Working Paper

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Charlotte MOREAU & al.

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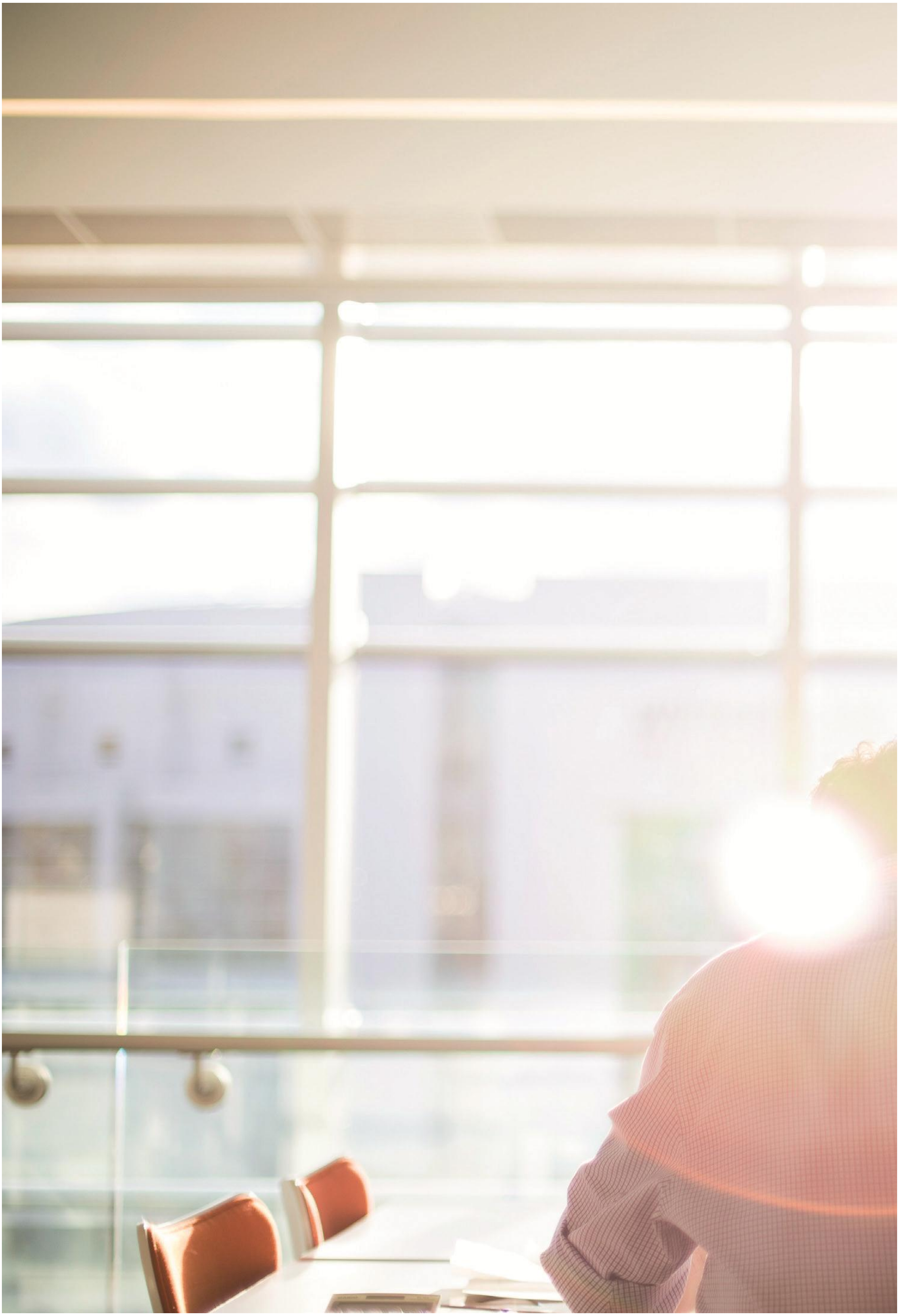

DNA of Social Economy Enterprises in Belgium
Reflective note based on the work of the ESCAP Working Group

Charlotte Moreau & al.*

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Abstract

This paper is the result of a collective and participatory reflection by a working group of twenty actors from the social economy ecosystem in French-speaking Belgium, including academics, federations, social economy enterprises (SEEs), networks, Walloon public administration, and field practitioners. Coordinated by the Centre for Social Economy at HEC ULiège (CES) and supported by W.ALTER (public funding body for SE projects), this initiative is part of ESCAP, a collective project aiming at co-constructing knowledge and tools by partnering academic research and practical experience.

In response to the emergence of new entrepreneurial models (mission-driven companies, impact enterprises, etc.) and increasing market pressures, this document offers an inclusive and practice-based definition of the "DNA" of SEEs. It identifies six cumulative and cross-cutting practices implemented by all SEEs, regardless of their legal form, sector, or size. These practices — co-constructed and debated collectively — distinguish SEEs from other organizational forms.

Rooted in the Walloon context while drawing comparisons with other Belgian and international regulatory frameworks, this work seeks to clarify the boundaries of SEEs, enhance their recognition, and support their development in an evolving ecosystem.

Keywords: Social Economy Enterprises, Social Economy DNA, Participatory Research, Belgian Social Economy, Social Economy Practices, Economic Democracy, Primacy of Societal Purpose, Management Autonomy, Surplus Allocation in SEEs

JEL Codes: A13, B55, D22, D70, J54, L31, M14, P13

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Purpose of this note

A collaborative study

The work presented below is the result of intense collective reflection over more than a year (2023-24), which brought together Social Economy (SE) players of various types and sectors around an Escap Working Group. Escap[1] (a collective project aiming at co-constructing knowledge and tools by partnering academic research and practical experience, towards a desirable economy) is a partnership initiative coordinated by HEC-University of Liège's Center for Social Economy[2], with the support of W.ALTER, the Walloon public funding body for SE projects in Wallonia (Belgium). To strengthen the links between Social Economy Enterprises (SEEs) and academic research, Escap brings together researchers and practitioners to co-construct knowledge and tools to promote the development of SE.

Social economy in an evolving context

Increasingly frequent and central questions about the contours of SE are emerging from a variety of backgrounds. These questions focus on what distinguishes SEEs from other players and what makes up their essence and DNA.

These questions arise, on the one hand, with the emergence of **new types** of entrepreneurial **actors** outside SE, particularly companies that claim to be mission-driven or impact-focused. While we do not question the potential positive impact of these models, it is essential to understand the differences between SEEs and these new organizational forms. Traditional SEE Articles of Association (associations, cooperatives, mutual societies, and foundations) offer greater guarantees and safeguards for the implementation of SEE practices. Nevertheless, an enterprise that respects all SEE practices without adopting the traditional legal forms could still be qualified as an SEE. However, it would fly under the radar and not be easily identified in SEE statistics, which are generally classified according to legal form.

Furthermore, SEEs are increasingly confronted with market logics, such as competitive bidding, contractual subsidies, or performance indicators (Laville & Nyssens, 2017) which can challenge the balance between the primacy of their social mission and economic imperatives (Battilana, Fuerstein & Lee, 2018; Petrella, 2017).

Reaffirming the practices that distinguish SEEs from other organizational and entrepreneurial forms is therefore essential in this respect, and should enable SEEs to recognize and assert themselves as part and parcel of SE. This is all the more important given that the sectors of activity in which SEEs operate are becoming increasingly varied. While SEEs have historically been more prevalent in sectors such as culture,

[1] https://escap.be/ : es.cap = « cap vers une économie souhaitable » ("heading together towards a desirable economy")
[2] http://www.ces.uliege.be

health and social action, they are now also present in energy, finance, IT, and logistics (Marée & Saive, 1983). At the same time, capitalist companies are now present in sectors that were previously reserved for non-capitalist organizations (Ben-Ner, 2002).

An increasingly significant need for clarification

Conversely, questions also arise **from French-speaking Belgian actors within the SE ecosystem**, including policymakers, public administrations, federations and networks, workers and employers, funders, advisors, trainers and researchers. These actors have different understandings of the scope of SEEs. It is essential for these actors to have a thorough understanding of the scope of SEEs in order to develop a supportive ecosystem. Furthermore, the lack of alignment between Walloon and Brussels (French-speaking) regulations complicates the experience of SEEs in the field and impedes an understanding of these institutional and administrative boundaries.

The co-construction of a consensus

Several projects – in French-speaking Belgium, as well as in France and Belgium –, have addressed and worked on the criteria that make up the DNA of SEEs and the widely shared practices in the sector (projects such as Secoia[3], Vises[4], and Denis[5]). However, this work has not been largely disseminated. There are several reasons for this: the theme of DNA and associated practices was not central to the projects; the issue remains sensitive and raises concerns about potential misuse; and the willingness of stakeholders to use this work is debated within their respective organizations.

Following these observations, an Escap working group around the DNA of SEEs[6] was set up. This group brings together around twenty stakeholders from the French-speaking SE in Belgium (including academics, members of the SE ecosystem, the Walloon public administration and field workers), who debated in meetings and collaborated to write this note.

A common foundation

The **aim** of this note is to identify the practices that constitute the DNA of SEEs; that is to say, practices implemented by all SEEs (despite their diversity) that distinguish them from other organizational forms when considered collectively. SEEs implement additional virtuous practices that generate highly beneficial effects. This note is not an exhaustive list of the practices developed by SEEs. However, the practices identified here are common to all SEEs and distinguish them from other organizational forms.

[3] https://orbi.uliege.be/handle/2268/219562#exports
[4] http://www.projetvisesproject.eu/-Projet-VISES-
[5] https://impact.concertes.be/
[6] https://escap.be/gt-escap/

These are the practices that are observed in all SEEs and are transversal. These practices are also cumulative: to be an SEE, all of them need to be implemented. It is through implementing all these practices that an SEE can be identified and distinguished from other types of organization. Without claiming to be exhaustive, this note also seeks to understand **the effects generated by the characteristics and practices of SEEs**.

This note is primarily intended **for practitioners in the SE ecosystem** in the regions of Wallonia and Brussels. However, it could also be used in other contexts, or even serve as inspiration for similar exercises in other regions or countries.

Articulation of the study

Before describing these practices, this note examines the various historical, conceptual and legislative interpretations of SEEs. Next, a diagram illustrating the specific, cross-cutting and cumulative practices of SEEs will be presented. The SEE practices will then be described: economic activity; primacy of societal purpose; management autonomy; economic democracy including the attribution of membership and democratic control of the enterprise; and, finally, non-capitalist surplus allocation. Some of these practices give rise to debates, which are briefly discussed in this note.

Brief historical context

Like all enterprises and organizations, SEEs are part of a socio-economic context, and their conceptualization must reflect changes in this context. Their contours have therefore evolved, in line with the issues specific to each era. SE has evolved alongside capitalism, particularly during its major transformations (Defourny and al., 1992). Letus now briefly review the historical context that has led to today's understanding of SEEs.

The 19th century

In the 19th century, SEEs were created in response to the social problems generated by the capitalist economy. Initially, this took the form of guilds, which were later replaced by associations that brought together the collective actions of workers. These initiatives often came from the very people who were suffering from these capitalist shortfalls themselves. Based on the principle of self-help, these actors created cooperatives and mutual societies to meet their shared needs, starting with basic necessities or services such as food, housing and healthcare (Duverger, 2023; CIRIEC, 2012). Until the 1970s, associations gradually became institutionalized, driving economic growth and generating jobs while fuelling mass consumption (Duverger, 2023).

The 1970s

In the 1970s, particularly following the events of 1968, SEEs were established as a third sector (Borzaga & Defourny, 2004). They sought to defend a model that was distinct from both the public and for-profit private sectors (Duverger, 2023), and which aimed to meet societal needs such as training through work, integration, lifelong learning... Self-managed organizations also emerged at this time.

The 2000s

In the 2000s, the pitfalls of capitalism – particularly the worldwide impact of the subprime crisis – prompted companies to embrace social responsibility. SEEs emerged as an alternative to mainstream capitalism, offering a radical approach to CSR (Corporate Social Responsibility) practices that could go so far as to promote a truly transformative vision for our societies.

In recent times

Recently, SEEs have increasingly positioned themselves as actors of the socio-ecological transition (see the concept of fair transition), addressing issues such as degrowth, post-capitalism, commons management, war economy, sobriety, and more. Indeed, much research shows that SEEs now tend to adopt multi-objective approaches, integrating both socio-economic and ecological aspects into their business models (Campi and al., 2006; Smith and al., 2013; Huybrechts and al., 2014). Although SEEs have traditionally focused on socio-economic goals such as reducing inequality and poverty, improving social cohesion, health and employment, their missions have gradually shifted towards ecological issues such as climate change, biodiversity and scarce resources, over the past two decades at least (Hudon & Huybrechts, 2017).

Comparison of Belgian and international regulatory frameworks

The legal and institutional recognition of Social Economy Enterprises (SEEs) differs from one context to another, and is not the same at European, Walloon or Brussels levels. Here, we propose a comparison of these different definitions to shed light on the varying contours of this concept.

This comparison is based on the definition adopted in Wallonia. Not only does this working group mainly brings together actors from the Walloon ecosystem, but this Walloon definition is also the oldest regulation still in force. Article 1 of the Walloon Decree on Social Economy, passed on 20 November 2008, is based on a definition of the SE that was adopted by the *Conseil Wallon de l'Economie Sociale* (CWES) – the Walloon Social Economy Council – between 1988 and 1990. The definition was reviewed in 2007, but no fundamental changes were made.

This definition has remained at the heart of the Walloon Decree ever since, inspiring other countries/regions such as Spain and Quebec (Defourny, 2017).

> *For the purposes of this Decree, social economy refers to economic activities producing goods or services, carried out by enterprises – mainly cooperatives and/or social purpose enterprises, associations, mutual societies or foundations – whose ethics are reflected in the following principles:*
> *1° prioritizing service to the community or to members over profit;*
> *2° management autonomy;*
> *3° democratic decision-making;*
> *4° primacy of people and labour over capital in income distribution.*

The legal forms recognized in Wallonia are cooperatives, associations, mutual societies and foundations. The principles to which we will compare other regulations are as follows:

- Economic activity,
- Service to the (broader) community or to members rather than profits,
- Management autonomy,

Democratic decision-making, Primacy of people and labour over capital in income distribution.

The two detailed tables below provide a synthetic overview of the different regulatory frameworks: one on Belgian regulations (Table 1) and the other on international regulations (Table 2). The comparisons are based on Belgian knowledge and context. In this table, comparisons are made in relation to the situation in Wallonia (first column of Table 1).

Table 1: Comparative table of the different legal and institutional recognitions of the concepts of social economy and social enterprise in Belgium

	Wallonia	Brussels	Flanders
Concept	Social economy	Social enterprise	Social economy
Principles	* Economic activity * Prioritizing service to the community or to members over profit * Management autonomy * Democratic decision-making * Primacy of people and labour over capital in income distribution	* Similar principles, but much more detailed and specific. * Distinction between mutual and general interest. * Additional concepts: - Economically viable - Quality, sustainable paid work - Limited wage pressure - Sustainable production and consumption - Transparency	* Similar principles, but with the general objective of employment for disadvantaged groups. * Additional concepts: - Sustainability - Transparency - Local anchorage - Profitability and efficiency * No reference to management autonomy
Legal forms	Cooperative Association Mutual society Foundation	All legal entities under public or private law	Enterprises or initiatives
By-laws	Decree: "Decree on Social Economy" (20/11/2008)	Ordinance - Approval: "Ordinance for the approval and support of social enterprises" (23/07/2018)	Decree: "Decree on supporting entrepreneurship in the social economy and stimulating socially responsible entrepreneurship" (17/02/2012)
Date	2008	2018	2012
Sources	https://wallex.wallonie.be/eli/loi-decret/2008/11/20/2008204798/2018/10/18	https://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&cn=2018072306&table_name=loi	https://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&cn=2012021712&table_name=loi

Table 2: Comparative table of international legal and institutional recognition of the concepts of social economy and social enterprise

	EU		OECD	ILO
Concept	Social economy	Social enterprise	Social economy	Social economy
Principles	* Distinction between mutual interest and general/collective interest * Governance can be democratic and/or participatory * Recognition of environmental objectives as such	* Strong entrepreneurial spirit * No restrictions on legal form * Identification of two ways of achieving the social purpose: goods/services produced or production methods * Additional notions: Responsible entrepreneurship; Transparency * No reference to democratic governance, even if "involving workers and stakeholders".	* No reference to management autonomy * Social objectives	* Recognition of environ-mental objectives as such * Additional concepts: Reference to values[7]; Long-term viability and sustainability; Transition to a formal economy
Legal forms	Cooperative Association Mutual society Foundation	Enterprise	Cooperative Association Mutual society Foundation Social enterprise Community initiative	Entity
By-laws	Communication: "Building an economy that serves people: an action plan for the social economy".	Regulation (EU) 346/2013 of the European Parliament and of the Council of April 17, 2013 on European social entrepreneurship funds.	Recommendation: "Recommendation on the social economy and social innovation".	Universal definition in the International Labour Conference 110th Session, 2022
Date	2021	2013	2022	2022
Source	https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:52021DC0778	https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32013R0346	https://www.oecd.org/fr/rcm/Recommandation-sur-l-economie-sociale-et-solidaire-et-l-innovation-sociale.pdf	https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_841027.pdf

[7] This definition cites the following values: concern for people and the planet, equality, equity, interdependence, self-management, transparency, accountability, and the realization of decent work and decent livelihoods.

Social Economy Enterprises[8] and other concepts

It is useful to consider social economy enterprises (SEEs) and their characteristics alongside other business concepts with which they share similarities, or which some would like to bring closer together. In particular, we are thinking of social profit enterprises, impact enterprises, mission enterprises and so on. None of these terms are legally recognized in Belgium. While social profit enterprises are the subject of a federation in the country's three regions – Bruxeo in Brussels, Unipso in the Walloon Region and Verso in the Flemish Region – there is no commonly accepted definition of these enterprises.

Social profit enterprises

UNIPSO (the intersectoral confederation of employers in the social profit sector) defines **social profit enterprises** as those that develop services to meet "*the essential needs of the population, such as healthcare, housing for the disabled, home help, education or early childhood care. These enterprises pursue a non-profit purpose and benefit in part from collective resources in order to ensure the quality and affordability of their services to the population*"[9] [free translation]. In this sense, social profit enterprises form part of the social economy (SE). Historically, their non-market character has distinguished them from other types of social enterprise. However, this distinction is becoming blurred, as demonstrated by the new Belgian Code of Companies and Associations (which came into force on May 1st 2019). This Code removes the previous prohibition on associations in engaging in commercial activities as a primary function.

Impact enterprises

We will use the generic term '**impact enterprise**' to refer to a commercial company that intends to integrate social and environmental objectives into its business model, and formalize the commitments it makes in this respect.

The approach taken by companies on this path aligns with the concept of **corporate social responsibility (CSR)**, which emerged in the 1970s to emphasize companies' obligations towards their external stakeholders, in addition to the responsibilities they have towards their shareholders (*stakeholder* responsibility versus

[8] In this note, we have chosen the term 'Social Economy Enterprise' (SEE), as it is used in the Walloon Decree. We will use this term instead of related terms such as 'social enterprises', 'social and solidarity economy' and 'social entrepreneurship'. While these notions designate similar realities, they differ in scope. However, we will not discuss this subject here.

[9]For more information on the definition, see below: https://www.unipso.be/spip.php?rubrique118

shareholder responsibility). At the level of the European Union, CSR is defined as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*", "*going beyond compliance and investing "more" into human capital, the environment and the relations with stakeholders*"[10]. In Belgium, CSR is defined as "*the responsibility borne by companies as regards the effects they have on society. It can be defined as a continuous process of improvement, in which companies incorporate social, environmental and economic considerations into the overall management of the company in a voluntary, systematic and coherent way.*"[11]

In this sense, ***ISO 26000*** has existed in Belgium since 2010, and provides guidelines rather than requirements. It is therefore not a certification, unlike other ISO standards. *ISO 26000* aims to clarify the concept of CSR, to help companies translate principles into concrete actions, and to publicize best practices in CSR.

Let's return to impact enterprises. For these enterprises, it's a matter of taking it a step further, and showing their commitment to take responsibility for some or all of their external stakeholders. The complete approach involves three elements: (1) defining one or more external societal or environmental goals in the enterprise's articles of association or equivalent document; (2) committing to objectives that will enable the external goal(s) to be achieved; (3) establishing governance arrangements to ensure these objectives are met, including internal procedures, reporting on achievement of objectives, and external control mechanisms.

B Corp

Since then, a number of framing and labelling formulas have been created to demonstrate this commitment to impact. Two of these are mentioned here: the international B Corp certification and the French '*Société à mission*'. The '***Benefit Corporation***' certification, **or** '*B Corp*' for short, was launched in the United States in 2006, and has since spread worldwide, including to Belgium[12]. This certification is awarded by an independent organization, the *B Lab*, which, based on companies' best practices in terms of social, societal and environmental impact, "*maps out a path of progress and transformation at the heart of their business model*" (bcorporation.fr). In some countries, such as certain states in the USA and Italy, it is a legal form.

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[10] Green Paper: Promoting a European framework for Corporate Social Responsibility (COM 2001 / 366) https://ec.europa.eu/commission/presscorner/api/files/document/print/en/doc_01_9/DOC_01_9_EN.pdf

[11] Source: https://www.belgium.be/en/economy/sustainable_development/sustainable_economy/corporate_social_responsibility

[12] https://bcorporation.eu/country_partner/benelux/

The 'société à mission'

In France, the **Mission-driven enterprise**, or *Société à Mission*, is also a legal form. Introduced by the *Pacte* law of May 22, 2019[13], it enables "*an enterprise to publicly affirm its raison d'être, as well as one or more social and environmental objectives that it has set itself as a mission to pursue in the course of its business*" [free translation].[14]

Although impact enterprises are not legally recognized in Belgium, the term is nevertheless often used in a number of contexts, such as community initiatives (*Be Impact*[15]), awards (*Trends Impact Award*[16]), and entrepreneurial collectives (*La Smala*[17]).

How do impact enterprises compare with Social Economy Enterprises?

As we have seen[18], SEEs have existed since the 19th century and continue to develop as a genuine alternative to the dominant form of capitalism. Unlike conventional private companies, SEEs pursue the goal of serving their members or the community, rather than generating profit for their owners (shareholders). They also impose strict rules on the role of capital, on the allocation of profits, and on democratic control. These points are developed in the following section[19].

The SEE approach is therefore much more radical than the impact enterprise approach. This is thanks to a lock-in at the very heart of the ownership and governance model, which makes any speculative approach to capital participation impossible. The ownership and governance model reflects the desire to provide an alternative to the capitalist business model. Rather than calling into question the capitalist business model, particularly in terms of ownership and power, the "CSR - Impact Enterprises" approach seeks to correct it by encouraging companies to make commitments to the outside world. However, for impact enterprises, generating profit for investors remains the primary objective, which may take precedence over commitments to stakeholders.

[13] https://www.legifrance.gouv.fr/jorf/article_jo/JORFARTI000038496249
[14] https://www.economie.gouv.fr/cedef/societe-mission
[15] https://fr.be-impact.org
[16] https://trendsimpactawards.be/fr/home_fr/
[17] https://www.lasmala.be
[18] See section 'Brief historical context'.
[19] See section 'Practices of social economy enterprises'.

Practices of Social Economy Enterprises

Distinctive, cumulative and transversal practices

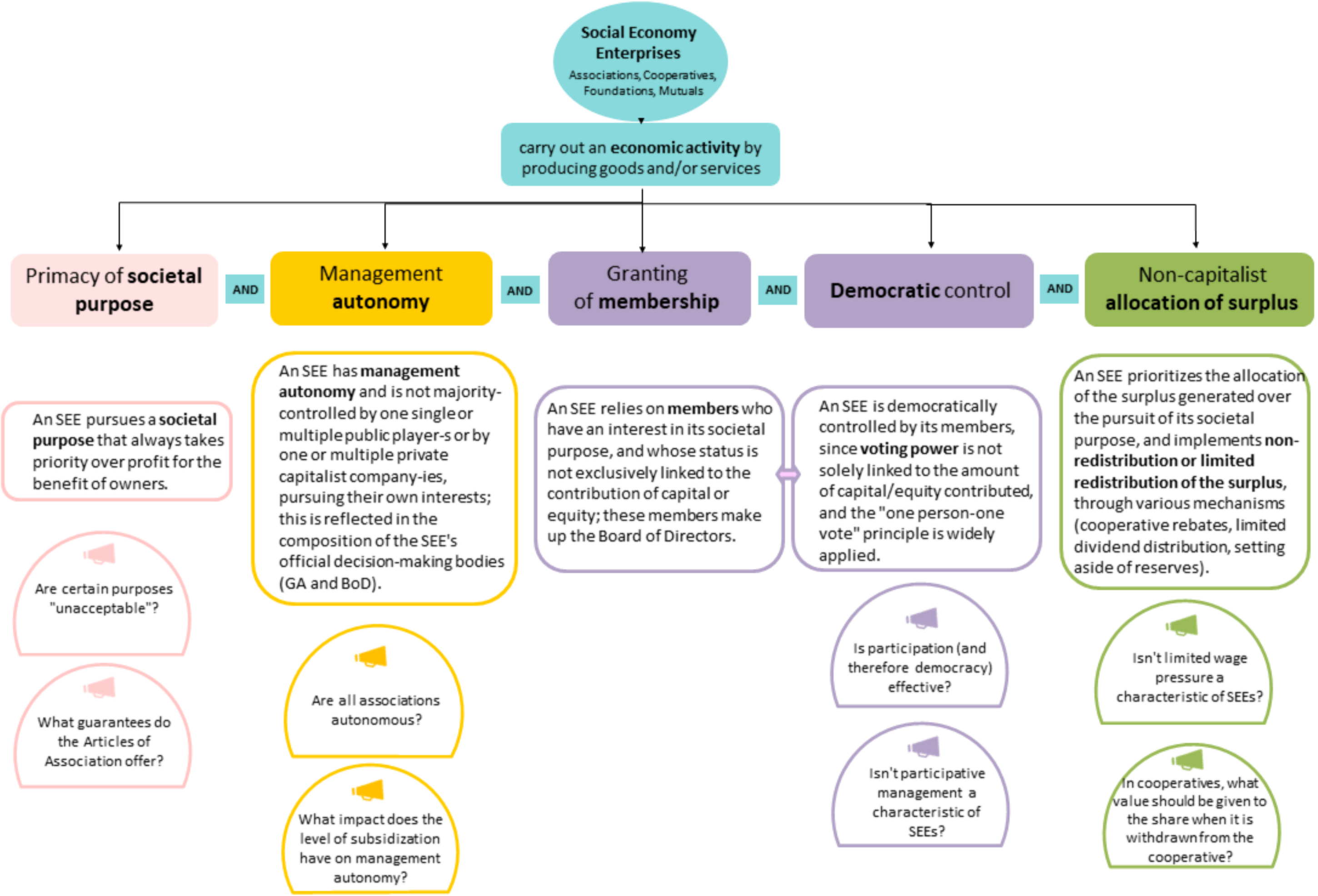
The term *Social Economy Enterprises* (SEEs) is used here. This includes all entities and organizations that apply the principles and practices of the Social Economy (SE). Indeed, SEEs implement practices that distinguish them from other organizational forms. These practices form the core of SEEs, the DNA of SEEs, reflecting their unique and **distinctive** specificities. In order to be considered an SEE, an organization must implement all of these practices; they are therefore **cumulative**. It's not one practice 'or' the other, but one practice 'and' the others. As well as being specific and cumulative, these practices are also cross-disciplinary and **transversal**, meaning that they are implemented by all SEEs, regardless of their legal form, sector of activity or size.

These practices are first illustrated in diagram form. Then, each practice is described from a **scientific point of view**. These descriptions mainly drawn on the work of Mertens & Marée (2007) and Moreau & Mortier (2017). Then, to illustrate the interest and meaning of these practices, a few of the potential **effects** generated by the specific features of these management models are outlined. While all members of the working group agree on the practices that make up the DNA of SEEs, some **points of debate** linked to some of these practices have been noted and deserve to be relayed. These debates concern the contours and sometimes disputed limits of these practices. As with any specific contexts, Wallonia and Brussels have their own particularities that affect certain SEE practices. These Belgian specific features are then identified. Finally, a single **sentence summarizes** the collective understanding of each practice on which the members of this working group have agreed.

The following diagram thus tries to answer the following question: What characterizes all social economy enterprises (non-profit associations, cooperatives, foundations, mutuals) and sets them apart from others?

Practices of Social Economy Enterprises

What are SEEs specific characteristics and what differentiates them from other enterprises?



1. Economic activity

Scientific perspective

SEEs carry out economic activities involving the **production of goods and/or services**. Although the definition of *economic activity* is subject to much debate, it is generally accepted that economic activities are those that create and produce goods or services. Therefore, an SEE produces goods or services.

This **relatively broad concept** does not exclude economic activities such as the creation of non-market goods or services (mainly financed by subsidies or donations), goods or services created by volunteers, or activities carried out by organizations without legal personality (de facto associations).

Debate: Should economic activity be more strictly defined?

Some adopt a more restrictive view of economic production activities, limiting them to the creation of goods or services that are exchanged on the market at a price covering the majority of production costs, by paid staff within structures that have legal personality. Consequently, they restrict the scope of the concept of economic production activity, and therefore the SE, to the **market sphere** of the economy. This approach excludes from the scope of the SE 'de facto associations', associations that are mainly financed by non-market resources and those that essentially operate through the mobilization of volunteer work, as well as mutual societies and most foundations (which do not sell the products of their activities).

In operational terms, however, this concept faces a challenging issue: how to **define the market sphere** of the economy. Even national accountants find it extremely difficult to identify the point at which resources allocated to a production process become predominantly marketable. This is essentially due to the growing overlap between public financing methods and market mechanisms (demand-side solvency, contractualization of subsidies, etc.).

In view of these difficulties, the members of this working group favour an extensive understanding of economic activity, as set out in the scientific perspective.

Belgian specificities

In Wallonia, the Alternativ'ES Wallonia strategy (2019-2024) centres on supporting social innovation and facilitating the creation of SEEs, as well as professionalizing and scaling them up to maximize their social impact. As part of this strategy, the conditions for recognition as an SEE are supplemented by funding criteria favouring social innovation projects and/or projects that will be financially autonomous in the long term.

➔ An SEE engages in an **economic activity** by producing goods and/or services.

2. Primacy of societal purpose

Scientific perspective

SEEs differ from classic private companies in that their **purpose is to serve their members or the community** rather than to generate profit for their owners (Defourny & Nyssens, 2017). This principle clarifies that the goal of economic activity is to provide a service to members or to others, rather than being a means of generating financial value. However, profits are permitted. They are a means for improving this service, but not the main motive for the activity.

SEEs can be categorized as either pursuing a mutual or general interest purpose. Social Economy therefore also includes organizations classified as **mutual interest** organizations, which primarily look after the interests of their members. Examples include workers', producers' or consumers' cooperatives. These cooperators are then also the cooperative's "member-users". The notion of dual quality then emerges (Huybrechts & Mertens, 2014; Mamouni Limnios and al., 2018). Other SEEs primarily pursue **general interest** and seek to impact not only their member-users, but also "non-user" members, beneficiaries of the service, and much more diverse stakeholders, with the aim of defending the general or broader community interest.

An example of this would be a children's rights association. In this case, the members are not the beneficiaries of the activity. This general/public interest purpose can be both social or/and environmental. In our view, an enterprise that implements all the identified practices while pursuing an environmental objective is recognized as an SEE.

SEEs have a wide variety of purposes. Generally speaking, their raison d'être is (Defourny, 2009):

- either in the **results of their production** (e.g. social action services, community services, provident actions, home care/help, accommodation for the elderly, early childhood care, healthcare, education and training, help with setting up and running businesses, defending rights and interests, environmental protection, waste recycling, cultural services, sports services and leisure services, etc.),
- or in their **production methods** (social and professional integration, fair trade, alternative finance, renewable energy, etc.),
- or a **combination of** both.

What does the primacy of societal purpose allow?

The priority of SEEs is to find and develop answers to the societal challenges facing our societies, and equity (share capital) is always placed at the service of this goal. Share capital is merely a means to an end, not an end in itself. Strategic decisions are made with this priority societal purpose in mind, while ensuring the financial equilibrium essential for maintaining operations. While tensions between societal purpose and economic imperatives lie at the heart of SEEs, the primacy of societal purpose over any other objective of the organization will always make the pursuit of social and/or environmental impact a priority. This is what distinguishes SEEs from capitalist enterprises.

Debate: Are certain purposes 'unacceptable'?

The principle of purpose does not specify which purposes are 'acceptable' for inclusion in the SE. Certain sectors of activity are difficult to reconcile with the primacy of a societal purpose, and some argue that they should be excluded from the scope of SEEs. These include the petrochemical, arms and tobacco industries. What, for example, about an organization seeking to relocate tobacco or ammunition production by employing people on integration schemes? While acknowledging the existence of this debate, this note does not take a position on the acceptability of business sectors.

Debate: What guarantees doe the Articles of Association offer?

One ongoing debate stems from the fact that legal forms do not provide absolute guarantees for the objectives pursued. A recurring theme in discussions is the problem posed by the existence of "false associations"[20] or "false foundations". The issue is the abusive use of a tax-efficient legal form chosen by entrepreneurs who see it as an opportunity to conduct their activities in a more fiscal advantageous perspective. More broadly, this issue refers to the risks of drift present in all organizations, as legal forms do not guarantee that an organization will actually be managed to achieve its stated purpose.

➔ An SEE prioritizes **societal purpose** over profit for its owners.

3. Management autonomy

Scientific perspective

Traditionally, management autonomy has been used to **distinguish SEEs from public authorities**. The economic activities carried out by public authorities generally lack the broad autonomy that is an essential feature of the associative and cooperative dynamic that lies at the very heart of SEEs. However, management autonomy also ensures that SEEs are independent of classic private companies (which, for example, create a private foundation as a 'vehicle' for purely personal and private purposes).

[20] A similar debate previously existed regarding "false cooperatives". However, since the new Code of Companies and Associations went into effect in 2019, this debate has become irrelevant.

Management autonomy should be understood as both a position outside the State apparatus and the ability of an organization to not be subject to the control of another entity. Control generally takes the form of a **majority shareholding in the official decision-making bodies, i.e. the General Assembly (GA)**[21] **and the Board of Directors (BoD)**[22]. Therefore, control is not determined by the entity's origin (another organization may have been behind its creation), by the degree of public regulation to which its activities are subject, or by its dependence on certain sources of income.

An organization that is de facto controlled by public authorities (or their representatives) or by a single private classical enterprise must be excluded from the scope of the SE. Thus, if the GA and BoD of an SEE are solely composed of representatives of the public authorities (local or otherwise) or of a single classic private enterprise, the enterprise is not autonomous and does not meet the principle of management autonomy. Therefore, it is not considered an SEE.

What does management autonomy allow?

Reflected in the composition of official decision-making bodies, management autonomy ensures that decisions are made in the interest of the SEE's societal purpose, rather than in the interest of specific private or public entities. Management autonomy also seems to make possible a certain degree of creativity and capacity for innovation.

Debate: Are all associations autonomous?

The legal form of an association does not guarantee management autonomy. Some associations are even explicitly considered to be public associations, and as such should be excluded from the SE sector.

- **Municipal associations**, which bring together several legal entities governed by public law, and sometimes include private individuals or legal entities on a minority basis. These associations are legal entities under private law and are not hierarchically subordinate to the authorities that established them. However, they are considered administrative authorities based on a functional criterion, and the local authorities can control their operation through various means (control over the use of subsidies, a majority in the association's decision-making bodies, guardianship, etc.).

[21] The General Assembly (GA) is the most powerful sovereign body. It oversees the interests of the SEE and ensures that its missions are fulfilled. The GA's functions include amending the Articles of Association, appointing and dismissing directors, approving the accounts and budget, and deciding how to allocate the surplus, etc. All SEEs have a GA, except for foundations, which have only a Board of Directors.

[22] The Board of Directors (BoD) plays a key role in implementing governance principles, though its actual power varies greatly from one SEE to another. Directors together make up the BoD, and are appointed by the General Assembly (GA) or via the Articles of Association. Directors may also be co-opted to fill a temporary vacancy. The BoD holds residual powers in relation to the GA, including general management and representation. Directors have legal liability.

- **Intercommunal** associations that have taken the legal form of associations. They are also considered administrative authorities.

Public authorities' participation in associations can sometimes be implicit when most board members are individuals holding a political mandate or a position in the public administration. Conceptually, these are public associations. In practice, however, they are difficult to identify. For those who see the SE as merely a form of expression of collective action that allows a certain flexibility, separation from the state sphere is not a crucial issue. To them, these associations are indeed part of the SE.

Debate: How does the level of subsidization affect management autonomy?

Even though management autonomy is determined by the composition of the official decision-making bodies, the **impact of predominantly public funding** on management autonomy deserves to be identified as a significant issue. Does an SEE that is very heavily subsidized, with such subsidies accompanied by extremely precise obligations, retain its autonomy? Mertens (2010) discusses the concept of delegated production of collective services. In this model, the state finances the provision of collective services through financing the SEE, thereby delegating production to the SEE. However, despite their dependence on public funding, SEEs seem to be able to retain a negotiating capacity in their relationships with public authorities. Conversely, a youth organization has considerable freedom in implementing its activities, even if it receives substantial subsidies. Public authority requirements can also be less precise, leaving more organizational freedom in how goods and services are provided.

Thus, the principle of management autonomy and particularly the notion of control, are not evaluated in an unambiguously manner. This is especially evident in the context of free subsidized educational institutions and mutual societies. For some of them, notably for historical reasons, they fall within the scope of SE. Others argue that they are definitely not, due to the considerable control they are subject to from public authorities. A similar question can be asked regarding control by a private capitalist entity. Consider a social integration enterprise that operates solely as a subcontractor for a large capitalist group. How is it autonomous, when its sole source of income comes from the same private capitalist group?

Therefore, this note assumes that the criterion of management autonomy can only be understood transversally through the **composition of official management bodies**.

Belgian specificities

In Wallonia and Brussels, legislators have established a legal framework recognizing public initiatives as an integral part of the SE perimeter. Thus, these initiatives are an integral part of the ecosystem, both legally and practically, because they are organized by legal means.

In the Brussels-Capital Region, the July 23, 2018 ordinance defines social and democratic entrepreneurship and recognizes public social economy initiatives, via the IPES accreditation.

In the Walloon Region, the November 20, 2008 Decree defines SE in terms of principles and statutes. It also defines the SE through a series of schemes that the legislator wishes to recognize as part of the SE, as described in Article 2. These schemes include work integration enterprises (*Entreprises d'Insertion* - EI), Initiatives for the Development of Employment in the Local Social Services Sector (*Initiatives de Développement de l'Emploi dans le Secteur des Services de proximité à finalité sociale* translated - IDESS), adapted work enterprises (*Entreprises de Travail Adapté* - ETA), W.Alter's field of intervention and consulting agencies.

Over time, other schemes have also been considered to fall within the scope of the SE, in line with what was envisaged by the legislator in 2008: Socioprofessional Integration Centers (*Centres d'Insertion Socioprofessionnels*), Social economy projects (*Initiatives d'Économie Sociale*) and reuse sector (réemploi).

The recent decree passed on April 29, 2024 on the granting of subsidies to Public Centers for Social Action and Welfare (CPAS) defines the following as SE initiatives: Social Economy Initiatives (IES), Integration Enterprises (EI), Socioprofessional Integration Centers (CISP), Initiatives for the Development of Employment in the Local Social Services Sector (IDESS), Reuse Enterprises, Adapted Work Enterprises and sheltered workplaces (ETA), and local community Neighbourhood cooperatives/associations (*Régies de Quartier*).

➔ An SEE has **management autonomy** and is not majority-controlled by a single public player or private capitalist enterprise, or by several public players or private capitalist companies linked together and pursuing their own interest(s); this is reflected in the composition of the SEE's official decision-making bodies (GA and BoD).

4. Membership (economy democracy)

Scientific perspective

An SEE is "*an initiative emanating from a group of citizens [...resulting] from a collective dynamic, involving people who belong to a community or group that shares a well-defined need or objective*" (Defourny & Nyssens, 2013, p. 14). From the beginning, an SEE has been based on a collective of people. A link unites the SEE and the people who initiate or join it later on. This connection is based on commitment to the enterprise's project and societal purpose.

Therefore, an SEE is based on its members, who make up the General Assembly. Members are therefore "*natural or legal persons who meet the membership* *requirements set out in the articles of association and who have an interest in the enterprise's mission*" [free translation] (Rijpens, 2010, p. 281).

Typically, when an SEE pursues a **general interest purpose**, it aims to impact not only its user-members, but also its "non-user" members, the beneficiaries of its services, and a broader range of stakeholders who seek to defend the general/public interest. For example, this applies to companies that raise awareness of environmental protection or the protection of fundamental rights. In these cases, the members are not necessarily the beneficiaries of the activity.

The management bodies are composed of various categories of people, who contribute to the project in different ways and have different, and potentially divergent, interests and objectives (Defourny & Nyssens, 2006; Laville & Nyssens, 2001). However, they have all joined the project by becoming members (or associates) of the SEE. The SEE's Articles of Association lay down the conditions for admission as a member. Admission of a member must comply with the democratic principle. In this way, membership is not granted arbitrarily, but rather based on objective criteria such as compliance with membership conditions and interest in the enterprise's mission. Members control the SEE, notably by participating in strategic decision-making, for the benefit of others, not themselves directly.

When the SEE primarily pursues a **mutual interest purpose**, it prioritizes the interests of its members. In cooperatives, which traditionally pursue their members' interests, the cooperators have a '*double quality*': they are members through their capital contribution, having subscribed to one or more shares, and they are users through their use of the organization's activities (Bauwens & Mertens, 2015). The beneficiaries of the enterprise's activities are the members of the governing bodies.

As consumers, workers or savers, member-users have a direct relationship with the cooperative. For instance, the management bodies of a workers' cooperative are mainly composed of its workers, who are both users and owners of the cooperative. The shares are registered in the holder's name. These shares are thus taken to contribute to the enterprise's capital, and not for speculative goals on their financial return, or future value. This approach is therefore fundamentally different from that of an investor who acquires shares in an enterprise to obtain the best possible return, and a capital gain upon disposal. Furthermore, the free transfer of cooperative shares is impossible due to their nominative registered nature.

In SEEs, management bodies can be composed primarily of user-members or of a more diverse group of stakeholders. However, there are **nuances** to this distinction (Defourny & Nyssens, 2017). Indeed, some associations may have management bodies that are exclusively composed of workers, even if their purpose is rather general[23]. Conversely, a workers' cooperative pursuing mainly mutual purpose may have difficulty making cooperators' shares financially accessible to the structure's workers.

[23] This is a powerful, almost political decision by the SEE to grant decision-making authority to the enterprise's workers.

Some SEEs have implemented mechanisms to facilitate access to shares. Nevertheless, it is other stakeholders who hold at least some of the decision-making power, even if the enterprise's purpose is primarily to benefit the workers[24]. In SEEs, governance is therefore designed to align with the mission, even if this governance sometimes reveals implicit stakes.

In SEEs, membership is therefore not solely dependent on capital or equity contributions (this is the case for cooperatives, but not associations, for example). The specific meaning of "membership" in SEEs has important consequences regarding the voting power and control modalities in these enterprises. Decision-making power does not lie exclusively with those who hold the capital or equity. Additionally, it affects the allocation of the surplus generated by the SEE's economic activity. This is the subject of the following sections.

What can 'membership' offer that is not exclusively linked to a contribution of capital or equity?

Including a variety of stakeholders in the SEE governance allows for the representation of **diverse and non-capitalist interests** (Fiandrino and al., 2022). Thus, SEEs can leverage collective intelligence to refine their value proposition and adapt it to the specific issues of each involved stakeholder.

Secondly, including potentially divergent interests in governance bodies can prevent conflicts that would arise if these diverse stakeholders were unable to exchange views within the governance bodies (Laville & Nyssens, 2001). The multi-stakeholder approach creates spaces where these divergences can be debated and the **general interest can be reappropriated and rebuilt collectively**.

Decisions are more likely to reflect the interests of various stakeholders. This, in turn, **strengthens their commitment** to the SEE, its projects, its values and its societal purpose (Bacchiega & Borzaga, 2003). Given the asymmetry of information, allowing the least informed people to join governance bodies helps avoid potential opportunistic behaviour. For example, customers can control the quality of a service or product (Ben-Ner & Van Hoomissen, 1991). 'Membership' also reinforces **the stability of capital**.

Moreover, since they are often locally rooted (Borzaga & Tortia, 2009), SEEs will have the capacity to **identify local needs and develop solutions tailored to their communities** (Douthwaite, 1996). The inclusive nature of SEE governance contributes to the good management of their missions and their stakeholder's interest protection. Due to their membership status, which is not exclusively linked to capital or equity, SEEs surround themselves with members who primarily seek to enable the SEE

[24] For example, this is the case with a workers' cooperative, which seeks public and/or private investors to invest in the cooperative by purchasing shares, in order to contribute to the cooperative's development event if these investors are not workers.

to best fulfil its societal purpose. Their personal involvement in the SEE is not guided by the pursuit of profit, which ensures that the **societal purpose will be prioritized**.

This membership signals **confidence** to non-market financers (private or public), as well as to all stakeholders. **The reliability** of SEE is enhanced. The principle of democratic and participatory governance limits the likelihood of mission drift over time (Ramus & Vaccaro, 2017), as the transparency dynamics theoretically increase the likelihood of their detection.

➔ An SEE relies on its **members** who are interested in its societal purpose, and whose status is not solely based on capital or equity contributions; these members together form the General Assembly.

5. Democratic control of the enterprise (economic democracy)

Scientific perspective

Since an SEE is controlled by its members, who together make up the General Assembly (GA), the members hold the power of decision and control over the SEE. Regardless of which stakeholders exercise control, the proportional link between equity contribution and decision-making power at the GA is cancelled, neutralized or at least limited in SEEs.

- In the case of associations, those with decision-making power are not the equity capital contributors. The "one person - one vote" principle is generally applied. However, the Articles of Association may differentiate voting rights, such as giving greater weight to certain categories of members.
- In the case of a cooperative, capital contributors have decision-making power, though it is not proportional to their capital contribution. This non-proportionality between capital contribution and decision-making power may take the form of the strict application of the "one person - one vote" principle, or other forms of limitation, as discussed in the section below on Belgian specificities. Equity investment is made in order to contribute to the enterprise's capital while partially relinquishing the power traditionally associated with it. This indicates a detachment from financial returns.

The **limitation of voting power** applied within the SEE management bodies embodies a democratic management process.

What can be achieved through democratic control of an SEE?

In addition to the aforementioned membership effects, involving a diverse group of stakeholders as members allows for a **more nuanced** and **moderate view** of the activities developed by the SEE. Decisions are then more likely to **reflect the interests** of the various stakeholders who form the governance bodies.

The involvement of multiple stakeholders (e.g., consumers or clients) guarantees a **better quality of goods and/or services offered** (Ben-Ner & Van Hoomissen, 1991), as they can express their needs and realities. Furthermore, giving several stakeholders a voice reinforces **the local anchoring** of the SEE and supports its plural nature.

Debate: Is participation (and therefore democracy) effective?

Even if they are provided for by law, many people question the reality of democratic practices. This scepticism is also evident in scientific literature. In a study on the role of members in Belgian cooperatives, Patrick Develtere and al. (2005) point out the gap between the ideal of a democratically managed cooperative and cooperative life in practice. In some cases, they refer to a "**democratic deficit**". Other authors discuss the possibility of cooperatives experiencing a "less vibrant democratic life", which can lead to "de-cooperativization" or demutualization, i.e. the conversion of a cooperative/mutual into another type of organization (Pezzini & Girard, 2018). This gap is also observed in other SEEs.

Even when given the opportunity, members sometimes show little interest in participating in the management of their enterprise. As early as 1983, Marée and Saive were referring to the deterioration in the democratic functioning of SEEs (Marée & Saive, 1983). **Various factors** have been put forward to explain why enterprises initially founded on a democratic ideal find it difficult to maintain this dimension in practice over time or as the enterprise evolves, including the increasing size of the SEE, the costs associated with collective decision-making mechanisms, conflicts of interest between different stakeholders, or the socioprofessional characteristics of members that make participation in decision-making difficult.

"*The challenge for [SEEs] is therefore to maintain the participatory and multi-stakeholder dynamics that constitute their added value, while being able to develop in order to meet the societal challenges they intend to encounter*" [free translation] (Hudon & Huybrechts, 2017, p. 7). This vast question is beyond the scope of this note, but certainly merits further investigation through complementary work.

Debate: Is participative management a defining feature of SEEs?

The SEE may also decide to include **categories of people other than members** in its decision-making processes. Through a collaborative process, it then seeks to involve in the management of the enterprise various external stakeholders and categories of people concerned by the activity, but who are not members (Defourny & Nyssens, 2013). Participation takes place at levels other than just the official decision-making bodies, such as the GA and the BoD. Indeed, many SEEs seek to **encourage stakeholder participation in the decisions that concern them**.

There are different forms of participation, which reveal different degrees of stakeholder control and influence over decisions. Wilkinson and al. (2010, p. 11) have developed a "participation escalator" ranging from information to codetermination, via communication, consultation and control. For instance, SEEs establish working groups or commissions comprising relevant stakeholders. These working groups may include volunteers, workers, consumers, cooperators, and so on. A highly participative "sociocracy" or "holacracy"-type operating mode may be employed.

Some SEEs even train stakeholders in participation, to enable them to take part. This participation, which extends beyond formal decision-making bodies, may particularly concern **workers** (Granados & Rosli, 2019). SEEs then pay particular attention to their employees and seek to take their opinions into consideration via working groups or other consultative bodies.

There is a **debate** about whether to consider this participative mode of management as a transversal characteristic of all SEEs. Indeed, these practices are often observed in SEEs. It's almost a 'political' project for the SE. However, these participatory practices are not observed in all SEEs. Therefore, it cannot be said that this is a practice that defines the DNA of SEEs.

Belgian specificities

In Belgium, the *Code des Sociétés et des Associations (CSA)* – i.e. the Belgian Companies and Association Code – governs the legal forms of SEEs, including cooperatives – *Sociétés Coopératives* (Book 6) and associations (Book 9). For cooperatives, two accreditation schemes are provided (see Book 8 of the CSA and the implementing Royal Decree)[25]:

- accreditation as a "*société coopérative agréée*" (approved cooperative society), commonly known as "CNC[26] approved accreditation";
- accreditation as a "cooperative society approved as a social enterprise", for cooperatives that specifically give themselves "as main goal, in the general/public interest, to generate a positive societal impact for people, the environment, or society".[27]

The conditions for both approved accreditations stipulate that voting right of any associate may not exceed 1/10th of the votes attached to the shares present or represented.

→ An SEE is **democratically controlled by its members**, since voting power is not solely dependent on the amount of capital/equity contributed, and the "one person-one vote" principle is widely applied.

[25] Further information: https://economie.fgov.be/fr/les-societes-cooperatives
[26] CNC is the Belgian National Council for Cooperation.
[27] Article 8:5 §1er,1° of the CSA and article 6 §1er,1° of the Royal Decree of 28.06.2019, which lays down the conditions for "social enterprise" approved accreditation pursuant to article 8:5 §1er, 1° of the CSA.

6. Non-capitalist allocation of surplus

Scientific perspective

SEEs have a purpose of service to their members or to the community, rather than to generate profit for their owners. Members join to contribute to this purpose, rather than to generate return ('make money') from their financial contributions, donations or from the dues they pay. Accordingly, the allocation of surplus (or profit margins) generated by economic activity is subject to a rule that prioritize **people and labour over capital** (Defourny, 2017). Thus, the surplus is allocated in a non-capitalist way.

Traditionally, the surplus is defined as the amount remaining after payment of all costs incurred by the enterprise. In SEEs, any surplus generated by the enterprise's activities (i.e., profit in the economic sense of the term) must be primarily allocated to projects necessary or useful for **achieving the SEE's societal purpose** and for the enterprise's sustainability and development. This allocation can take the form of setting aside reserves to strengthen equity and/or provide for future investments. The SEE may also allocate the surplus to donations for other SEEs.

Now, we need to distinguish between SEEs according to their legal form. **For associations**, the non-capitalist allocation of the surplus takes the form of a **prohibition on redistributing the surplus** to members[28]. Obviously, the prohibition on profit-making applies both to distributions while the member is participating in the association, and when he or she leaves, and even when the association is eventually dissolved.

In the case of cooperatives, the redistribution of the surplus to capital contributors is possible, though limited. This surplus can be distributed in proportion to capital ownership in the form of **dividends** with a fixed maximum annual rate of return. These terms may be included in the articles of association. We will come back to this point in the section below on Belgian specificities.

Furthermore, cooperatives may seek to strengthen their relationships with their members (consumers, workers, producers...) by offering **cooperative rebates**. This involves redistributing the surplus according to the relationship maintained with its members. A rebate is applied to transactions between the member and the cooperative on a proportional basis.

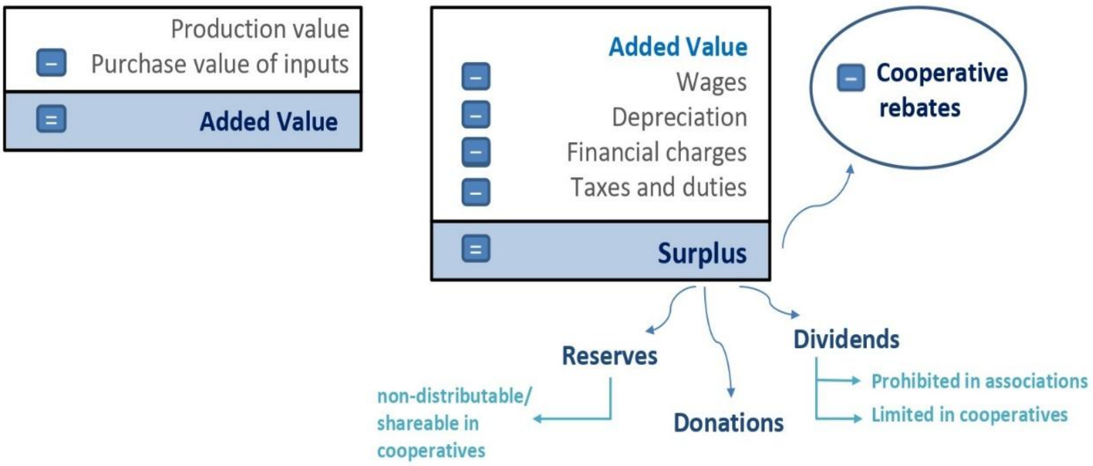
For example, consider an enterprise active in the organic farming sector that grants a 5% discount on its products to its cooperators and workers. In the case of a workers' cooperative, wage bonuses granted to workers are a form of cooperative rebate – that is, a non-capitalist redistribution of surplus. This occurs before the surplus is determined and can be seen as a pre-allocation that values the workers' relationship to the SEE. A producers' cooperative may practice a form of patronage dividend

[28] The association "may not distribute or procure, directly or indirectly, any asset or pecuniary advantage to its founders, members, directors or any other person, except for the disinterested purpose determined by the articles of association" (article 1:2 of the CSA).

by paying a fair price for the goods produced, which is often higher than the market price[29].

Once again, in the case of cooperatives, limited profitability is reflected in the rules regarding **the establishment of reserves**. Reserves are profits that have not been distributed in any form. They strengthen the enterprise's equity capital. In a capitalist company, reserves 'belong' to the shareholders. This is not the case in a cooperative, or only partially so. The third cooperative principle stipulates that at least some of the reserves are not available for redistribution.

This rule means that these reserves can never be returned to the associates, either in the form of dividends, or in the form of capital gains at the time of resignation, or in the form of distribution of the balance of net assets in the event of liquidation. In its most radical application, the rule imposes the **non-shareability/non-distributability of any reserves**. In this case, when a cooperator leaves the enterprise (through resignation, exclusion, etc.), he or she will receive at most the subscription value of his contribution. Similarly, if the enterprise goes into liquidation, the associates will receive at most only the subscription value of their contributions. According to



[29] Although cooperative refunds/rebates are also observed in classic private enterprises, such as certain pharmacies, the context and spirit in which they are practiced in SEEs are fundamentally different. For instance, a cooperative in the energy sector can be established by either large groups from the traditional economy or by citizens. In the former case, the objective is primarily financial and may include improving the enterprise's image. In contrast, a citizen cooperative primarily aims at emancipation and raising awareness. Cooperative refunds/rebates take on a different meaning. The practice of cooperative refunds/rebates is at the heart of cooperatives and is enshrined in the Belgian Royal Decree of January 8, 1962, which govern the Belgian National Council for Cooperation (CNC) approved accreditation of cooperative societies.

Belgian law, this strict application of the principle of non-shareability of all reserves is included in the "social enterprise" approval conditions.[30]

Finally, as mentioned above, the principle of 'people and work before capital' results in limitations on owner remuneration. These limits reduce pressure for returns and enable management to make **choices that benefit stakeholders**, such as fair supplier remuneration, favourable human resource management policies, accessible goods and services, and so on.

What does a non-capitalist allocation of surplus allow?

First, the SEE seems more **trustworthy** because of its self-imposed constraint on surplus distribution (Bauwens & Mertens, 2018). The principle of limiting the return on capital ensures the pursuit of the social mission by mitigating the risk of derailing it (Conforth, 2014). The limited redistribution to contributors in capital restrains the temptation to favour one's own interests over those of others (Ben-Ner & Van Hoomissen; Gui, 1991; Hansmann, 1996; Spear, 2000). This limits opportunistic behaviour.

Secondly, the limited remuneration of capital contributions appears to affect the **appropriateness of the provided solution**. Stepping away from the goal of profitability creates "*room for manoeuvre to favour economic activities that optimize the positive effects on the community in terms of social cohesion, fairness or environmental protection*" [free translation] (Perret, 2015, paraphrased by Bauwens & Mertens, 2015). Actors' perception of the enterprise's **reliability** increases.

Furthermore, limited redistribution to capital contributors helps **attract workers** whose goals and values align with the organization's mission (Rose-Ackerman, 1996).

Depending on the category of actors, the various forms of cooperative rebates produce multiple effects: workers motivation in the case of a workers' cooperative, consumer loyalty in the case of a consumers' cooperative, supplier loyalty in the case of a producers' cooperative. **The loyalty of cooperators**, reinforced by the cooperative rebates, is particularly important in cooperatives whose aim is to engage users with the enterprise's results. Users must "make use of" the enterprise for the results to be positive.

More broadly, using surplus for societal purposes contributes to a societal project that is, a priori, **more supportive and democratic**. Non-capitalist allocation of surplus strengthens stakeholders' trust in the SEE because non-market resources can be mobilized (Young, 2017). This practice also restores **legitimacy to stakeholders**

[30] "In the event of a resignation, the outgoing shareholder will receive the nominal value of their actual contribution at most"; "When the enterprise is liquidated, any remaining assets, after liabilities have been cleared and the sum paid by the shareholders and not yet repaid on the shares has been reimbursed, are reserved for allocation in a manner that corresponds as closely as possible to their intended purpose" (Art 6, Belgian Royal Decree setting the conditions for approval as a social enterprise, 2019).

other than shareholders. By making choices about surplus allocation, SEEs acknowledge that their stakeholders (other than financial partners) also take risks, even if these are not financial. Thus, the idea that an enterprise does not need to remunerate capital contributors very much to succeed is reinforced. The SEE can therefore focus all its energy on its primary mission.

Moreover, this non-capitalist allocation of the surplus not only mechanically ensures a certain form of resilience in the face of market fluctuations, but also provides greater guarantees of the enterprise's **sustainability**. This is achieved through substantial reserves, customer loyalty, particularly via rebate practices, and decisions made on sustainable bases. Speculative postures by investors are avoided since they cannot appropriate the surplus.

Debate: In cooperatives, what value should be given to the share when it is withdrawn from the cooperative?

One subject debate in cooperatives concerns the value of shares at the time of withdrawal. The share's value at the time of withdrawal is set at the subscription value, meaning it is set at the time the share was issued.[31]

The value of shares at the time of withdrawal can be problematic. For example, it can be difficult to attract funders for ambitious projects requiring substantial investment, namely because of this constraint. The same issue arises in workers' cooperatives (whether salaried or self-employed), when a cooperator withdraws his or her shares from the cooperative.

In the Belgian National Council for Cooperation (CNC)-approved cooperatives, it is possible to set a different value for shares. For example, one could set the share value to the subscription value indexed according to a specific formula. Alternatively, the subscription value could be increased by a specifically determined percentage of reserves. Some cooperatives operationalize the 'non-speculative' dimension by recalculating the share value each year based on the cooperative's own funds. Thus, flexibility is possible. However, objective, non-speculative calculation methods must be established in advance to respect the spirit of the Social Economy.

Finally, it is important to remember that the profitability of an investment is traditionally based on two parameters: the withdrawal or sale value, and the dividends received. SEEs can therefore play on these two parameters. Exiting at the subscription value may be acceptable if reasonable dividends are paid. In this case, the situation is comparable to a loan: the lender receives interest and, at maturity, the subscription value of the loan.

[31] On the other hand, book value is the discounted/present value which concerns the enterprise's balance sheet, as its name suggests.

Debate: Is limited earnings gap a defining feature of SEEs?

Wage pressure, or the difference between the highest and lowest wages within an enterprise, is a widely debated topic. Indeed, many SEEs deliberately keep earning gaps low to minimize the disparity. In fact, the Brussels ordinance includes limiting wage gaps as one of the criteria for recognition as an SEE. In practice, however, this is very difficult to implement: What limit should be applied? Should this limit be the same regardless the enterprise's size or sector of activity? What data should these calculations be based on? What about extra-legal benefits?

How can this information be accessed or made publicly available without compromising the enterprise while at the same time complying with the European General Data Protection Regulation (GDPR)?

Belgian specificities

As explained above, the Belgian *Code des Sociétés et des Associations* (CSA)[32] provides two types of approved accreditations for cooperatives. Both approvals stipulate that dividends paid out to members on their contributions may not exceed 6% of the contribution value. In practice, however, this redistribution is often lower[33].

➔ An SEE **prioritizes** allocating its **surplus toward** its **societal purpose**, and implements limited or no redistribution through various mechanisms, such as cooperative rebates, limited dividend distribution, and setting aside reserves.

Summary of distinctive, cumulative and transversal practices characterizing SEEs

1. An SEE engages in an **economic activity** by producing goods and/or services.
2. An SEE prioritizes **societal purpose** over profit for its owners.
3. An SEE has **management autonomy** and is not majority-controlled by a single public player or private capitalist enterprise, or by several public players or private capitalist companies linked together and pursuing their own interest(s); this is reflected in the composition of the SEE's official decision-making bodies (GA and BoD).

[32] i.e. the Belgian Companies and Associations Code
[33] Even if they could, many cooperatives do not remunerate their capital providers at all.

4. An SEE relies on its **members** who are interested in its societal purpose, and whose status is not solely based on capital or equity contributions; these members together form the General Assembly.
5. An SEE is **democratically controlled by its members**, since voting power is not solely dependent on the amount of capital/equity contributed, and the "one person-one vote" principle is widely applied.
6. An SEE **prioritizes** allocating its **surplus toward** its **societal purpose**, and implements limited or no redistribution through various mechanisms, such as cooperative rebates, limited dividend distribution, and setting aside reserves.

Conclusion

Social economy enterprises can be distinguished from other entrepreneurial and organizational forms by implementing these specific practices. Although mission- or impact-driven enterprises also seek to generate a positive social and environmental impact, they do not offer the same guarantees or require compliance with operating and corporate governance practices to achieve their goal (mission or impact).

Produced as part of the Escap project, this note is the result of intense and fruitful discussions about the unique and distinctive practices of social economy enterprises. The Escap project made this dialogue possible, resulting in an agreement between various actors in the social economy ecosystem in French-speaking Belgium. It is also the result of previous work.

Adopting a historical and legal perspective helps us to understand the context of these reflections. The six distinctive, **cumulative**, and transversal **practices** of social economy enterprises are described alongside the development of ongoing debates about their precise contours and specific issues.

1. Economic activity
2. Primacy of societal purpose
3. Management autonomy
4. Membership – Economic democracy (Control by members whose status is not exclusively linked to capital or equity contributions)
5. Democratic control of the enterprise – Economic democracy (Members' voting power not exclusively linked to capital or equity contributions)
6. Non-capitalist allocation of surplus (Non-redistribution or limited redistribution of surplus)

Additionally, some of the effects of these specific corporate governance and operating practices are highlighted. Overall, social economy enterprises appear to be a reliable alternative to capitalist companies. They implement concrete practices to address the growing societal challenges of social injustice and environmental imperatives. Social economy enterprises offer solutions that genuinely address social and environmental needs. They promote greater social cohesion, reliability and stability; stakeholder confidence; and strong local roots. These are just some of the effects generated by this organizational model. Through these practices, social economy enterprises guarantee the pursuit of their societal purpose, ultimately aiming to create a fairer, more equitable, more inclusive, more supportive, and more democratic society. It is not easy, and it does not always go smoothly. But it works! As the historical perspective shows, it has been working for many years.

Social economy enterprises can assert themselves as genuine alternatives in the face of challenges facing our societies. However, they must continue to adapt and renew in order to address the many challenges, such as transitioning from a feminine economy to a feminist economy (Duverger, 2023). They must avoid being consumed by institutional isomorphism (Duverger, 2023). They must respond to increasing accountability (Kleszczowski & Raulet-Croset, 2022), secure financing amid limited public resources (Itçaina & Richez-Battesti, 2022), and incorporate environmental considerations into the social economy principles (Blanc, 2008).

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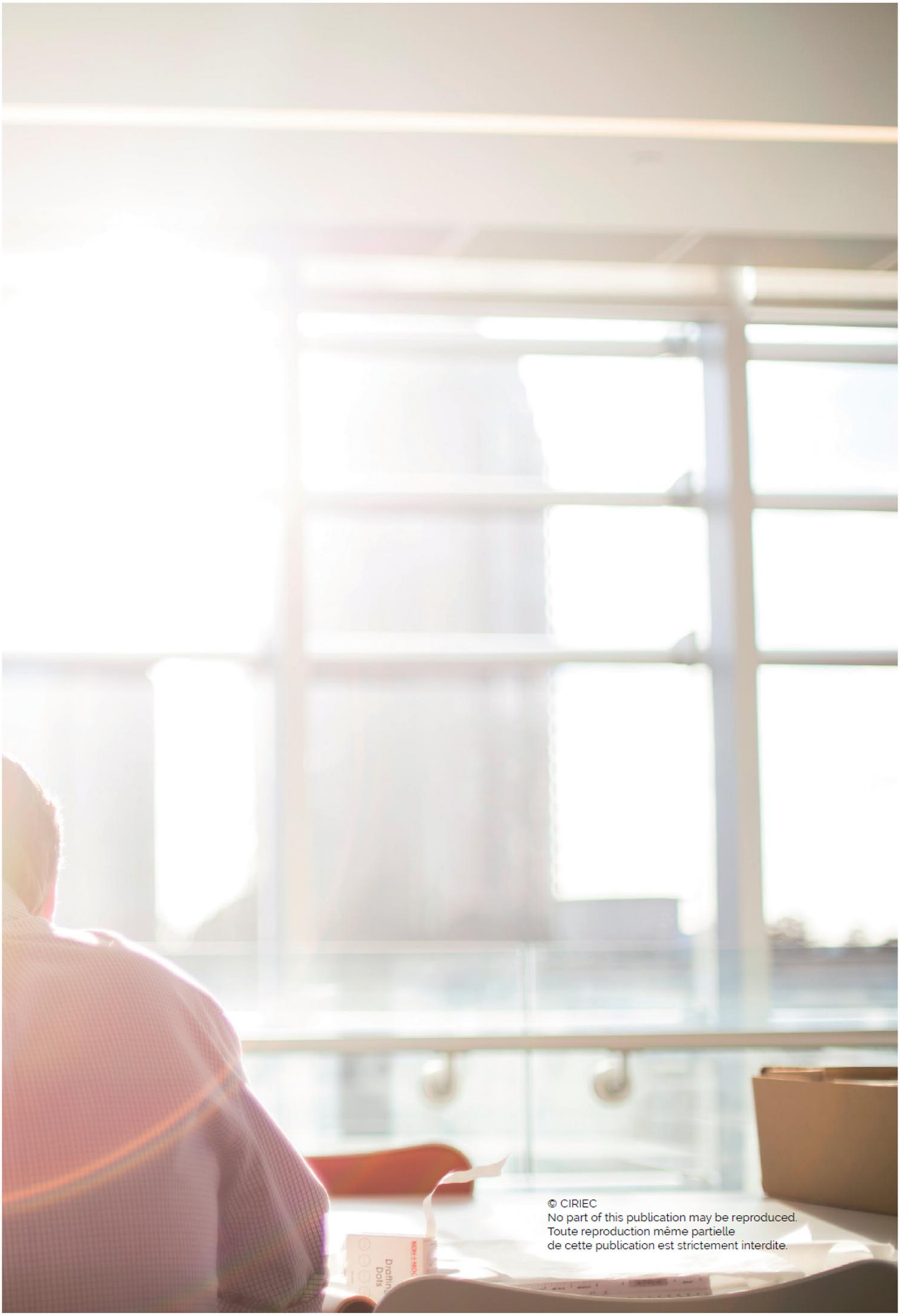

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