Understanding the phenomenon of Chilean social enterprises under the lens of Kerlin’s approach: contributions and limitations

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Structured Abstract

**Purpose:** Contribute to the literature about the emergence of social enterprises in the world through the case of Chile by proposing the ABC as a new inclusive approach of organizational models of social enterprises that complement Kerlin’s conceptual framework.

**Design/methodology/approach:** This work included a literature review of the theoretical frameworks developed by Kerlin (2013) and Salamon and Solokowski (2010), and field work that included 20 in-depth interviews to members of the Chilean social enterprise community and three expert group discussions about the specific dynamics of Chilean social enterprises.

**Findings:** The emergent phenomenon of social enterprise in Chile has two distinctive features that appear to indicate that Kerlin’s conceptual framework does not fully capture how social enterprise is currently conceptualized in Chile: the long-term dynamics of convergence and (re-)emergence of different organizational models of social enterprises, and the participation and evolution of different organizational models of social enterprise over the course of history and their lasting impact.

**Research limitations/implications:** The lack of data is the main limitation of this research.

**Practical implications:** Grasp the emergent phenomenon of social enterprises in Chile at an early stage of development with an inclusive approach that consider the diversity of organizational models of social enterprises and the profound institutional changes happening in Chile during the last decades.

**Originality/value:** The deep understanding of the Chilean institutional context for the development of social enterprises.

**Keywords:** Social enterprises, Chile, traditional sectors of the economy, institutional history, ABC approach, civil society.

**Article Classification:** Research paper
Introduction

Social enterprises as “blurring” the boundaries of traditional sectors of the economy

The evolution of economic, social and environmental demands in the last decade, both at a local and global level, is being mirrored by citizen movements that have emerged in opposition to the socioeconomic models structuring market economies in modern societies today. Their claim is largely aimed at building a new economy more sensitive to social and environmental issues (Abramovay et al., 2013).

The importance of organizations in different sectors in this process of social change is substantial. Contract theories, which are based at an individual organizational level, defend that an organization is a structure of coordination of formal and informal contracts (Eymard-Duvernay, 2004) whereas institutional economics theories study organizations as institutions (North, 1990; Williamson, 1975, 1985). Both complement each other by viewing the production unit not only in terms of its organizational dimension but also in its institutional context. Furthermore, because a broad range of organizations engage in economic activities in market economies, each playing a relevant role in the production of goods and services (Hansmann, 1996), they are key players in processes of social change. In other words, it can be asserted that organizations are part of ongoing structures of social relations in market economies (Granovetter, 2005) embedded in complex relations between them and with their environment.

Hence, the process of social change experienced in the last decades has changed organizations within as well as the relations between them.

In this regard, during the last century boundaries between organizations belonging to each of the three traditional sectors of the economy – public sector, private sector and civil society – (Polanyi, 1944) are usually taken as matter of fact (Sabeti, 2010). In this structure, each sector operates with a particular institutional logic: the logic of the State; the logic of the market; and the logic behind diverse organizations that defend different issues of public interest in civil society. In this traditional approach, organizations are viewed as unitary actors, overlooking internal and external tensions generated by multiple logics within them (Battilana and Dorado, 2010).

However, one of the main shifts that organizations have been experimenting with in the last decades due to this social change has resulted in them no longer being understood under the
traditional economic framework. In recent decades the boundaries of traditional sectors have become increasingly blurred (Sabeti, 2010), evolving hand in hand with a new organizational landscape formed by different socio-economic initiatives emerging every day that are combining goals in public, social, and environmental domains with those arising purely from the economic.

Social enterprises emerge as one of the main players in this process. Kerlin defines social enterprises as organizations that use both non-governmental methods and market practices to address social problems (2010); thus, social enterprises can be considered hybrid organizations that have the ability to combine previously separate logics accounting for logic plurality within these organizations (Battilana and Dorado, 2010; Haigh and Hoffman, 2012). Social enterprises emerge in this way among the many players taking part in this “blurring” process, particularly on the boundaries between the for-profit and nonprofit worlds (Haigh and Hoffman, 2012). Consequently, it is practically impossible to place social enterprises in one of the traditional sectors of the economy.

Use of Kerlin’s conceptual analysis for Chile

Kerlin (2013) attempts to further advance the analysis of new players that emerge in these processes of social change. She argues that macro-processes and institutions are important in the construction of the sectors of the economy during the last century. Specifically, she focuses her analysis on the emergence of social enterprises globally. Her work classifies different models that emerge in different contexts around the world. Hence, she aims to highlight the importance of institutional and historical contexts for the different models of social enterprises arising in each country.

According to Kerlin’s theoretical framework, Chile has an Autonomous Diverse model of social enterprise. This model highlights the autonomy of these organizations from the State, which enhances their earned-income strategies while carrying on their particular diverse activities. Furthermore, given the scarcity of subsidies and support from the State for social enterprises in the Autonomous Diverse model, this autonomy tends to appear in wealthier countries where the private sector offers diverse mechanisms of support for these new players. Moreover, there exists in these countries a greater demand for services that social enterprises
can provide. Hence, a friendly environment for entrepreneurship and innovation, consequently contributing to the diversity of social enterprises, can be expected in the countries following this model (Kerlin, 2013).

Two distinctive features of the Chilean case under the lens of Kerlin’s approach: The diversity of organizational models of social enterprises and profound institutional changes

Classifying Chile within an Autonomous Diverse model is very useful as it provides a solid framework in which to understand the institutional context that has led to a specific conceptualization of social enterprise. Furthermore, from a macro-institutional perspective, the Autonomous Diverse model helps to frame the present discussions about social enterprises in Chile. Indeed, in the last few years a public agenda has arisen in order to capture this phenomenon and defend the legitimacy of the participation of private players in providing solutions for social problems. Hence, the autonomy from the state and the growth of an emergent entrepreneurship and innovation ecosystem characterized by the Autonomous Diverse model accurately reflects the present Chilean context regarding social enterprises. In fact, it also coincides with the popular axiom, “private solutions for public problems,” defended strongly since the coup d’état of 1973 (Atria et al., 2013) with the dictatorship and governments that followed it implementing public policies in this same vein. This explains the relevant role played by the Chilean private sector in the last four decades and its key players, the for-profit enterprises. Consequently, the importance of the private sector has left a distinctive mark on the emergent process of social enterprises in Chile, with both public authorities and key actors in the field providing visibility and legitimacy for models of social enterprise that follow the logic and rationale of the private sector; the success of the emerging B-Corp movement being a good example.

In other words, Kerlin’s conceptual framework contributes to a better understanding of the phenomenon of social enterprise in Chile at a theoretical and analytical level by explaining the institutional context influencing the development of social enterprises and thereby positioning the Chilean social enterprise phenomenon in a global comparative perspective.

Nevertheless, there are two distinctive features of the emergent phenomenon of social enterprises in Chile that stand out compared to other countries in the Autonomous Diverse
model and which appear to indicate that Kerlin’s conceptual framework does not fully capture how social enterprise is currently conceptualized in Chile. First, following Kerlin’s conceptual framework in the Chilean case could lead one to overlook the prominence of certain organizational models of social enterprise that are not expected to be dominant in a country with an Autonomous Diverse model. The framework tends to overlook the long-term dynamics of convergence, emergence, and re-emergence of different organizational models belonging to the three traditional sectors of the economy and therefore puts at risk the opportunity to completely grasp the social enterprise phenomenon from an early stage of development. In other words, given the early development of these organizations, labeling a country with a specific model of social enterprise in the present (for example, in the case of Chile with the label of Autonomous Diverse) could discount the prominence of certain organizational models of social enterprise that had come to the fore in previous periods and that still dominate. Therefore, developing an approach that accounts for this institutional complexity of social enterprises in the Chilean local context remains paramount. In order to fill this void, this paper introduces the ABC (Associative-Business-Cooperative) approach to help explain the development of multiple major forms of social enterprises in Chile. It complements Kerlin’s conceptual framework by taking into account the full complex emergent process for social enterprises in Chile in an inclusive manner.

The second distinctive feature of the emergent phenomenon of social enterprise in Chile can be found in Chilean institutional history. It consists of such a profound and intense transformation to a liberal civil society that one might consider Kerlin’s conceptual framework simplifies some of the emergent dynamics shaping the Chilean conceptualization of social enterprise. Moreover, although Kerlin’s conceptual framework attempts to incorporate an historical institutional perspective, it does not describe the participation and evolution of different country models of social enterprise over the course of history and their lasting impact.

Methodology and paper structure

This paper aims to use and complement Kerlin’s conceptual framework in order to advance understanding of the rise of social enterprise in Chile and contribute to the study of the issue at a global level. It relies on qualitative and quantitative data, relevant literature, 20-in depth
interviews, and three expert group discussions to analyze the dynamics specific to Chilean social enterprises.

The paper is structured as follows: Section II draws on Kerlin’s conceptual framework to determine the Chilean model of social enterprise; Section III provides evidence of the diversity of the phenomenon of social enterprise in Chile due to the dynamics of convergence, emergence, and re-emergence of different organizational models in order to propose an inclusive approach to their study that complements Kerlin’s conceptual framework; Section IV examines, through an historical institutional analysis, the profound institutional changes that determine the main social enterprise organizational models found currently. Section V provides an analysis and discussion; Section VI concludes with closing remarks, the practical limitations of this study, and further research.

An institutional analysis of the emergent phenomenon of social enterprises: A Model of Chilean Social Enterprises based on Kerlin’s conceptual framework

Rueschemeyer et al. (1992) and Salamon and Solokowski (2010) argue that social enterprises are institutions experiencing processes that primarily respond to issues of power and the complex power relations among a variety of social players. Therefore, in order to comprehend the emergent phenomenon of social enterprise in Chile, the analysis must take into account the country institutions affecting these organizations. Kerlin (2013) and Salamon and Solokowski (2010) adopt a macro-institutional framework of analysis based on historical institutionalism. In particular, Kerlin (2013) argues that macro-processes and institutions account for a significant part in the diversity of social enterprise models across different countries. Processes and paths of this conceptual framework are illustrated in Figure 1.

Figure 1. Kerlin’s Theoretical Framework for Country Social Enterprise Models
Kerlin (2013) argues that combinations of existing institutions in local, regional and global culture, as well as the political and economic histories of each country, are largely responsible for shaping the different models of social enterprise that have emerged. This conceptual framework states that the elements of culture structure the development of the State, an institution that in turn helps to shape the present stage of economic development and the model of civil society; the intersection of the latter two determining the existing model of social enterprise. Hence, as illustrated in Figure 1, the State, the stage of economic development, and the models of civil society are all linked to each other, a relationship that defines the model of social enterprise according to the context. This section applies Kerlin’s conceptual framework to the emergent phenomenon of social enterprise in Chile to determine the model prevailing in the country at present.

**Liberal Chilean Culture**

Given that culture is broad in scope, Kerlin (2013) explores two aspects that are considered contributing factors in shaping social enterprise: the level of "collectivism" and “uncertainty avoidance" in terms of values that society shares among its individuals. The author chooses these two variables based on the works of Tiessen (1997) and Shane (1993). Tiessen (1997) argues that individualism fosters a variety of businesses through innovation while collectivism supports the leverage and coordination of resources through internal and external links. Thus, both individualism and collectivism have important and different roles in promoting social entrepreneurship (Spear, 2006). The uncertainty avoidance dimension reflects the extent to which members of a culture feel threatened by ambiguous or unknown situations; and the beliefs, rules and institutions societies implement to avoid them. Low levels of uncertainty...
avoidance have also been associated with high degrees of innovation (Shane, 1993), a fact directly affecting social enterprises.

According to Hofstede (2010), Chile has a relatively low level of “individualism” (23). The importance of the family as a social institution in Latin America can be a plausible cause for this low score, limiting the emergence of individualism patterns as well as patterns of collectivism of larger groups. Indeed, low scores on individualism can be seen throughout the region: Colombia (13), Peru (16) Ecuador (8), Guatemala (6), Mexico (30). Only Argentina (46) stands out in the world ranking for Latin America (Hofstede, 2010).

However, these scores should be managed with care because of Chile’s history. The neoliberal economic model imposed by Augusto Pinochet’s dictatorial regime (1973-1990) altered the national culture by introducing the individualistic ethos of market society, a process which atomized players in the socioeconomic system, ultimately disarticulating and limiting the formation and association of community groups beyond the family (Garretón et al., 1983; Atria et al, 2013). Therefore individualism in Chile is expressed in terms of the difficulty groups larger than families have engaging in collectivism rather than in terms of a strictly individual interest.

Undoubtedly, these factors left their mark on the formation of social enterprises in Chile. Low individualism levels show that Chilean culture does not foster innovation; rather, the country seems to follow a pattern of collectivism in which family interest is a characteristic and determining feature. Indeed, the (1973-1990) neoliberal economic model prevalent in the country after Pinochet came to power seems to have prevented the legitimacy and acceptance of community, association, or cooperative organizational models of social enterprise. Chile rates high among its Latin American counterparts on uncertainty avoidance (86), a score which also supports the argument that Chilean culture does not promote an innovation, entrepreneurship, and social business friendly environment (Shane, 1993). Indeed, the strong need for rules and legal systems in Chilean society hinders the freedom of entrepreneurs to establish businesses (Hofstede, 2010).

Government

Following Kerlin (2013), the welfare state is represented by variables of public spending on education and health (as a % of GDP); this includes government spending on current and capital education and subsidies to private education at the primary, secondary and tertiary levels, and health budgets (central and local government), external borrowings and grants, and health insurance funds (World Bank, 2010). Specifically, Chile has a Public expenditure in health/education (GDP%) rate of 7.7 (3.5/4.2).

For governance the following data is used: law enforcement (0-100/-2.5- +2.5), regulatory quality (0-100/-2.5+-2.5), and control of corruption (0-100/-2.5 - +2.5). The first variable refers to the extent to which agents have confidence and meet rules of society in which Chile has a 92,3/+1,47 average. The regulatory quality variable consists of public policies and regulations that enhance private sector development in which Chile has a 87,7/+1,29 average. Finally, the control of corruption variable refers to the degree to which public power for private benefit is exercised in which Chile has a 90, 9/+1,5 average (World Bank, 2010).

The data implies that the size of the Chilean welfare State is medium-high and its presence can be considered important for the overall economic performance of the country at a somewhat similar level to developed countries. Hence, the role of the welfare State in Chile can be said to be of particular importance to its model of social enterprise. Also, the high level of governance implies that institutions are important to the Chilean model as they have a corrective role at the economic, political, and social levels. Therefore, the data supports the fact that the phenomenon of social enterprise in Chile is emerging in a society where institutions work and are valued.

*Transitioning to an Innovation-Driven Economy*

The Global Competitiveness Report (2011) proposed a typology of stages of economic development (expressed in GDP per capita) experienced by different societies as they evolve. First, the Factor-driven stage is when there is a dependence on the export of raw mineral products and poor infrastructure support; second, the Efficiency-driven stage in which industrialization improves efficiency and production quality; and third, the Innovation-driven stage, when there is a high standard of living, continuous introduction of unique and innovative products, and economic growth in a sophisticated business environment.
The Chilean economy, with a GDP/per capita of USD$ 15,452\textsuperscript{iv} (2012), is transitioning from an Efficiency-driven to an Innovation-driven stage. Other data supporting this classification includes the Chilean ranking in diverse economic development variables: 34th in the World Competitiveness Ranking\textsuperscript{v}; 46th in the Global Innovation Index\textsuperscript{vi}; 88th in New Product Early Stage Entrepreneurial Activity; and 42th in the Start-Up Entrepreneurship rate\textsuperscript{vii}. These rankings illustrate different influences at the institutional level affecting social enterprises. Indeed, although Chilean culture seemingly does not foster innovation due to culture variables (low level of individualism and high rates of uncertainty avoidance), a welfare State with a medium-high level indicates an increasing trend within the public sector to foster innovation and entrepreneurship. This has led Chile to rank better than most countries in the region in these fields. Recent initiatives, such as establishing 2013 as the “Year of Innovation” and funding the Start-Up Chile program, aim to fulfill this purpose as they attract global entrepreneurs to Chile. They also encourage information sharing and network building with foreign customers, investors, and suppliers across the globe, which can also be exploited by domestic firms and agents (Economist, 2012).

_A Liberal Pattern for Chilean Civil Society_

Based on two decades of empirical research, Salamon and Sokolowski (2010) distinguish five different models of civil society: Liberal, Corporatist, Social Democratic, Statist, and Traditional (Table 1). Each include up to five different dimensions: size of the labor force, participation of volunteers, government support, philanthropic support, and portion of expressive participation.

<table>
<thead>
<tr>
<th>Models</th>
<th>Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Size of the labor force</td>
</tr>
<tr>
<td>I. Liberal</td>
<td>Big</td>
</tr>
<tr>
<td>II. Corporatist</td>
<td>Big</td>
</tr>
<tr>
<td>III. Social Democratic</td>
<td>Big</td>
</tr>
<tr>
<td>IV. Statist</td>
<td>Small</td>
</tr>
</tbody>
</table>

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Salamon and Sokolowski (2010) have classified Chile as a liberal society, a designation which they apply to other nations as diverse as Argentina, Denmark, New Zealand, Switzerland, the United Kingdom, and the United States. The liberal model of civil society is relatively large in size with an average level of government support (as a proportion of total revenue) and with most of its support coming from memberships, the private sector, and a slightly higher than average percentage of philanthropic support, either in the form of money donations or volunteer work. Table 2 shows liberal aspects of Chilean compared to other societies. Of particular note is the high share of revenue from both the Chilean government at 45.2% (when the average of the other countries is 33.8%) and philanthropy at 19.4% (when the average of the other countries is 14%). Another point is that Chilean civil society has a low workforce 5% of Employment Assistance Programs in comparison with the average of 8.2% of these countries. Finally, the data show that Chile has the lowest share of revenue from membership fees with 35.4%.

Table 2. Civil Societies with liberal patterns

<table>
<thead>
<tr>
<th>Countries</th>
<th>Share of EAP Workforce</th>
<th>Share of Voluntary Workforce</th>
<th>Share of Workforce Service</th>
<th>Share of Expressive Workforce</th>
<th>Share of Revenue from Government</th>
<th>Share of Revenue from Philanthropy</th>
<th>Share of Revenue from Membership fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>5.9%</td>
<td>45.7%</td>
<td>54.4%</td>
<td>42.4%</td>
<td>17.2%</td>
<td>18.6%</td>
<td>64.2%</td>
</tr>
<tr>
<td>Chile</td>
<td>5.0%</td>
<td>48.8%</td>
<td>55.8%</td>
<td>41.6%</td>
<td>45.2%</td>
<td>19.4%</td>
<td>35.4%</td>
</tr>
<tr>
<td>Denmark</td>
<td>8.8%</td>
<td>43.9%</td>
<td>50.5%</td>
<td>42.9%</td>
<td>40.1%</td>
<td>7.0%</td>
<td>53.0%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>9.6%</td>
<td>66.7%</td>
<td>46.2%</td>
<td>45.1%</td>
<td>24.6%</td>
<td>20.0%</td>
<td>55.4%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7.9%</td>
<td>42.3%</td>
<td>50.6%</td>
<td>36.8%</td>
<td>34.5%</td>
<td>7.9%</td>
<td>57.5%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>11.0%</td>
<td>53.0%</td>
<td>50.1%</td>
<td>46.0%</td>
<td>45.2%</td>
<td>11.3%</td>
<td>43.5%</td>
</tr>
<tr>
<td>United States</td>
<td>9.2%</td>
<td>32.4%</td>
<td>66.2%</td>
<td>29.0%</td>
<td>30.0%</td>
<td>14.1%</td>
<td>55.9%</td>
</tr>
<tr>
<td>Average</td>
<td>8.2%</td>
<td>47.5%</td>
<td>53.4%</td>
<td>40.6%</td>
<td>33.8%</td>
<td>14.0%</td>
<td>52.1%</td>
</tr>
</tbody>
</table>

Source: Salamon & Sokolowski (2010)

An “Autonomous Diverse” model of social enterprise in Chile
Table 3. Institutional context of Chile for the emergence of Social Enterprises in 2010

<table>
<thead>
<tr>
<th>Culture</th>
<th>Welfare State</th>
<th>Governance</th>
<th>Economy</th>
<th>Civil Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collectivism</td>
<td>Uncertainty avoidance</td>
<td>Public Spending on Health/Education</td>
<td>Regulatory quality</td>
<td>Rule of Law</td>
</tr>
<tr>
<td>2010</td>
<td>23</td>
<td>86</td>
<td>7.7</td>
<td>92.3/+1.47</td>
</tr>
</tbody>
</table>

Table 3 summarizes the institutional context in Chile for the emergence of social enterprise in 2010. Following Kerlin’s conceptual framework, the intersection between the economic development stage and the model of civil society should determine the model of social enterprise in a country. The stage of Chilean economic development is in transition from the Efficiency- to the Innovation-driven stage, whereas the Chilean civil society structure follows a liberal pattern. Hence, Chile is tending towards the development of an “Autonomous Diverse” model of social enterprise (Table 4).

Table 4. Chilean Social Enterprises’ model

<table>
<thead>
<tr>
<th>Models of Civil Society</th>
<th>Economy Stages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor Driven</td>
</tr>
<tr>
<td>Liberal</td>
<td>--------------</td>
</tr>
<tr>
<td>Corporatist</td>
<td>--------------</td>
</tr>
<tr>
<td>Social Democratic</td>
<td>--------------</td>
</tr>
<tr>
<td>Statist</td>
<td>Autonomous Mutualism</td>
</tr>
<tr>
<td>Traditional</td>
<td>Sustainable Subsistence</td>
</tr>
</tbody>
</table>

This model features autonomy from the State (particularly in terms of financial support) which can in part encourage social enterprise earned-income strategies though with private philanthropy also playing a greater role than in other models. The limited involvement of the state in providing services and the existence of a private sector that supports these organizations mostly through philanthropy, generates space for entrepreneurship and innovation, consequently contributing to the diversity of social enterprises (Kerlin, 2013).

The first distinctive feature of the Chilean case: The diversity of organizational models of social enterprises (the ABC approach)

From their beginning, social enterprises in Chile have been exploring diverse organizational models to find the most useful and flexible forms for their purposes. These diverse organizational models find their origin in the three traditional sectors of the economy and are at present evolving to form hybrid organizational models an arrangement that accounts for the logic plurality within these organizations. Thus, one can consider that Chilean social enterprises are “blurring” the boundaries of traditional sectors of the economy. This “exploration” does not differ much from global processes, as authors as Austin et al., (2006) and Dacin et al., (2010) suggest. Due to the blurring of boundaries between sectors and, particularly, the “mission driven” business approach adopted by certain organizations in the private sector, it is no longer enough to study the dynamics experienced by third sector organizations to understand the phenomenon of social enterprise. Precisely, this article supports the idea that this phenomenon in Chile goes beyond Nyssens’ and Defourny’s (2006) two main worlds of associative nonprofit and cooperative organizations, as for-profit enterprises account for a new exploratory process in the area of social enterprises.

This paper suggests that to understand in a better and more profound way the diversity of the new organizational landscape for social enterprise in Chile, an approach to organizations is needed to complement Kerlin’s (2013) conceptual framework. Drawing on Sabeti’s Fourth Sector Network report (2010), this new approach is based on the dynamics of convergence, emergence, and re-emergence taking place in Chile and is constructed in order to offer the possibility of building an inclusive framework that includes dominant organizational forms of social enterprises from social enterprise country models Chile has experienced in the past. This approach divides social enterprises into three different organizational models according to their origins and nature: Associative nonprofit (“A”), Business (“B”) and Cooperative (“C”) and examines their convergence, emergence, and re-emergence toward social enterprise forms.

The first pattern of change: The dynamics of convergence

The first pattern involves the convergence of traditional nonprofit and business organizations towards a new organizational landscape. These organizations are combining different
institutional logics to balance their social, environmental, and economic impact (Battilana and Dorado, 2010).

a) The convergence of associative nonprofit organizations and market approaches

At present, associative nonprofit organizations actively involved in the market supply products and services through practices and models labeled as earned-income strategies (Weisbrod, 1998) making important progress on issues such as transparency and accountability of management (Etchart and Comolli, 2013). These developments tend to be associated with contextual factors such as funding shortages, greater interconnection between citizens, the need to protect their mission-orientation, and transparency requirements for all stakeholders who interact with these organizations.

Private organizations that adopt the associative model of social enterprises (“A”) are an important part of this process of convergence in Chile. Compared to traditional associations in the country, these social enterprises are adopting a commercial nonprofit approach using the market to fulfill the purpose of their operations in order to diversify their funding base and ensure their own sustainability; foundations and nonprofit corporations in particular (NESsT, 2013). Their goal remains the same: provide goods and services with social and environmental objectives.

Among the private organizations that have been a major pillar in this dynamic of convergence in Chile exists the Community of Solidarity Organizations, which stands out in its aim among foundations and nonprofit corporations to promote cohesion and install solidarity as a permanent and transcendent value in Chilean society. Other key organizations are Simon de Sirene and NESsT which have supported initiatives, traditionally associative in their interest, to best utilize market forces to achieve their mission through the implementation of business models that contribute to the consolidation of financial self-sustainability.

The diversity and importance of social enterprises that follow an associative nonprofit organizational model in Chile is large. Their impact is relevant in terms of contributions to the development of the most vulnerable sectors as well as job creation and development of workers and volunteers. In fact, the last consolidated data available for Chilean NPOs collected through the global comparative study led by the John Hopkins University states that NPOs employs
4.9% of the economically active population (both paid and volunteer), a figure that is less than the reality of developed countries (7.4%), but higher than in other Latin American countries such as Argentina (4.8 %), Brazil (1.6%) and Mexico (0.4%) (Irarrázaval, 2006). This paper considers two models, in particular, in terms of their economic impacts and participation in the market: foundations and nonprofit corporations. The mentioned global comparative study reported that there were nearly 15,000 foundations and nonprofit corporations in Chile (Irarrázaval, 2006); of which 600 might fall within the broad definition of social enterprises employed in this paper, according to estimations of the Community of Solidarity Organizations.

b) The convergence of businesses and a “mission-driven” business approach

Nonprofit associative organizations are not the only organizations considered to be evolving. The traditional concept of for-profit enterprises is also changing. Particularly, the maximization of profits as the exclusive institutional logic for these organizations is being questioned as never before. Following Porter and Kramer’s core research (1999, 2005, 2011), the change usually starts with efforts taken as part of Corporate Social Responsibility (CSR) programs, some of which evolve to become corporate objectives as social and environmental concerns align with the business strategy and budget goals, using a Creating Shared Value (CSV) approach. Indeed, this approach suggests that for-profit enterprises can have an active and binding involvement with a wide range of stakeholders to co-create relationships that are beneficial over the medium and long term.

In Chile, like in many countries around the world, this transformation of corporate goals is occurring without any legally binding framework. However, the global community of enterprises known as certified B-Corps has adopted certain voluntary statutory obligations. As defined by Jay Cohen, one of B-Lab founders in the United States (US), these enterprises are leading a global movement to redefine success in business through meeting higher standards of both transparency and legal accountability, and meeting comprehensive standards of social and environmental performance (Cohen, 2013). The B-Corps movement has been particularly intense in disseminating and attracting key players, overcoming the still limited CSR influence in the vast Chilean for-profit enterprise landscape. This might be due to the 2012 creation in
Chile of the B-Corps Latin America’s office, called Sistema B, which works directly with the B-Lab headquarters in New York (USA).

Indeed, B-Corps has had particular influence in the last two years in Chile, although it has been promoting the movement all over Latin America. Forty out of 910 existing B-Corps are based in Chile with some of those acquiring iconic features such as Triciclos, the very first certified B-Corp in the region. Furthermore, five percent of total B-Corps are in Chile (Sistema B, 2014). These companies not only create economic value but also meet comprehensive standards of social and environmental performance. Some have even taken a step forward by defining as their purpose the tackling of the most pressing social and environmental problems. Nevertheless, B-Corps effectiveness in promoting its own growth beyond a niche is yet to be demonstrated.

Private organizations have been the main players inspiring and supporting the adoption of the “mission-driven” business approach. As an example, ProHumana\textsuperscript{xii} and AccionRSE\textsuperscript{xiii} along with Sistema B have been pioneers in tackling the issue and working alongside for-profit enterprises. Efforts have also been made by agents such as universities and civil society organizations, in terms of promoting and demanding greater transparency and accountability from corporations. In addition, the public sector has encouraged entrepreneurship and innovation in a public agenda that has revolved around the triple-bottom line approach. For that purpose, in 2012 the Ministry of Economy implemented two relevant multi-stakeholder round tables; the first, a Social Responsibility Board consisting of public and private organizations tasked to advise, promote, and coordinate social responsibility and sustainability practices in the private sector; the second, a unique technical committee on Social Enterprise issues, labeled the Fourth Sector Enterprises Roundtable.

**The second pattern of change: The dynamics of the emergence and re-emergence of hybrid organizations**

A second pattern describes the emergence of new hybrid organizations that incorporate diverse attributes, strategies, and logics from all three traditional sectors since their conception (Sabeti, 2010; Gatica, 2012). These organizations promote the creation of social and environmental
value along with economic value from their conception (Haigh and Hoffman, 2012; Battilana and Dorado 2010).

Hybrid organizational models for social enterprises that embrace this dynamic are particularly difficult to tackle, because there is not a legal entity that provides visibility for these organizations. Nonetheless, an increasing number of entrepreneurs have been surprisingly effective in combining different institutional logics in an unprecedented manner, in order to build up their own business models and support their organizational theory of change. Furthermore, some of these organizations have decided to partner up and create the first membership association for social enterprises in Chile (ASOGES\textsuperscript{iv}), emulating Social Enterprise Coalition UK and Social Enterprise Alliance in the US.

Although hybrid organizations can be considered a part of an emergent phenomenon, cooperatives are a particular case of hybrid organizations. Cooperatives have been defined as private organizations with public interests that have had a tremendous impact on economic development by fostering local innovation and social capital (Leadbeater, 2007; Nyssens, 2006). During its longstanding history the cooperative organizational model (the “C” model) has integrated values, principles, and logics from the three traditional sectors of the economy. Compared to traditional cooperatives, social enterprises under a cooperative organizational model tend to reinforce their own commitment to serve the public interest more than just favoring its members (Defourny and Nyssens, 2006). Therefore, the emergent phenomenon of social enterprise is encouraging the re-emergence of hybrid organizational models as the “C” model leading to the possibility of them being widely legitimated. Indeed, in one sense, the emergent social enterprise phenomenon is changing the landscape previously occupied by cooperatives.

Specifically, the “C” model is part of the re-emergence of organizational models that were previously used in other moments of Chilean history. According to available data from the Chilean Department of Cooperatives (DECOOP), as of August 2013 there were 2,537 cooperatives. A closer look at the data suggests that with more than 1,650,000 members, almost 10% of the Chilean population is part of a cooperative, although the creation of new cooperatives seems to be decreasing. The latest data available yields evidence of a high level of concentration among cooperatives with only five cooperatives accounting for 59% of the total members of cooperative organizations and 49% of their assets\textsuperscript{v}.

Despite all the support and interest generated by the new hybrid organizations, as well as public assistance and the attention on cooperatives as the historical representative of the hybrid organizational model, they remain stagnated and stigmatized in Chile\textsuperscript{xvi}. This study addresses this issue by including the cooperative organizational model (the “C” model) in its proposed approach as a valid alternative for entrepreneurs interested in building this new type of social enterprise, as seen in New Zealand, England, and Canada, among other countries\textsuperscript{xvii}. Figure 4 illustrates the dynamics of hybrid organizations since their origins. They are found in the middle between public and private interest organizations.

**Figure 4. Dynamics of convergence and emergence on social enterprises in Chile**

![Dynamics of convergence and emergence on social enterprises in Chile](image)

Source: Based on Gatica (2012)

**The second distinctive feature of the Chilean case: Profound institutional changes**

While the ABC approach complements Kerlin’s conceptual framework in order to understand the dominant models of social enterprises in the present Chilean case, it is also necessary to also analyze the profound institutional changes Chile has suffered in the last century. This is important especially because Kerlin’s conceptual framework does not entirely encompass these institutional changes. The framework’s approach of crossing different variables to obtain different models of social enterprises could lead to an oversimplification of the different local

contexts. In this case, a qualitative historical institutional analysis of Chile is extremely helpful to understand two facts: first, that the Chilean liberal civil society should not be lightly compared with the civil society of other developed nations as the institutional construction of their civil societies is completely different; second, the usefulness of the ABC approach as it captures the different organizational models of social enterprises that have been important in Chilean history.

According to Kerlin’s conceptual framework, Chile has a liberal civil society and an economy that is transitioning to the Innovation-driven stage. Crossing the two results in the Autonomous Diverse model of social enterprise for Chile. In countries with liberal civil society patterns, the three sectors of the economy were built around the large importance of the private sector which developed a more major role in comparison to its public counterpart; with intermediate rates of public spending in terms of share of country GDP (30%-40% of GDP for most countries with liberal civil society 2012\textsuperscript{xvii}). Indeed, private players have been able to develop without much State intervention, engage in diverse activities, and enjoy great influence in society. Private funding through philanthropy supported many of these activities.

However, according to Salamon and Sokolowski (2010) from 1920 to 1973 Chile experienced a “Corporatist” relationship between the public sector and the civil society or third sector. The third sector had a considerable degree of government support, with civil service activities predominant, and a limited reliance on private philanthropy and voluntary workforce, translating into a relatively large, civil, paid workforce. Indeed, the State was supportive of the empowerment of different types of organizations (particularly organized labor and civil society groups) by promulgating rules and regulations that promoted models of organizational association for social enterprises like the Neighborhood Board Act in the 1960s (Radrigán and Barría, 2005).

Therefore organizations as social enterprises in this period were not autonomous from the power of the State. Indeed, the large importance of the State in promoting civil society organizations shows that most associations were fully or at least partially financed by the State. Cooperatives were also a strong movement that stood alongside the profound economic crises of that period, and were particularly supported by the government of Eduardo Frei Montalva from 1964-1970.
The pattern changed with the *coup d'état* in 1973. The military regime that came to power repressed all forms of organized labor and civil society organizations. Its rationale was that opposition had to be suffocated before any attempt to forge a new Chilean society (Garretón, 1990). This consolidated into a "Statist" pattern of civil society, where the State was represented by the military junta (Salamon and Sokolowski, 2010). All signs of an independent civil society were discouraged.

The promulgation of a new Constitution in 1980 forged the project for a new Chilean society and institutionalized repression through the adoption of neoliberal economic programs (Garretón, 1990). At this point the traditional relationship between the public and third sectors institutionally changed, planting the seed for today’s liberal civil society where private sector for-profit organizations are promoted. The State privatized many of its roles and responsibilities and abandoned its support to civil society organizations. The formation and evolution of social organizations and enterprises was limited, undermining their economic and political base. Associations were no longer supported by the State and cooperatives were understood as new forms of communism. The claim "private solutions for public problems” emerged during this period (Atria et al., 2013) as the private sector became an alternative solution to social and public issues as diverse as economic growth, poverty, inequality and employment.

After the return of democracy, the political alliance of center and left political parties “Concertación por la Democracia” came to power for 20 years (1989-2010). Scholars define it as a coalition that adapted to the structures of power and that the dictatorship institutionalized with the 1980 Constitution. Therefore, the system and neoliberal policies were maintained and some even expanded until the present day.

As a result of this process of liberalization, the Chilean model of civil society changed from "Corporatist” to “Liberal”, albeit going through a “Statist” stage during the process (Salamon and Sokolowski, 2010). This transformation can be considered a contradictory process as liberal paradigms were imposed through authoritarian institutions. This shows to be a completely different process from other liberal civil societies constructed in other countries. As a result of these profound institutional changes, the three sectors of the Chilean economy are featured at present as follows:
A private sector with for-profit businesses of diverse sizes as the main players. These players implement the paradigm of, "private solutions to public problems," such as the privatization of social security, education, and pensions systems. The country’s Gini index of 52.1\textsuperscript{xix} reflects large concentrations of capital in a few groups of interest.

A public sector that is subsidiary to the private sector, expressed in a radical form of non-State intervention in economic development (Atria et al., 2013).

A civil society or third sector that acts as a residual of the other two, aimed at satisfying needs that none of the other two sectors address.

Therefore, the particular process of institutional construction of the Chilean civil society reflects the influences of three contradictory models: “Corporatist” (1930-1973); “Statist”, as a result of authoritarian repression between 1973 and the late 1980s; and “Liberal”, since the early 1990s.

The analysis can be pushed a little further regarding the country social enterprise models of Kerlin’s conceptual framework that dominate in each institutional period of Chile. Based on this analysis it is possible to say that throughout its contemporary history Chile has had different dominant models of social enterprise: a Dependent Focused Model\textsuperscript{xx} (1920-1973) resulting from the intersection of a “Corporatist” pattern of civil society and a Factor-driven economy, with a GDP/per capita of US$ 1,782\textsuperscript{xxi} (in which the “A” organizational model of social enterprises was promoted and empowered by the state and where the “C “ model was strong); an “Autonomous Mutualism” Model (1973-1990), resulting from the intersection of a “Statist” model of civil society and an economy in transition from a Factor-driven to an Efficiency-driven stage, with a GDP/per capita of US$ 2,573\textsuperscript{xxii} (in which the foundations for the legitimization of private for-profit organizations belonging to the private sector were built); and a “Liberal” Model (1990 -2013) deriving from the crossing of a civil society of a liberal pattern and an economy transitioning from Efficiency to an Innovation driven stage, with a GDP/per capita of US$ 15,452\textsuperscript{xxiii} (in which the foundations established between 1973 and 1990 were not changed, and therefore the legitimating of social enterprises following the “B” model is strong and masks the existence of social enterprises following the “A” and “C” organizational models).

\section*{References}

Analysis and discussion

Kerlin’s classification of different models of social enterprises in each country as part of her conceptual macro-institutional framework, is undoubtedly useful in terms of helping to capture the emergent social enterprise phenomenon at a global and comparative level between countries. However, this paper argues that in the Chilean case there are distinctive features that Kerlin’s conceptual framework and the subsequent classification of a model of social enterprise overlook. It is also therefore possible that by just applying this framework the characterization of the emergent phenomenon of social enterprise in any country could be incomplete. Moreover, the distinctive features of local contexts illustrated by the Chilean case could be very important to the region, because Latin American countries have experienced similar processes in terms of turbulent development and institutional changes.

In order to complement Kerlin’s conceptual framework, the proposed ABC approach intends to encompass the diversity of the main organizational models that are (re-)emerging in the Chilean institutional context. It focuses on the different nature and origins of these organizational models and how they align with the institutional history of the country. Following Kerlin’s framework, the ABC approach to social enterprises forming in Chile is, at a glance, shown in Table 5:

Table N°5. ABC approach of social enterprises in Chile

<table>
<thead>
<tr>
<th>Outcome Emphasis</th>
<th>Common Form</th>
<th>Variation In Type Of Activities</th>
<th>Reliance On Commercial Revenue</th>
<th>Government Interest</th>
<th>Government Involvement Policies/Subsidies</th>
<th>Special Legal Form</th>
<th>Civil Society Presence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Associative model (&quot;A&quot;)</strong></td>
<td>Social Benefit/ Organizational Sustainability</td>
<td>Foundations and nonprofit Corporations</td>
<td>High</td>
<td>Moderate Low (reliant on government subsidies)</td>
<td>Moderate</td>
<td>Moderate</td>
<td>NO</td>
</tr>
<tr>
<td><strong>Business model (&quot;B&quot;)</strong></td>
<td>Economic Social &amp; Enviromental Benefit</td>
<td>For-profit businesses</td>
<td>Moderate</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>NO</td>
</tr>
<tr>
<td><strong>Cooperative model (&quot;C&quot;)</strong></td>
<td>Mutual Benefit/ Group Self Sufficiency</td>
<td>Cooperatives</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>NO</td>
</tr>
</tbody>
</table>

As shown in Table 5, each organizational model of the ABC has different characteristics. The “A” model has an outcome emphasis focused more on social benefits than on economic benefits compared with the social enterprises that are following the “B” model, whereas social enterprises following the “C” model center on mutual benefits and group self-sufficiency. The common forms of social enterprises following the “A” model are foundations and nonprofit corporations whilst private for-profit businesses are the type of social enterprises following the “B” model, and cooperatives are the kind of social enterprises following the “C” model.

In addition, the variation in type of activities is different in each organizational model. “A” and “B” social enterprises have a high variety of activities in which they work. On the contrary, “C” social enterprises have worked mainly in the same type of activities, largely because it is a model that uses the market in a more evident way that the other models and therefore is not yet legitimized to be part of activities usually belonging to the public sector or third sector. This is shown in these organizations’ strong reliance on business revenue.

The relationship of the government with social enterprises for each organizational model of the ABC approach varies. Institutional support in terms of subsidies or policies is moderate for “A” social enterprises; government involvement in supporting “B” social enterprises has been mostly by providing public spaces and making them a priority on the public agenda rather than giving concrete subsidies or policies that promote their creation and development, while support for cooperatives has been low, especially due to their stigmatization in Chilean institutional history.

An important common feature of social enterprises following the ABC approach is that none has a particular legal structure. Among other things, this shows the lack of a comprehensive understanding by public authorities, and the ecosystem in general, of the diversity of the emergent phenomenon of social enterprises in Chile.

The sector in which each of these social enterprises operates is different as well. Social enterprises following the “A” and “C” model find their nature and origin in the third sector and therefore their participation and incidence in it is greater. On the contrary, although “B” social enterprises focus their activities on social problems, they have not yet been legitimized as civil society players because their nature originates in the private sector.
Hence, strictly following Kerlin’s conceptual framework for the case of Chile would lead to an incomplete understanding of this diversity as the dominant social enterprise models would be restricted to those in the Autonomous Diverse model. Moreover, this model suggests aligning the case of Chile with other countries that follow the same model. This does not help deepen an understanding of the phenomenon from an earlier stage of its development as a lot of elements of the Autonomous Diverse model of social enterprise (especially the importance of the private sector in the development of social enterprises) point to just the social enterprises that follow the “A” and “B” models. These two organizational models, when found in the Autonomous Diverse model, evidence a lack of support from the state as “A” model organizations can largely be funded by private contributions and earned income and “B” model organizations are identified with economic self-sufficiency through their earned income strategy. Kerlin’s approach neglects therefore the institutional history of Chile, as before 1973, the “A” and “C” models of social enterprises played a major role in the socioeconomic development of the country due to state support of these organizations and are still prominent in the social enterprise sphere of activity today.

In other words, the oversimplification of the Chilean phenomenon of social enterprises that occurs when it is labeled under the “Autonomous Diverse” model, runs the risk of stating that all the dominant social enterprises involved would be viewed as converging towards the for-profit dynamics of the private sector, leaving aside the importance of the state as a support for these organizations. The ABC (Associative, Business, Cooperative) approach emerges as more inclusive because, as the dynamics currently experienced by Chilean social enterprises show, the different dominant organizational models of social enterprises have a different nature and origin and therefore could be in need of a different institutional environment and support for their development. This is particularly true in Chile due to the importance of the state as a support for social enterprises (re-)emerging from a previous period that follow the “A” and C” organizational models.

Furthermore, the ABC approach suggests the importance to the social enterprise phenomenon in Chile of including actors within the private sector interested in providing public and social services to those in the public and third sectors that internalize private logics and practices in their behavior. Also, at an historical institutional level, the ABC approach supports the fact that the liberalization of the Chilean economy has had a direct influence on the
construction of the predominant model of social enterprises. Particularly, after the military regime took power in 1973, the liberalization process increased the relevance of the role of the private sector and for-profit enterprises in the economic structure. This situation has led to the exclusion of the associative and cooperative organizational models in the current debate on social enterprises.

Conclusions, limitations, and further research

In order to address the new pressures, challenges, and demands that modern societies face, organizations are becoming active players in the process that is blurring the three traditional sectors of the economy. Social enterprises are emerging as one of the main figures in this process. Works like Kerlin (2013) acknowledge the importance of social enterprises in modern societies and therefore attempt through a conceptual framework to further advance analysis of the new player that is emerging in this process of social change.

Kerlin’s conceptual framework classifies Chile as following an Autonomous Diverse model of social enterprise. This model points to dominant organizations that, given the high GDP of the country and a liberal civil society, operate in diverse activities largely autonomous from state support. However, this framework does not place the necessary importance on profound changes in the institutional history of Chile. Therefore, Kerlin’s framework for Chile does not take into account all dominant forms of social enterprises and overlooks the opportunity to capture them in their entirety from an early stage of development.

The rise of social enterprises has been awakening a transversal interest across different sectors of the Chilean society, therefore the need to deepen the understanding of this phenomenon in the diverse organizational Chilean landscape appears to be a great opportunity. Therefore, rather than defining the phenomenon solely under the "Autonomous Diverse" model, this paper attempts to lay the groundwork for an approach that complements Kerlin’s theoretical framework with the aim of capturing the particular opportunities, limitations, and risks of the phenomenon in Chile.

Future research should tackle the specific characteristics and dimensions of the hybrid organizational models of social enterprises that are becoming part of this emergent sector. Indeed, an interesting area of future research could focus on social enterprises following the “B”
model, particularly the B-Corps in Chile and the opportunities and barriers at a social, political, and institutional level to enhance their development.

There were different limitations to this study, among them the lack of available and reliable data being the most relevant. Further data on the influence of social enterprises on Chilean economic performance is needed to assess their importance to the local economy. Also, not all associative nonprofit, business, and cooperative organizations in Chile meet the definition of social enterprises used in this analysis.

Despite these limitations, this study contributes to the literature on social enterprises by providing useful insights about the Chilean economic and socio-political contexts that directly influence the construction of its predominant model of social enterprise. The proposed ABC approach can be an initial tool to differentiate the Chilean model from existing dominant approaches in the US and Europe. Whilst the US approach focuses on earned-income strategies or social entrepreneurship dynamics in “A” models, and is recently moving fast on “B” models (for example with the mentioned benefit corporations or L3C legal entities), Europe has been attempting to bridge “A” and “C” through social enterprise dynamics. The interest generated by “B” organizational models and their relatively rapid development in Chile reflects a more complex and diverse phenomenon of social enterprises in this country.

The implications of the ABC approach could therefore be useful for social entrepreneurs and policy makers in Latin America and worldwide to better understand the emerging phenomenon of social enterprises and in screening local contexts and could be very valuable to complement conceptual frameworks that focus on a global and comparative level such as Kerlin’s framework.
The scale is 0 (less individualistic society) to 100 (most individualistic society). See http://geert-hofstede.com/chile.html

Measurement scala was 0 (Low Uncertainty avoidance) to 100 (High Uncertainty avoidance). See http://geert-hofstede.com/chile.html

Source: Global Competitiveness Report 2010-2011

Source: http://data.worldbank.org/indicator/NY.GDP.PCAP.CD

Source: Global Competitiveness Report 2013-2014


Source: http://www.gemconsortium.org/key-indicators

Source: http://www.comunidad.org.cl/

Source: http://www.simondecirene.cl/

Source: http://www.nesst.org/chile/

Source: http://www.prohumana.cl/

Source: http://www.accionrse.cl/

The legal process to build up ASOGES started on March 2013 and was finally legally approved on January 2014. No cooperatives, model “C” were present as founding members, nevertheless major efforts will be done to integrate them in the membership association agenda.

Source: http://www.decoop.cl/

Source: http://www.mercosur.coop/?page_id=430

Source: http://ica.coop/

Source: www.stats.oecd.org

Source: http://datos.bancomundial.org/indicador/SI.POV.GINI

Kerlin’s theory does not propose a model of social enterprises for this intersection. However, the analysis argues for the tendency of this intersection to construct a Dependent Focused Model.

Source: http://es.kushnirs.org/macroeconomica/gdp/gdp_chile.html

Source: http://es.kushnirs.org/macroeconomica/gdp/gdp_chile.html

Source: http://datos.bancomundial.org/indicador/SI.POV.GINI

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