organisations, including those of the third sector, and to be open to hybridisation. There is competition for funding and contracts at all possible levels. Local embedding is important.</p>
France	<p>The Social and Solidarity Economy is still evolving but in markedly different ways; it has shifted from being a quasi-state agency to working hand in hand with local authorities, often partnering with private actors. Actors in the SSE focus on institutionalisation. Definition of the SSE has been important for efficient communication.</p>	<p>SE increasingly have to connect to local authorities. Recently they have had to adjust from a vertical, unitary and egalitarian model to a much more horizontal model.</p>
Germany	<p>High level of institutionalisation, reluctantly giving way to competition since the 90s. After 2000, the state developed support campaigns together with the structural reform "Agenda 2010". The state aimed at a re-orientation of the existing social organisations and at intensifying cooperation between welfare and SE. SE were seen as a source of innovation in the bigger institutional framework. Funding framework starts to diversify (venture philanthropy, banks, and foundations). On the whole SEs are highly integrated into the existing legal and financial structures of welfare.</p>	<p>Policies aim at cooperation between Welfare and SE. Funding is open to any service provider, due to lack of legal definitions. This results in competition for resources. The welfare ecosystem is rather protectionist and closed to newcomers, however. Long-lasting established personal networks encompassing public authorities are a key to success in competition. SEs have to develop closely knit personal relationships, particularly at local level of governance.</p>

	Ecosystem developments	Nature of relationships between SE and ecosystem
Italy	In the 70s SE emerged as a result of bottom-up initiatives, as an answer to unaddressed social needs. It became a web-like structure with coevolution of cooperatives, SE and the wider ecosystem of social service organisations, in which de-institutionalisation provided opportunities for SE. The new Law on SE did not result in the growth of the sector, because of its business constraints (no dividend policy).	SE is responding both to civil society's self-organisation and to contracting-out of public administration services. The relations between SE and the ecosystem should be understood as a web-like structure. Recently funders tend to impose business constraints, such as return on investment and innovative business models. These seem to be top-down and at odds with the bottom-up nature of SE.
Netherlands	Strong role of advocacy in shaping the ecosystem, both local and national. No direct SE policies despite the call for the so-called participation society, but coevolution of the SE policies with other governmental policies on regional innovation or philanthropy, for example. The call for participation resulted in a culture of active citizenship, co-evolving with SE. A strong overall regulative framework complicates any interaction with volunteer organisations. Recently a diversifying network has emerged of funders with different traditions regarding return on investment (long term, short term, social or financial).	Networks of micro- and meso-SE are important, in which cooperation outweighs competition. Direct contacts between SE and public administration officers at the local level is often needed to enter public procurement procedures. Competition with lots of inequalities between micro-enterprises and macro social service providers.
Poland	Facing big unemployment and inactive citizenship in the country, the SE community cooperated with Ministry of Labour and Social Policy to create fundamental legal regulations for the social economy. This resulted in a focus on employment issues with a big emphasis on the creation of social capital.	The organisations best-equipped to acquire European funding are certainly not those that are specialised in achieving social impact. SEs have built strong social ties in their networks (social capital) to load their batteries, to exchange knowledge, to initiate new projects, to team up for financial clusters and coordinate public education programmes. SE networks include numerous social activists and their families, working in SEs.

	Ecosystem developments	Nature of relationships between SE and ecosystem
Scotland	<p>Growing level of governmental support and increased use of the term SE after the elections of 2007. Prior to this, the governmental focus was on the voluntary sector and the social economy. The SNP introduced a raft of initiatives and financial support. The political narrative was one of professionalisation of the third sector. Despite the national programmes a sharp north-south divide emerged as a result of implementation differences. Socio-political legacies and traditions have influenced these variations. At the micro level, succession of the ecosystem led to a diversity of stakeholders and a variety of relationships.</p>	<p>Significant internal variation whereby in the islands and highlands territories various institutions, local authorities, voluntary sector and individual enterprises work well together. The aim here is to support and sustain community businesses that would otherwise disappear, with an obvious negative impact. Conversely, in the major urban conurbations, relationships are forged more ad hoc, depending on the theme that different agents are trying to jointly tackle. Indications were found that local stakeholders tend to back winners: those that have the potential to deliver.</p>
Serbia	<p>Building an ecosystem started from scratch after 2000. Central government played a key role in the swift emergence of an ecosystem, e.g. by installing a Social Innovation Fund in 2007, with more than 7 million for local projects, also supported by the EU, Norway and UK. The fund aimed at capacity building for the reform and privatisation of socially owned enterprises. A key player in the field is the Social Inclusion and Poverty Reduction Unit, established in 2009. As can be expected, CSO took on a strong role, enabled by the international funding schemes. They formed a coalition for the development of SE (2010) and a Social Economy network (2011). The business sector lagged behind. The SE sector itself does not have a clear strategy for the creation of networks. Networks have been established in a rather top-down way. Despite the national dynamics, at the local level there is stagnation because of political inactivity and ignorance.</p>	<p>The ecosystem has developed over a short span of time and is heavily influenced by external ideologies. The legacy of SE before 2000 has been left aside, unused. Indications of insufficient coordination have been found. An attempt to establish a legal framework for SE (2014) failed because of insufficient consultation in the field.</p> <p>The corporate sector is underrepresented in the ecosystem, because there is no business evolution from CSR to SE.</p> <p>By 2007 more than a thousand SEs had been established, half of them originating from before 2000. Most are cooperatives (65%) and citizens associations (24%). Engaging in top-down established networks is important to exchange knowledge and acquire funding. On a local level the ecosystem is still poorly developed, giving rise to severe complications for SE in getting the support of the local administration and the local society. Networks on the local level are deeply embedded in personal network structures.</p>

	Ecosystem developments	Nature of relationships between SE and ecosystem
Sweden	Over the last three decades a liberalisation of welfare: freedom of choice, decentralisation of social services, and new work incentives. Opening up of healthcare for non-public providers. A growth of funding opportunities intermediated by organisations such as Coompanion (Social Economy Network), the Regional Swedish ESF Council etc. Despite this, putting ideas into action with adequate support remains problematic. This failure is considered to be systemic: it is hard to beat the big company contracts.	Personal contacts are considered more important than governmental decisions and regulations. The Swedish Agency for Economic and Regional Growth is considered an important actor for funding, along with Ashoka, Reach for Change and the Swedish Inheritance Fund. (Compared to other countries the ecosystem seems to be rather poorly developed, with an apparent lack of incubator-like structures.) Access to external funding is perceived to depend on access to the right social networks and this may indicate nepotistic relationships within the ecosystem. In any case there is a too unilateral dependence on the public sector stakeholders.

Analysis of an enabling and an inhibiting environment

Responses on the question of enabling and inhibiting factors in the ecosystem systematically mention a lack of funding and of bureaucracy. Funding is often provided for projects. Hardly any opportunities are found for more sustainable funding schemes. Bureaucracy is a serious hindrance if the field of competition includes disproportionate scale differences. The level of contracting and accounting developed for macro welfare organisations should not be required from a small enterprise.

	Enabling factors	Inhibiting factors
Austria	Investing in learning and training. Active role of University. International programmes and actors providing both funds and learning programmes. Four out of five new generation SEs acquired international funds.	Absence of regulations, standard procurement, poorly established ecosystem.
England	Innovation programmes, access to finance for bigger and more mature SE, knowledge and environmental support (mentoring schemes) were mentioned are critical enablers. Supportive networks. New-generation and older SEs do not agree on the enablers and barriers. Younger SEs value innovation less than older ones.	Confusing policy shift from large structural changes to big society and localism. Poor capitalisation may be a barrier to acquiring funding. Lack of seed funding for start-ups. Too much focus on competition may ignore issues of inequality, and at the same time can boost innovation. On the whole, procurement favours established SE. There is also competition between public and private stakeholders. Inflation of the word SE, causing devaluing of innovative parts of the ecosystem.

	Enabling factors	Inhibiting factors
France	<p>The shift from central to local governance enabled a wider interest in sustainable development, and a greater willingness to buy local products and services. This enabled many barter schemes to emerge.</p> <p>Clear definition of the SSE is an enabling factor, because SEs do not have to fight to prove their existence and can immediately focus on their activities and innovative capacity.</p>	<p>Many ambiguities around the giving up of the traditional institutional arrangements sprouting from a culture of a strong state. Until 2014, the perimeter of the SSE was frozen by the state. The focus on legal and organisational governing disables innovation, or moves innovative practices to the periphery.</p> <p>The SSE is supported best in times of crisis, but not permanently.</p>
Germany	<p>Many opportunities for mutual learning and exchange of best practices between welfare associations and SEs. Many SEs choose to become member of the welfare association called Parity, as other welfare associations represent specific milieus or backgrounds that they don't share. Many SEs tackle challenges and societal problems that welfare associations do not address.</p>	<p>Lack of long-term sources of income. Bureaucracy governing relations with big welfare associations is also imposed on SEs too. Hegemonic structures in the welfare structures.</p>
Italy	<p>Networks are seen as important enablers, dealing with a diversity of themes and problems. Within these networks incentives for intensification with public bodies is considered a prerequisite for any welfare model. There is a wish for a widespread social impact logic as well as innovative planning schemes within community level.</p>	<p>Inconsistency of public procurement (e.g. social inclusion not met by public procurement values). Inflexibility of bureaucracy, unable to sustain innovative practices addressing the needs of a local context. Need for result-based evaluations instead of economic. Standardisation is seen a hindrance for developing tailor-made social services.</p> <p>Lack of a structured training and education programme within the Italian school system.</p> <p>Lack of clear and fair rules of funding.</p> <p>Insufficient support for start-ups.</p>
Netherlands	<p>Compensation for creation of social values reducing the expenditure of the public administration.</p> <p>Active engagement of platforms and funders, not only for resources but also for acquiring legitimacy and a good reputation.</p> <p>The Public Administration of Amsterdam installed a programme with specified impact areas, which attract activities of SEs.</p> <p>Impact measurement programmes are considered important to capitalise results of investments.</p> <p>Publicity on SE and its impact is important.</p>	<p>A lack of clarity in the landscape of rules and regulations, even at the level of citizens' rights of the clients of SE.</p> <p>Traditional evaluation schemes are considered a big obstacle because they do not include impact parameters but stick to the usual goal-resources-efficiency relations.</p>

	Enabling factors	Inhibiting factors
Poland	<p>Popularisation of the concept at the state level. Development of adequate financial tools.</p> <p>Support from local administration, by means of public orders using the social clause.</p>	<p>Bureaucracy is mentioned as one of the main constraints. The low expertise and skills of employees are deemed problematic. Lack of government funding and of a favourable tax treatment.</p> <p>Too strict auditing of public procurement by local authorities, who are therefore not inclined to implement the social clause.</p>
Scotland	<p>Need for a reconsideration of a level playing field with private companies in procurement processes (which is not the same as <i>laissez-faire</i>).</p> <p>Legitimacy, recognition and exposure via the SE community and national networks, supporting the development and marketing of the ventures.</p>	<p>Unrealistic expectations about the prospects of SEs, leading to misconceptions of the needs of SEs and the enactment of procurement.</p> <p>Informal supportive networks for the new generation of SEs (even family buy-in), regarding funding and training and advice on business planning.</p>
Serbia	<p>Learning from older generation of SEs (which has been problematic)</p> <p>Self-organisation among citizens</p> <p>Pressure from below (citizens) and above (EU) to support SE.</p> <p>Networks and support platforms.</p> <p>Favourable tax treatment.</p>	<p>Communist legacy tendency to distrust social ownership and lack of entrepreneurial spirit. Privatisation of social services runs at odds with historical legacies. Unclear status of SE.</p> <p>Activities are not coordinated between different stakeholders, leading to a debate about which ministry should take the leading role.</p> <p>Lack of funding opportunities, especially for start-ups.</p> <p>Lack of knowledge of financial and capital management.</p>
Sweden	<p>European funding, although this requires excessive paperwork.</p> <p>More leadership by the government and more guidance is perceived as positive, but it has not been developed yet.</p>	<p>Absence of a legal form causes uncertainty amongst entrepreneurs. The most commonly used legal form is the joint stock company.</p> <p>Incoherence in European, national and regional/local policies. As a result there are significant differences in the policies of 290 municipalities.</p>

Many of the factors mentioned above are in fact tipping points: they can slow down or push forward the evolution of an ecosystem. Many of them have been mentioned to work out differently for various groups of SEs. Striking differences occur in the level of understanding of the concept by the wider populations in society. SEs all benefit from exposure and awareness-raising, but in Eastern European contexts this is a vital part of the evolution.

Analysis of the path dependencies and embedding

Any attempt to account for the variety that is shown in the previous tables should include the different pathways the evolution has taken. The information is still very primitive and, as mentioned above, much more details can be found in the partners' individual reports. But more detail doesn't necessarily imply more understanding of the evolution. Sometimes the details stand in the way. This is why this sketch below should be seen as the beginning of a deeper understanding of how the evolution and embedding of social entrepreneurship differs across various European countries.

	Path dependency and embedding
Austria	No linear pathway that connects traditional social cooperatives to SE. The rise of SE is almost separated from this tradition of NPOs in the social sector. Diverse legal forms in use lead to diversification. Business innovation is a key driver here. Funding mechanisms, often international, are creating the selection frameworks, causing SEs to give primacy to return in investment over all other aspects. The often anonymous relation between a funder and an SE requires a detailed account of the social return on investment. Ecosystem changes are more often invoked by SE than the other way around.
England	Political paradigm shifts (initially indicated as Third Way and later the Big Society) have been the drivers of change. There has been a coevolution of adjusting traditional welfare organisations and the new generation of SE, and of the third sector and the private sector. This points to a process of ecosystem development that is more related to orchestration than it is to coproduction. As a result three types of organisations have emerged: new generation SE, social business, and public service mutual. Different legal options for SE give rise to many different organisational forms. Overall, social entrepreneurs have been heavily shaped by their ecosystem. Embeddedness is evident within communities and networks of practice. More than three quarter of the SEs describe themselves as having large networks and hence significant social capital.

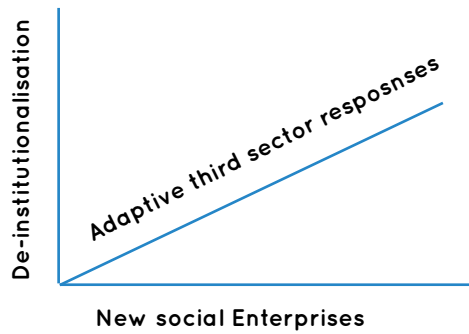
	Path dependency and embedding
France	<p>Traditionally the state had primacy of the common good and social cohesion, and its legal description of the Social and Solidarity Economy (SSE) was considered legitimate. The role of the state changed under neo-liberal policies, necessitating more credentials for the SSE than just its legal status to justify their usefulness. Following the retreat of the state, new intermediate organisations emerged, claiming the right to be part of the SSE. SE, stakeholders and policy makers advocated for a law devoted specially to SSE, thereby overcoming the status quo of those who defended the SSE with its institutions and those who support an opening up of the SSE field to traditional private companies. The opening of cooperatives to financial backers not taking part in the activities was a gradual process that started in the 80s and was accelerated by the Law on Modernisation of the Cooperative Enterprise in 1992. Nowadays, cooperatives are fully open to investors, thereby increasing the profit requirement. Increasingly, underperforming cooperatives are shut out of funding.</p> <p>The EU played a key role in the evolution of SSE, influencing the power relations with regard to the framework law (2014), the SBI (advocacy by the GECES group of experts) and the report of the G8 taskforce on Social Impact Investing.</p> <p>The concept of social economy resonated strongly with CSR policies of private companies.</p> <p>Along the pathway of state legislation, the SSE heavily invested in institutionalisation, even invoking contra-reactions. Each phase of recognition of the SSE leads to innovation on the periphery, outside policy domains, such as the local exchange systems. These barter systems began to develop in the mid-80s, becoming "short economic circuits". Embedding here is based on solidarity and proximity social relationships.</p>
Germany	<p>The existing tightly established network of welfare associations might be open to the inclusion of SEs in the form of social intrapreneurship. SEs might integrate themselves in the system without significantly altering the existing welfare structures. Governmental policies aim at cooperation and not at a special status for SE. This creates several drawbacks, such as hegemony and bureaucracy. SE seeks to become less dependent from welfare associations by addressing private funds. This causes a dilemma because more autonomy would imply less financial sustainability. SEs often choose to occupy thematic niches that are not filled by the traditional organisations.</p>
Italy	<p>The role of the social cooperatives is crucial in shaping the actual ecosystem of SE. The social cooperatives used their privileged position, based on strong ties with the state and the church, to defend their niche. This resulted in inequalities, in the distribution of the dividend, for example. Until recently, this was withheld for SEs, but not for social cooperatives. The latter have other constraints for attracting funders, however, such as the voting procedure (each funder has one vote, regardless of the amount of funding provided). Nowadays there is competition on the percentage of dividend to attract funders.</p> <p>Big tenders, a consequence of privatisation, run at odds with localism.</p> <p>Determined by the culture, SEs are strongly embedded in the local social and regional structures of society. Personal networks prevail, including family and friends. Often the path starts with likeminded people in a community who have already developed social capital in their voluntary activities, political parties or the church.</p> <p>Another level of embeddedness is the local economy.</p>

	Path dependency and embedding
Netherlands	SE emerged as a logical next step after CSR. Advocacy actors adopted best American and English practices and started networking to establish a population of excellent businesses embracing the ideas of SE. Central government was very reluctant to support this movement: because of the already insurmountable complexity of regulations, it was not inclined to add an extra economic field of activities with new sets of regulations. Indirect policies, on the philanthropy sector or the regional innovation programmes, for instance, were made responsive to SE. On the local level, however, SE became popular and led to specific programmes. On the local level there is coevolution of citizens' initiatives and SE (e.g. initiatives becoming an enterprise). The more visible SE was, the more diverse were the funders entering the ecosystem with the aim of upgrading their reputation.
Poland	On the national level, joining the EU caused an open attitude towards modernisation of public life and public policies. The country could benefit from the many European programmes and opened up to international knowledge platforms. There is coevolution in the sense that local governments often do not see the social needs and may learn to do so while supporting SE. Diversity emerges as a result of niche differentiation addressing the broad array of social needs (working with ex-prisoners, traditional manufacturing, social inclusion, design, regional economy etc.). Social learning is organised via knowledge-sharing using Ashoka, PANATO and platforms. On the local level the pathway of change could only proceed after a period in which the disbelief and distrust of local citizens who did not understand the concept could be overcome with convincing entrepreneurial results. Here, leadership was important to reach this tipping point. Trust has been a key factor, often derived from direct friends and relatives in the SE network.
Scotland	The devolution process initiated with the 1998 Scotland Act has devolved responsibility to the Scottish parliament in several areas of interest to the SE sector, such as health, education, local government, social work, housing, and the local environment and planning. This resulted in political synergy and consensus on the potential of SE, supported by both Labour and Nationalist parties. This opened the path for active and effective support programmes, from which a whole generation of SE could profit. Succession in the ecosystem differs markedly between the urban south and the more remote north (the islands and highlands). In the remote areas, populations are smaller and residents will be more likely to understand the role of SE whereas in the cities a community hub or shop, a hall factory or a coffee shop are less easy to recognise as SEs for citizens. Historically, Highlands and Islands Enterprises have been investing in SE over the last 30 years, so SE naturally became part of their ecosystem.

	Path dependency and embedding
Serbia	<p>Top-down transition to the social economy overlooking lessons learned from the pre-2000 period, and striving for a clear break with the past. Public distrust in anything that is social. An important element in the evolution is the privatisation of socially owned enterprises. These enterprises focused on work integration of the handicapped. Private owners also broke with the past and closed the companies, leaving hundreds of disabled employees with no job (800 in just two big companies and probably many more).</p> <p>In response, the state developed a legal framework that only acknowledges work integration, overlooking the interests and needs of grassroots SE responding to locally identified needs. On the local level, embeddedness into a network of companies embracing corporate social responsibility (CSR) is growing, providing an alternative to the top-down structures. The traditional embedding of enterprises in family structures is lacking so far, although family traditions can be a strong driver of SE.</p>
Sweden	<p>Austerity and unemployment, probably strongly connected, are key factors for the motivation of female entrepreneurs in particular. Because of the traditionally strong role of the state, philanthropy is weak. As an alternative to philanthropy, crowd funding is becoming popular as a contemporary form of charity.</p> <p>Secondly, one can observe a path dependency in the way that the government invests in knowledge promotion which doesn't really help, or maybe even collides with putting social ideas in social action.</p>

Evolutions differ significantly in their degree of disruptiveness. If SE is interpreted as a totally new societal phenomenon, an ecosystem has to be built from almost nothing. This not only requires huge investment schemes, but also intensive promotion and education campaigns targeting ordinary citizens. If the evolution builds on historic conceptions and practices of reciprocity and social action, a gradual process of change can be observed. In most cases there are two distinct although highly connected processes: de-institutionalisation and the emergence of SE, which has only just started to institutionalise. Both processes – and their interactions – are context-dependent. This gives rise to different pathways of SE establishment: as spin-outs from the welfare institutions and as the result of bottom-up local initiatives. There may be all sorts of hybridisation between the third sector and SEs. Where there is little governmental interference, a horizontal movement of private companies can emerge, following the path of Fairtrade and CSR. These companies may draw support from parties in the financial sector, which are seeking opportunities to boost their image. The evolutions also show that if there is a weak institutional framework for SE, hegemony may be lurking. Too tight regulation can also be contra-productive, inviting all sorts of organisations to adjust their image and activities to the definitions without sincere intentions to improve society by delivering social impact (Austin, Stevenson, & Wei-Skillern, 2006).

The overview of pathways of evolution clearly reveals how three sub-processes are running at the same time, deeply influencing each other. These are: the process of de-institutionalisation, the responses of third sector organisations and the emergence of social entrepreneurship. See illustration 1 below



Synchronic pathways of evolution

Illustration 1. Three evolutionary processes running simultaneously

In each country the coevolution between them takes its own pathway, as the analysis has shown.

5. An evolutionary theory of SE

5.1 Introduction

EFESEIIS shows great diversity across European countries, and between cities within countries, in the way in which social enterprise has become a sector in itself. In an attempt to understand this diversity, an evolutionary perspective has been adopted that helps to account for the pluralism causing the mechanisms at work. This perspective may also help to distinguish enabling environments from those which are disabling. Therefore we see the social enterprise as a new species of enterprise, trying to establish itself in the turmoil of the economy and social life. We see it as the result of the coevolution of economic change (which started with corporate social responsibility and other forms of sustainable business practices, such as the circular economy), reactions to austerity measures and new trends in active citizenship (the so-called participation society). Although business and social scientists often use biological concepts for developing a deeper understanding of what happens in this intermediary zone between two academic traditions, e.g. economic ecosystem theory (Dodd, 2013; Nambisan & Baron, 2012) and social system theory focusing on path dependencies (K. Van Assche, Beunen, & Duineveld, 2014a), no attempt has been made to consistently use an all-encompassing description of evolutionary theory to account for diversity and the path dependencies leading to this diversity.

There are several ways in which useful insights can be gained by using evolutionary theory to understand social enterprises. Social enterprises cannot be understood solely as economic activities that can be reduced to a business model and its monetary characteristics. In fact, it is problematic to separate them from their social context, just as a highly specialised species in a rainforest will not survive outside its natural habitat. Producing social output and impact over time goes hand in hand with an increasing web of diversifying social relationships, as happens with succession in an ecosystem and other related biological concepts of evolution. Any small social enterprise can be the beginning of a societal change that alters the (institutional) framework of society, just like the coevolution of individual genes and their effect on the ecosystem as a whole via traits.

Using evolutionary theory in the analysis of social enterprise implies the application of three fundamental principles – variation, selection and heredity. Evolution here starts with an idea. Variation can be seen in the way a social entrepreneur creates, adjusts and puts his ideas into practice. There is already competition at the ideas stage, sometimes even inhibiting the start of an en-

terprise. Some start with impact, others with inclusion or with finance. There is a rapidly growing repertoire of entrepreneurial action addressing social needs. The process of selection creates evolutionary pathways and here is where the ecosystem becomes important: the degree to which the environment is receptive to the idea of the entrepreneur is decisive. Some ideas will be rejected and others embraced. The huge variety of ideas and social enterprise practices will decline in this phase of the evolution; only those who are fit will survive. And then there is heredity – the process of learning over generations of ideas and enterprises. What is crucial here is to master the art of creating synergy between impact and return on investment. Learning takes place everywhere, in networks of social entrepreneurs and within ecosystems. This may give rise to social innovations such as institutional change or new entrepreneurial structures. Tipping points resemble the short phases in evolution wherein acceleration happens; stepping stones resemble the pathway to system change (Scheffer, 2010).

From an evolutionary perspective the following question can be posed: does the social entrepreneur change the structure of society or does society change in such a way that new niches for social entrepreneurs emerge? The question can also be put in terms of the economic and social systems: is the social enterprise sector becoming fully integrated in the neo-liberal economy or are new social arrangements, shaped as business initiatives, changing the economy?

Reflecting on these questions requires an analysis in which the evolution in various European countries and in various cities is scrutinised and compared. EFSEIIS partners each made a national analysis of the social enterprise sector and a detailed analysis of the structures with a historic overview, a map of stakeholder relations and a questionnaire. A specific analysis of evolutionary pathways in social entrepreneurship is therefore available for each country, inevitably informed by assumptions about its particular evolution. The analysis includes the following components:

- Analysis of origination
- Analysis of traits, leading to success and failure
- Coevolutionary analysis of the social entrepreneur and the ecosystem
- Analysis of enabling and inhibiting environments
- Analysis of path dependencies

Below we will build on the results of these analyses and finally discuss the transformative evolutionary power of the social enterprise sector while reflecting on this question of systemic change.

5.2 Variation

Obviously there is a huge variation in the social enterprise sector. The first level of variation is caused by a choice of whether to work with social inclusion principles (input of social resources) or strive for social impact (or both). A second level of variation emerges due to the choice of whether to address just one or several different social impact areas. In evolution, this diversification process would be designated as radiation. A third level of variation develops from the unique combination of aims and resources, sometimes coming from social reciprocity mechanisms, sometimes from crowd sourcing, and sometimes from social impact bonds or impact investors. Use of the internet and social media creates huge differences in the way resources are obtained and managed. A fourth level of variation emerges from the institutional predecessors of a social enterprise: did it come from a business, an NGO or a governmental institute, or did it start from scratch? The fifth level of variation is caused by previous experiences of the entrepreneur. Some have a lifetime of business development behind them while for others the emphasis lies primarily on ideology and less on experience.

Despite strong pluralisation some societal problems remain unaddressed by the sector. One of these is the challenge of resolving the debt situation of large numbers of poorer people. No business model has so far been able to make a profit when solving the financial problems of the lowest classes in society.

To summarise, five causes of variation have been observed:

- Social principles
- Impact areas radiation
- Combining aims and resources
- Institutional predecessors
- Experience and ideology

This pluralising tendency should be seen as a pool of potential practices that may or may not succeed in establishing a well-functioning social enterprise. Ideas migrate easily from one context to another. It has been noted that a creative image of a city or region is good for the diversity and quality of ideas. Which ideas survive, however, is a matter of selection.

5.3 Survival of the fittest entrepreneurs: Selection

No matter in which country a social entrepreneur starts his business, it is the quality of his idea that makes the difference between success and failure. In the very first phases of an enterprise, pitching and testing of the idea is crucial. It can be observed that if a social entrepreneur operates within a liveable and vibrant network of colleagues he will have a competitive advantage. The quality of an idea has the following dimensions:

- Adding social value
- Avoiding direct competition with the landscape of social service institutions
- Being based on a good business plan and on social start capital

A social entrepreneur (s.i.) is fit if he manages to create synergy between social impact, social capital and investment. The ability to create social capital is a vital trait for any social entrepreneur (R. Praszkie, Nowak, & Zablocka-Bursa, 2009). Social impact boosts his reputation and this again attracts investors (Mohtsham Saeed & Arshad, 2012). See illustration 2 below.

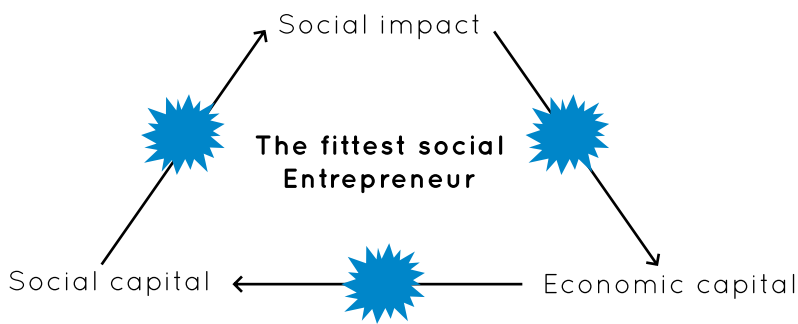


Illustration 2. The concept of fitness in social entrepreneurship

Although an entrepreneur might have a brilliant idea and be well-equipped to launch a social enterprise, this is not a guarantee for success. Just as in biology, it is the environment that decides which part of the whole repertoire is fit enough to settle into what could be classed as a niche and these environments can be hostile or receptive towards a social enterprise. This raises the question of what determines the basic attitude of an environment towards a social enterprise.

The attitude towards social enterprise is a very complex evolutionary process that needs further clarification. It is multi-layered, pluriform and full of ambiguities. In a few words we will describe how a positive attitude can build up an infrastructure and how complications can spoil the positive atmosphere.

A first indication of a positive attitude can be found in the presence of a widely accepted definition or a set of principles giving access to the label of social enterprise. A further positive indication can be found in a country's inclination to adjust the rules and practices of public procurement. If the attitude be-

comes more positive, the government can create infrastructures to connect funders, end-users and entrepreneurs, besides educational programmes for entrepreneurs. Another pathway of development can be the creation of innovation programmes in which social enterprises are designated as experiments and innovations. The public administration in a country can develop specific privileges for funders or for social entrepreneurs. Above all, a government can create a regulative framework that enables a social economy to emerge. This framework can, for instance, involve tax privileges or the use of local currencies.

A negative environment for social enterprise starts with a discussion about what is so different about a social enterprise. A public denial of value creation by the social enterprise sector can prevail and public policies will remain conspicuous by their absence. Few opportunities will arise under such conditions, ensuring that public procurement remains a closed shop for big social welfare institutions. Moreover, it can become quite difficult to start an enterprise because the bureaucracy prohibits any competition from encroaching on the territory of institutionalised social welfare. In many cases people with social needs (e.g. new migrants) are forbidden to engage in social projects because they have no rights to receive public services or, in case of inclusion, the engagement is framed as “work that should be paid for”. As a result nepotistic structures may emerge in which a social entrepreneur has to engage in informal networks of those with power of procurement in order to get access to funding. This may end up bringing things to a standstill or even lead to devolution.

5.4 Heredity

Heredity defines how a complex of trait that are important for both the survival and the adaptiveness of a population of social entrepreneurs is passed from one generation to the next. The way this is organised depends both on internal structures with which learning is organised as well as the larger cultural context. If a society has a planning culture in which ideas and implementation schemes are always put on paper, this will probably determine how beneficial traits are learned and passed on. If there is a strong family tradition, other learning paths will be taken. Heredity is therefore a product of both macro- and micro-evolutionary processes. In this analysis the boundaries of the micro level are taken to be at approximately 30 years, but this of course is flexible. It is important to note that not only does the social entrepreneur pass on traits to the next generation, but the ecosystem also undergoes a process of learning. This can be seen as coevolution.

The analysis has shown coevolution of the social enterprise and the ecosy-

stem. Both the entrepreneur and the ecosystem learn in social contexts how to deal with all sorts of challenges. The capacity of social learning is a major asset in the struggle for survival (Mesoudi et al., 2016). Learning by the ecosystem also implies an increase in its interior complexity. New structures result from learning in which the social enterprise is fostered. It can be observed for instance that the network of funders and funders' strategies is pluralising. Funders may learn to develop arrangements that spread risks and various short or long term benefits, both financial and reputational.

Stepping stones and tipping points

A stepping stone can be considered as a temporary situation that allows the evolution to take a certain pathway towards a more stable one. Without this stepping stone this pathway would become a difficult or even an impossible trajectory. Providing a legal definition for instance can be seen as a stepping stone, after which the evolution proceeded in a more formal way, leading to institutional arrangements. Advocacy plays a significant role in establishing stepping stones. One example of a potential stepping stone is the attempt in the Netherlands to protect the social entrepreneur from greedy shareholders with legislation, after which social enterprises could scale up more readily.

The key to evolution towards an enabling or disabling environment consists of complex factors shaping both the public mind-set (such as sentiments regarding the EU, reactions to austerity measures, repetition of historical events or identity discourses), defensive reactions from the landscape of social service institutions and the political debate on the crossroads of socialism and liberalism. In this complex, many types of ambiguity emerge which are inherent to innovations. In the evolutionary process these function as tipping points between paths of stagnation or of progress, or even evolution or devolution. Managing the ambiguities here is seen as the evolutionary process of social learning – how to create a competitive environment in European or worldwide competition.

The overall picture of the evolutionary pathway with stepping stones and tipping points is given in illustration 3.

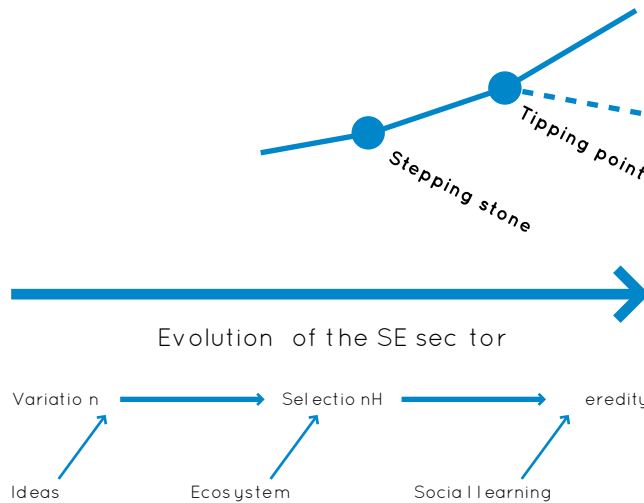


Illustration 3. An overview of the evolutionary process with tipping points and stepping stones.

A multitude of ideas are developed by entrepreneurs, and they are discussed in the ecosystem so that the best ideas are put into practice. Both the entrepreneur and the ecosystem influence this selection process, for instance by calling some of the ideas innovations and others not. The speed of the evolution of social entrepreneurship depends on tipping points, which are often ambiguities and dilemmas to overcome, and new pathways are developed because of stepping stones. The process is rather blind and has its own situational logic.

6. Discussion

6.1 Usefulness of the theory

Drafting an evolutionary theory of social entrepreneurship has been difficult for a number of reasons. To begin with, it has been quite challenging to apply causal process tracing in a context that is so complex and interwoven. This hampered the disclosure of causal relationships in the way the ecosystem evolved. In the country-specific descriptions it is almost impossible to adequately separate speed from direction in the evolutionary processes. Also, a big discrepancy can be seen between the grounded theory and the design theory. The grounded theory is very rich in descriptions of mechanisms and drivers of change that actually shape the evolution. It was not possible to include all these in the design of the theory without creating a theoretical chaos: this would require the combination of an evolutionary and a cybernetic approach. Moreover the combination of theoretical approaches show the importance of contextualisation and the limits of generalisations. It was considered more appropriate to keep the theoretical design simpler and more adaptive to fundamental differences in evolutionary contexts.

In view of the still preliminary and primitive nature of the theory, we recommend using it alongside other theoretical approaches, as has been done in EFESEIIS itself. It is also recommended to combine it with grounded theory, as has been done here. This theoretical approach may have certain advantages, such as:

- It helps to put issues in a longitudinal perspective;
- It may provide a useful crossover for pervasive social and economic theoretical disputes;
- It can be used for the underpinning of non-generic policy frames
- It can inform monitoring and evaluation programmes.

To test the theory, the thematic Focus Reports of EFESEIIS have been used, in which statistical results have been presented.

If we look at the graph of income dependence (see illustration 4), we may pose the question of what evolutions of ideas, funding relations and ecosystem developments caused such great variety. At a superficial glance, one may think that those with the highest income independence are the best entrepreneurs. But if we put the data in this evolutionary perspective, this proves to be untrue and unjustified. This perspective reflects how the community of social enterprises emerged, as newcomers or as adaptive structures from the welfare industry, and how they are governed by and embedded in a political and economic narrative. The developmental path will be different depending whether

a government and the whole (international) lobby circuit see social enterprise primarily as a substitute for welfare organisations that may subscribe to public procurement or as just another new branch in the economy that should stand on its own feet. If we look at Austria and Italy for instance, we can see striking differences. In Italy the movement, which includes the social cooperatives, still strives to become really independent of the state. Social enterprises developed over a longer period, focusing on health, social assistance and educational services. The sector developed along two distinct pathways: one based on Catholic principles and a second inspired by socialist principles. In Austria, the field of social entrepreneurship is more heterogeneous, with diverse legal forms, avoiding competition with the traditional welfare sectors. This is caused by the dense social security system Austria still has. The prevailing legal forms are therefore to be found in companies and associations, which are less dependent on the state.

INCOME INDEPENDENCE

Is your organization's core income independent from grants, donations, and bequests?

- YES, TOTALLY
- YES, PARTIALLY
- NO, IT'S NOT
- DO NOT KNOW / NO RESPONSE

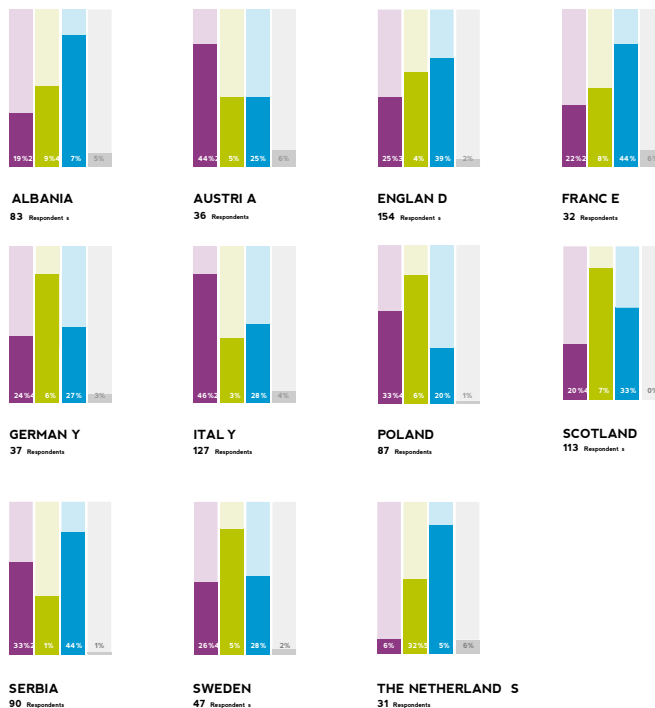


Illustration 4. An overview of income dependencies of the social enterprise sector

Another example we can reflect on is about legal status. This is a complex graphic, because one would expect countries that use legal status and clear definition to support only a very few organisational forms that lie within their definition boundaries. Although this influence can be seen in the case of France and Italy, other countries have similar distributions. The legal status overview reflects legal and organisational pluralism in Europe, reflecting the variety of conditions at the onset of the evolution. It reveals the diversity of the organisations converting to social enterprises, and in some but not all cases, the maturity of the ecosystem. A mature ecosystem may support the natural radiation of social entrepreneurship, in which a multitude of new niches are created over time. In Austria, for example, the government did not acknowledge the need for a legal status, based on a definition. This can be accounted for by the long tradition of welfare, with the so called “Big Five” organisations that are closely associated with the church and with social democratic and conservative political parties. This causes radiation. Looking at Serbia and Germany, one can see that a lack of legal status is much more problematic in Serbia. This is caused by a reluctance of banks to invest in associations and NGOs. Of course this has to do with trust, and with the possibility of building on previous experience. On the whole, the banks deploy a risk-avoiding strategy. In Germany this is not such a big issue, because there is more institutional trust that encompasses the legal forms and shapes that social enterprises adopt.

When England and Poland are compared, one may observe the effects of succession. On the average the social entrepreneur in England is larger, both in number of employees and turnover. In Poland nearly 90% of the sample of the EFESIIS questionnaire had a turnover of less than 200.000 Euros, whereas in England the median lies well over a million British pounds. As a consequence of the rather recent rise of social entrepreneurship, the Polish entrepreneurs are characterised by a lack of market sustainability, being overly dependent on project funding from the state and the EU. The Polish ecosystem is more nascent and less pluralistic with the English one. Conversely, the English ecosystem has wider and older antecedents and more diverse stakeholder networks, including third sector partnerships, advocacy and educational initiatives. This is a logical consequence of a longer period of succession.

The survey revealed a noticeable difference between Germany and Scotland regarding previous experiences in setting up a social enterprise. This seems to be caused by a higher percentage of intrapreneurship in Germany and by significant differences in the ecosystem structure. In Germany, the initiative by the Federal government started with high expectations, but lacked financial

support from the start. Since then, the federal and regional governments have rather encouraged social enterprises to integrate into the ecosystem of traditional welfare organisations. In Scotland, however, the supporting networks developed in a much broader way. Here social entrepreneurs seem to profit from the knowledge of learning communities, particularly dedicated to a new generation of social entrepreneurs.

On the whole, the theory proved to be useful to account for differences in the way social entrepreneurship emerged in different contexts and to put these in a relevant perspective.

6.2 Scientific embedding

The theoretical EFESEIIS work on evolutionary theory is deviant from the ecologist tradition and merely builds on the premises and results of cultural evolution (Binder, Hinkel, Bots, & Pahl-Wostl, 2013) and generalised Darwinism (Aldrich et al., 2008; Hodgson, 2013). The cultural approach provides tools for synthesising the social and economic approaches and using them to bridge the paradigm gap (Mesoudi, 2011). In the ecological scientific tradition, micro-evolutionary knowledge is constructed by comparing all sorts of developmental stadia in ecosystems, often based on spatial distributional patterns or on the alternation of relatively stable and unstable phases in succession (Odum & Barret, 2004) (Golley, 1991). The study of social entrepreneurship lacks this precise determinist knowledge on ecosystem structures, and moreover it should encompass the discursive stages of an idea and how it is put in economic practice. As a consequence, the focus should be on the actions of the social entrepreneur and the directly observable changes in ecosystems (Binder et al., 2013). In this approach, it becomes almost impossible to grasp the full complexity of an ecosystem in a specific phase and compare this with a phase before or after it. As an alternative, specific or partial evolutions within the ecosystem have been interpreted, such as those on funding or on legal developments or the cultural process of learning between generations of social entrepreneurs (Cavalli-Sforza, 2001; Mesoudi, Whiten, & Laland, 2006). This is not due to an epistemic choice for reductionism, however, but is a consequence of pioneering with research and interviews in a field of great complexity and many interdependencies.

6.3 Difficulties

The hypothesis is that evolutionary theory has added value which lies in the combination of providing longer pathways of change as a result of the analysis and an increase of multivariate-ness in the analysis. The grounded theory part of the analysis shows that this has been accomplished, but only to a limited

extent. In all cases, the description of the macro-evolution helps to clarify what actually happened in the last 30 years. Moreover, in some cases a complex network of causal relationships emerged. But on the whole the analysis has been based on structuralism instead of evolutionary principles. This is partly the logical consequence of the internal structure of the project, in which the evolutionary analysis was scheduled at the end of the project. Another reason is that the partners were unfamiliar with the evolutionary theory, and some used it merely as a metaphor. The grounded theory analysis therefore proved to be very difficult, because any evolutionary question or assignment was countered with the argument that the empirical data in this project had not been acquired from this perspective. If one adds to this the delayed deliveries of the national evolutionary reports, one can understand the difficulties and limitations. It would need a second round of analyses to profit more fully from the evolutionary perspective.

7. Conclusions

Evolutionary theory can be used to find the ambiguities which determine evolutionary progress. It can be used to account for major differences between countries and also to reflect on the transformative power of social enterprise. Applying the theory implies a discussion on variation, selection and heredity as the three basic principles of evolution. The concept of stepping stones, as part of evolutionary theory, may help to account for publicly recognised anchor points which lead to specific evolutionary pathways. Thinking in terms of tipping points also helps to pinpoint the phases of ambiguity after which the evolution is accelerated or slowed down. It is recommended, however, to combine this theory with a grounded theory approach, because it is still too primitive to be used alone as a powerful tool in research. The combination of these theoretical approaches allows a much deeper understanding of the contextuality and embedding of social entrepreneurship.

Ambiguities are always embedded in fierce debates or are the result of conflicting lobbies. One such ambiguity lies in the use of public funding for the sector. From a neo-liberal ideological perspective, the best enterprises manage to acquire their resources from their end-users and are able to scale up to become big firms. In reality, many societal issues need to be addressed through co-creation between the social enterprise sector and the public administration, in which the use of public funds is unavoidable. Many success stories try to prove the opposite, however.

Another area of ambiguity is that of definitions: does a definition help the sector forward or not? Further ambiguity surrounds the diminishing of the administrative burden. Should standards for a social service depend on the nature of a provider, as either an entrepreneur or a social service institute? As tipping points, the ambiguities temporarily slow down the evolution, prior to further acceleration or stagnation.

The theory helps to account for the great differences in the ways in which the sector has matured and developed across Europe. In Poland one can see the presence of the Solidarnosc Movement in the social enterprise sector, which has served as an important symbolic stepping stone. In the Netherlands the political effort to engage the philanthropy sector in the social enterprise sector can be seen as a tipping point in which ambiguity about 'giving versus investing' plays a significant role. In Italy the sector encountered the ancient structure of the Roman Catholic Social Co-operatives, very well anchored in

history and leaving only limited space for new niches: a major determinant throughout the evolution of social enterprise there. In Scotland the evolution in the cities differs profoundly from that in rural areas, where a social entrepreneur could learn from older community businesses.

The radiation and impact of the social enterprise sector across Europe is rather modest in some contexts while in others it almost amounts to system hacking. In each context a complex of evolutionary pathways is being developed, shaped by processes of de-institutionalisation, adaptation of the third sector and the emergence of social entrepreneurship. Can we see the social entrepreneur as a driver of change? Or is he a natural consequence of the way that neo-liberal ideology itself evolves? These questions are difficult to answer, but it seems that the neo-liberal idea of social entrepreneurship does not match with reality: it is not becoming just another branch in the economy, but merely a new layer in society that re-embeds the economy in society in cooperation with communities and politicians. Darwin primarily saw competition between individuals, populations and species. In the field of SE, cooperation seems to be more vital (Costa & Tavares, 2012); see also the historic analysis of homo cooperans (Moor de, 2013). This is why social capital plays such an important role (Bharati, Chaudhury, & Zhang, 2012; Chen & Sharma, 2011; Papagiannidis, Li, Etzkowitz, & Clouser, 2009; R. Praszkiec et al., 2009). It seems that society is changing fundamentally, although the end of this evolution is not yet within sight.

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