SUPPORTING SOCIAL ENTERPRISES IN **MEXICO**

A prioritisation model and an institutional and
public policy analysis of effective government
grant allocation

KAREN SUSANA GÓNGORA PANTÍ
University of Twente

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CHAPTER 1. INTRODUCTION

1.1. Background and Problem Statement

Over the last few decades, *Social Entrepreneurship* has emerged as a novel solution to pressing social problems, such as unemployment, environmental challenges or social exclusion (Cunha, Benneworth & Oliveira, 2015). Haugh (2007) claimed that social entrepreneurship is about “the simultaneous pursuit of economic, social, and environmental goals by enterprising ventures” (p. 743). Other experts agreed that it is a process in which an individual identifies a social problem and develops a project designed to solve it (Ogliastri, Austin, Reffico & Gutiérrez, 2006). That is, social entrepreneurship is initiated by social entrepreneurs to create social value through a sustainable project that is concerned with economic, environmental and social aspects (Lundström & Zhou, 2014a; Sud, VanSandt & Baugous, 2008). In addition, Defourny and Nyssens (2008) explained that through that process (i.e., social entrepreneurship), “social entrepreneurs created social enterprises” (p. 203).

In practice, social entrepreneurs are not only individuals, but partnerships, not-for profit organisations, for-profits organisations, the public sector, or a group of them (Di Zhang & Swanson, 2013; Montgomery, Dacin & Dacin, 2012; Short, Moss & Lumpkin, 2009). Social entrepreneurs are supposed to be “disruptive in their approach, pioneering and entrepreneurial” (Nicholls & Hyunbae Cho, 2006), and able to catalyse social change and address social or economic needs (Mair & Martí, 2006; Townsend & Hart, 2008). Given this diversity of actors involved, the actions they are supposed to carry out and the results they should deliver, it is unsurprising that the variety of definitions and the implications of social entrepreneurship and social enterprises get very blurred. In the literature, it is acknowledged that social entrepreneurship and social enterprises are terms that tend to be used interchangeably by some authors, while others establish a difference between them (Emerson, 2006; Luke & Chu, 2013). Following the latter, social entrepreneurship is the overarching concept that includes not only social enterprises but other concepts and activities for social purposes, such as

social innovation (Luke & Chu, 2013; Lundström & Zhou, 2014b). The focus of this research is on defining these social enterprises that are part of the social entrepreneurship.

In spite of the fuzziness of the concepts within the academia, the role of social entrepreneurship and social entrepreneurs is gaining relevance worldwide. They are being more seriously considered and, nowadays, private and public sectors are willing to support projects related to them (Dees, 2007; Zeyen et al., 2013). Governments in Europe, the United States and other parts of the world, or international organisations, such as Ashoka or the Schwab Foundation for social entrepreneurs, promote social entrepreneurship as one key offering solution to their perceived social problems (D. R. Young & Grinsfelder, 2011; Zeyen et al., 2013).

Governments, in particular, play a key role in this trend. It is believed that governments that promote social entrepreneurship activities and develop tools to facilitate the achievement of their objectives have an important impact on the success rate of social enterprises and, therefore, provide structural support to the solution of social problems (Rey-Martí, Ribeiro-Soriano & Sánchez-García, 2016). As a result, public policies exert a great influence on how social entrepreneurship unfolds and, in turn, have an effect on escalating the benefits of social entrepreneurship endeavours, such as job creation, economic growth and reduction of social exclusion (OECD & European Union, 2013).

The support of governments, from all over the world, for social entrepreneurs is expressed differently. Some have implemented regulations, adapted legal forms or simply granted financial support oriented to boost social enterprises (Choi & Majumdar, 2014; López-Cózar Navarro, Priede Bergamini & Rodríguez López, 2015; Santos, 2012). Although there are efforts evident worldwide, it is well-known within the field of social entrepreneurship that this movement of boosting social entrepreneurship activities is found most clearly in Europe and in the United States. In Europe, the movement responds to failure of governments there to fulfil their mission regarding social issues, whereas, in the United States the response is to the lack of financial support to the non-profit organisations (Wullemans & Hudon, 2015).

In the Mexican public sector, the National Development Plan 2013-2018 established the promotion of social entrepreneurship projects as one of its actions (Poder Ejecutivo Federal, 2013c). The National Entrepreneur Fund (NEF) was implemented in Mexico in 2014 to align with that action. The NEF was managed by the National Institute of the Entrepreneur (INADEM, acronym in Spanish), a deconcentrated organ that used to belong to the Ministry of Economy.¹ The NEF ostensibly aimed at supporting entrepreneurs and micro, small and medium-sized enterprises by helping them to increase their productivity (Secretaría de Economía, 2015). High-impact entrepreneurship was driven by this programme, which included social impact projects.

Another public programme emerged in Mexico to support social entrepreneurs in the same period. This programme has been oriented to support entrepreneurs who are constituted as any form of social organisation belonging to the Mexican Social Sector of the Economy. This *Programme to Promote the Social Economy* has been managed by the National Institute of Social Economy (INAES, acronym in Spanish).² It has aimed to strengthen the capacities and resources of people with projects leading to financial and labour inclusion (Secretaría de Desarrollo Social y Secretaría de Economía, 2015). According to this programme, a social entrepreneur is a party interested in developing a project in partnership with others and seeking the common good through the generation of products, goods, or socially-necessary services (Secretaría de Economía, 2014b). Furthermore, despite the fact that the main objective of this programme has been to increase the income of the population, the projects supported by INAES have also promoted the growth of the employment as a consequence of their implementation.

Based on the above, in Mexico, brand new projects [or of recent creation, i.e., start-ups], which could be referred as [young] social enterprises, have been supported for being the primary target of the mentioned governmental programmes. However, if the definition of social enterprises remains fuzzy and it is unknown what they actually entail, how can one be sure that they are

¹ In 2018, elections were held in Mexico. The new government dissolved INADEM in 2019, but the supports continue within the Ministry of Economy. The idea of the new government is to give the money directly to the beneficiaries without intermediaries and to give priority to micro and small businesses.

² This institute currently belongs to the Welfare Ministry (that used to be called Ministry of Social Development in the former governing period that ended in 2018), but it used to belong to the Ministry of Economy when it was created. This will be explained in chapter 4.

actually being supported? The Mexican government seems to be spending a great amount of resources to support the best enterprises. As an example, from January to July in 2015, the Mexican government spent 2,209 million pesos (108 million euros approximately) boosting this kind of project (Presidencia de la República, 2015). This amount represented almost 25% of the total budget allocated to the NEF in that year.³ It would be desirable that those enterprises are able to accomplish what, in general terms, social enterprises are supposed to accomplish, i.e., a real positive impact on society.

In this regard, the general objective of this research is to contribute to the body of knowledge regarding Mexican governmental programmes that have supported young social enterprises, and to understand the degree to which they have been fulfilling their mission. To accomplish this general objective, the steps to follow are based on the following five specific objectives.

The first specific objective is to identify the theoretically essential characteristics of social enterprises to set the basis for a model that can prioritise these enterprises and that could be used in the short-term future. To succeed in this endeavour, it was necessary to move from the still ongoing academic debate to adopt stances with respect to the different streams encountered in the literature. For example, this dissertation chose to use the term social enterprises over other terms, such as social entrepreneurship activities or hybrid organisations. The reason behind this decision is, in the first place, the understanding that social entrepreneurship is wider than social enterprises. In the second place, the term hybrid organisation⁴ was avoided to prevent confusion related to the ambiguity of the concept of hybridity. Another reason is that social enterprises also imply a set of controversial terms, such as social value, social impact (which also tends to be used interchangeably with social value) and social change, among others. In this respect, the decision was to focus only on social value.

The second specific objective is to identify theoretically those tools that can support social enterprises and those factors that can influence their

³ In 2015, the budget of the NFE was of 8,907, 386,226 millions of pesos (Secretaría de Hacienda, 2015).

⁴ The contributions of scholars that refer to hybrid organisations are key when looking for forms on how to maintain social and financial goals overtime, which will help to overcome the "tensions" and assure the "value spillovers" of social enterprises. For more in-depth information about hybrid organisations, see: Batillana (2018); Ebrahim, Battilana and Mair (2014); Santos, Pache and Birkholz (2015).

implementation and effectiveness. These first two specific objectives are intended to be an innovative analytical framework that has the ambition to expand the body of knowledge of social entrepreneurship and policy analysis, contribute to the academic discourse on social enterprises and to the implementation of policy instruments.

The third specific objective is to describe two Mexican support programmes and to select likely social enterprises that have been supported by the Mexican government over a certain period.

The fourth specific objective is to identify the characteristics of the social enterprises that were supported by the Mexican government, in terms of their interest orientations and profit orientations, and prioritise them. The idea is to assess the selection of the supported enterprises, by determining if they are social and how 'social' they are, considering the theoretically essential characteristics of the social enterprises. It is important to highlight that the focus is not on evaluating the effectiveness of the grant, but on applying the framework that will be proposed to determine whether the enterprises supported are social enterprises or not.

Finally, the fifth specific objective is to analyse the experience of governmental entities and social entrepreneurs with the implementation of the Mexican support programmes. The idea is to link their experiences with these theoretical factors in ways that can influence the implementation of the tools used in such support programmes. The last two specific objectives will contribute to determining the degree to which Mexican governmental programmes have supported young social enterprises effectively.

1.2. Research Question and Sub-questions

Based on the objectives described above, the research question that leads this investigation is: ***to what extent does the Mexican government effectively⁵ support social enterprises, especially ones that are new or***

⁵ Understood as "in a way that is successful and achieves what you want". Consulted in the online Cambridge Dictionary: <https://dictionary.cambridge.org/us/dictionary/english/effectively>, on the 20th of April 2020.

recently created? The following research sub-questions have been derived to answer this question:

1. *What are the ideal-type social enterprises and how can they be prioritised for selection?*
2. *What tools can governments use to support social enterprises and what supports or restricts the implementation of these tools?*
3. *Which of the enterprises and cooperatives that were supported by the two Mexican support programmes show features of social enterprises?*
4. *What are the characteristics of the selected social enterprises and what implications do they have for their ideal-type selection, based on a prioritisation?*
5. *What are the experiences with the implementation of the two Mexican support programmes and how do these relate to the factors that can influence the implementation of the tools used by these support programmes?*

1.3. Methodology

This dissertation is a qualitative research based mainly on case studies. It is a descriptive and explanatory research that focuses on broadening and applying theory. The following methods were used to respond to each research sub-question.

To answer the first research sub-question, an extensive literature review regarding social enterprises was carried out. This literature review generated the proposal for an ideal-type selection of social enterprises, based on their prioritisation.

To address the second research sub-question, a literature review of policy instruments, institutional environments, organisation theory and contextual interaction was performed. This literature review was helpful to identify the tools that governments can use to support social enterprises and the factors that can support or restrict their implementation.

To answer the third research sub-question, a case study selection was performed. This gathered all the available documentation dealing with the

projects that were supported in the period from 2015 to 2017. This period was chosen assuming that although both programmes started operations in 2014, they were not sufficiently consolidated until 2015. In addition, to comply with the time constraints of this research, it was convenient to assess those enterprises supported until 2017. The selection criteria used in this study responded to theory and also practical reasons. It is exclusively focused on projects supported by the Mexican governmental programmes.

The cases selected that resulted from answering the third research sub-question were used to answer the fourth and fifth sub-questions. Interviews were conducted with at least one member of the enterprises selected. The interviews were conducted mostly face-to-face and, in some cases, via Skype. The theoretical propositions that resulted from the first and second sub-questions were applied in the interviews and in the analysis of the cases to answer these last two research sub-questions.

1.4. Outline

This dissertation is composed of eight chapters, including this introduction. The following two chapters constitute the theoretical framework of this research.

Chapter 2 addresses the first sub-question: *what are the ideal-type social enterprises and how can they be prioritised for selection?* The first part of the chapter is organised using the most common elements of the term, *social enterprise*. The second part proposes a theoretical model, with the shape of a triangle, to map social enterprises according to their interest orientations and profit orientations. It also proposes criteria to prioritise the enterprises for a proper selection.

Chapter 3 gives answer to the second sub-question: *what tools can governments use to support social enterprises and what supports or restricts the implementation of these tools?* This chapter introduces policy instruments and explores conceptual elements related to Contextual Interaction Theory and elements of the institutional environment that might affect their implementation and, thus, their effectiveness. The chapter adjusts these

elements in a context where social enterprises are supported. These chapters are followed by a description of the criteria to select cases.

Chapter 4 addresses the third sub-question: *which of the enterprises and cooperatives that were supported by the two Mexican support programmes show features of social enterprises?* It first describes the two programmes that have supported social enterprises in Mexico. Afterwards, it describes the selection criteria of the projects that were supported between 2015 and 2017. Each support programme responds to its own selection criteria of projects, mainly due to the information available at that stage of the research. However, both of them consider fundamental features of the projects as social enterprises.

The subsequent three chapters analyse the cases using the theory previously explained. Chapters 5 and 6 answer the fourth sub-question: *what are the characteristics of the selected social enterprises and what implications do they have for their ideal-type selection, based on a prioritisation?* These chapters draw on case studies as the follow-up to chapter 2. They describe the cases in terms of their general interest, mutual interest or capital interest. They also describe their profit orientations. Afterwards, the cases are mapped and prioritised based on the model that will be proposed in chapter 2.

Chapter 7 addresses the fifth and final sub-question: *what are the experiences with the implementation of the two Mexican support programmes and how do these relate to the factors that can influence the implementation of the tools used by these support programmes?* This chapter is a follow-up to chapter 3 and uses the same cases as chapters 5 and 6 to analyse the factors that can affect the implementation of the policy instrument.

Finally, chapter 8 summarises the answers to the research sub-questions, presents an answer to the leading question, reflections on the limitations of this research, some pertinent policy recommendations and suggestions for future research.

CHAPTER 2. DEFINITION OF SOCIAL ENTERPRISES AND THE PRIORITISATION MODEL

2.1. Introduction

To study social enterprises is to enter into a world where the concepts that define them are commonly used interchangeably (e.g., social enterprise and social entrepreneurship, social value and social impact, social value and social change). This creates numerous interpretations of social enterprises, that also reflect the variety of actors in the field, such as entrepreneurs themselves, governments or non-entrepreneurial actors from the private sector. The range of social enterprises and their activities also are huge, which makes it hard to identify them clearly both in practice and in theory.

This chapter answers the first sub-question of this research, namely *what are the ideal-type social enterprises and how can they be prioritised for selection?* The objective is to identify the theoretically essential characteristics of social enterprises to set the basis for a model that can help governments to prioritise them, and thus, facilitate their selection.

The first part of this chapter starts with a definition that explains the most recurrent elements found in the literature and, in so doing, to avoid misunderstandings, as much as possible. The second part of this chapter illustrates how governments are key players in determining the success of social enterprises. The third part provides a theoretical model that will be used to determine the 'location' of different types of social enterprises within the frameworks of interest orientations (i.e., capital interest, mutual interest or general interest) and of profit orientations (i.e., non-for-profit, profit-as-a-means or profit-as-a-purpose). Their location in the model means the social enterprises can be prioritised for selection based on how they can balance various interest and profit orientations. Finally, the last section of this chapter presents the conclusions.

2.2. A Definition of Social Enterprise

Social entrepreneurship and social enterprise are terms that are often used interchangeably (Luke & Chu, 2013; Peredo & McLean, 2006). In this dissertation, an important distinction is made. On the one hand, the term *social entrepreneurship* is understood as an overarching process that refers not only to activities oriented to run social enterprises, but also implies social entrepreneurs, social innovation, among other concepts and activities for social purposes (Luke & Chu, 2013; Lundström & Zhou, 2014b). On the other hand, the term *social enterprise* is treated as “a form of social business or venture” (Luke & Chu, 2013, p. 765).

It is important to note that, when referring to social enterprises, the variety of actors involved, the actions that they are supposed to carry out and the results that they should deliver, lead to a variety of definitions. To overcome this situation, this dissertation collates the most recurrent elements found in the literature and adopts the following definition:

Social enterprise **is an organisation** that, regardless of the legal form and the business model adopted, offers a **product or a service** to create, not only economic value, but also **social value**, at **different levels**.⁶

In trying to avoid possible misconceptions, the underscored elements in the definition given above will be further explained based on literature review, i.e., what type of organisation a social enterprise can be, what types of products and services it can offer, what social value is and what the deployment of its actions at different levels implies.

2.2.1. What type of organisation is a social enterprise?

The start of the movement of social entrepreneurship can be identified to date to, at least in the literature, the end of the twentieth century in Europe and in North America (López-Cózar Navarro et al., 2015; Parente, Lopes & Marcos, 2014).⁷ In Europe and North America, this movement was initially

⁶ The term business model is used to refer to those key components of a business such as customers, competitors, offering, activities, resources (like human resources) and supply of factor and production inputs (Hedman & Kalling, 2003).

⁷ The authors refer to the United States of America and Canada as North America, excluding Mexico.

identified within the third sector or social economy, although with a focus on different organisations within this sector.⁸

In the United States of America, the movement of social entrepreneurship was focused on the *non-profit* sector to promote the level of revenues generated from trading, instead of from donations, public funds or grants (López-Cózar Navarro et al., 2015). The economic crises hindered governments to fund and provide resources to the non-profit sector (Narangajavana, Gonzalez-Cruz, Garrigos-Simon & Cruz-Rios, 2016). The economic crisis of 2008, for example, seriously affected the activities of the non-for-profit organisations in the United States of America for which a great part of their source income was government grants and other public sector payments (Casey, 2012). As a consequence, the non-profit sector here needed to find and implement a new way to compensate for the lack of government support.

In contrast, in Canada and Europe social entrepreneurship activities can be found in *cooperatives*.⁹ López-Cózar Navarro et al. (2015) gave examples about these cases. A good example of the cooperative tradition in Canada are the *Community Economic Development Corporations*, created in Quebec to combat social exclusion. The most outstanding example in Europe is Italy—a country with a strong cooperative tradition. Italy is considered to be the first European country to give impetus to the term social enterprise. With the Law No. 381, approved in 1991, the *Cooperative sociali* (social cooperatives) were established in order to “ensure the general interest of the community, promotion of people and the social integration of citizens” (López-Cózar Navarro et al., 2015, p. 103).

Nevertheless, in the last few years, new legal forms adapted to social enterprises have emerged. In the United States of America, two new types of legal forms appeared called *Benefit Corporation* and the *Low-profit Limited Liability Company (L3C)*. These had the purpose of promoting social enterprises activities, and above all, the purpose of incorporating not only non-

⁸ As Parente et al. (2014) explained, the third sector refers to those organisations that pursue public good but they do it outside the sphere of the state, and that are privately managed yet without pursuing financial profit as an end itself. Therefore, this sector excludes organisations from for-profit private or public organisations.

⁹ In Appendix A there is a map that shows the legal environments that are commonly associated with social enterprises in other countries of Europe and in Latin America, based on López-Cózar Navarro et al. (2015).

profit organisations, “but any organization, which pursues a social purpose” (López-Cózar Navarro et al., 2015, p. 105). The first type is managed as a traditional company, with the key differences that they (i.e., Benefit Corporations) must: first, create a positive impact on the society and the environment; second, they should care for internal and external stakeholders of the company; and, third, they should publish reports on their social and environmental performance. The second type (i.e., L3C) is characterised as being a mixture between for-profit and not-for-profit organisations (López-Cózar Navarro et al., 2015).

Likewise, in the United Kingdom, a new legal form was introduced in 2005, the *Community Interests Companies (CIC)*, “a type of limited company designed specifically for those wishing to operate for the benefit of the community, instead of personal profits” (López-Cózar Navarro et al., 2015, p. 104).

The social entrepreneurship field is expanding. This is reflected by the increase in the practitioner communities, the number and the diversity of social enterprises and the academic research into them (Smith & Stevens, 2010). Moreover, social enterprises are adopting a wide variety of organisational forms all around the world (OECD & European Union, 2013). They can occur within the for-profit, non-profit or governmental sectors (Albert, Dean & Baron, 2016; Austin, Stevenson & Wei-Skillern, 2006). To some extent, it is expected that social enterprises that have adopted a legal form of a non-profit organisation focus exclusively on social purpose, while those registered as for-profits organisations (namely joint stock corporations) tend to see the social purpose as a side effect of their activities (Kuratko, McMullen, Hornsby & Jackson, 2017). However, the aim of a social enterprise should be to reach a balance between the financial and social purpose, regardless of the legal form adopted.

Defourny and Nyssens (2017) developed a theoretical framework that combines the *principles of interest* that can be found in the overall economy. These are the *mutual interest*, the *general interest* and the *capital interest* that are illustrated in **Figure 1**. For example, all associations that are primarily concerned for their own members, like the *cooperatives*, are considered to have a drive based on *mutual interest*. On the other hand, the *state*, by default, is considered to act in the *general interest*. Other associations’ concerns with

the *general interest*, such as *non-profit organisations*, are not as broadly defined as those pursued by the *state*. Finally, the *for-profit organisations* are usually considered to be incentivised by a *capital interest*.

Figure 1. Principles of Interest. Source: Defourny and Nyssens (2017, p. 2478)

Organisations have been moving towards different interests over the years in response to different circumstances (e.g., non-profit organisations not being resourced by government has caused a movement towards a capital interest). Defourny and Nyssens (2017) proposed four models of social enterprises: 1) *The entrepreneurial non-profit model (ENP)*, 2) *the public-sector social enterprise model (PSE)*, which are organisations with a *general interest* moving towards a *capital interest*; 3) *the social business model (SB)*, which encompasses organisations with a *capital interest* willing to find a balance and move towards the *general interest*; and, 4) *the social cooperative model (SC)* which is about organisations with a *mutual interest* also moving towards the *general interest*. These four models form the *social enterprises landscape* (Defourny & Nyssens, 2017), as shown in **Figure 2**. Section 2.4.1 will elaborate on each model further.

Figure 2. Landscape of Social Enterprises. Source: Defourny and Nyssens (2017, p. 2479)

This dissertation adopts the idea established by Defourny and Nyssens (2017) that social enterprises can evolve from different traditional forms of organisations, in the knowledge that they should observe the legal environment of the country where they operate.

2.2.2. What are the types of products and services that social enterprises can offer?

One reason why social enterprises are so difficult to identify is the many and varied types of products or services they can offer. The following presents some examples.

A well-known example of a social enterprise within the for-profit sector is the project run by Muhammad Yunus from Bangladesh. He realised that small loans for poor people could make a difference in society, so he created the *Grameen Bank*.¹⁰ This project has as its main objective to financially assist that sector of society that could not receive this kind of assistance otherwise (Grameen Bank, 2017).

¹⁰ For more information, see: <http://www.grameen.com>

An example of a social enterprise registered as a non-profit is *LivelyHoods*.¹¹ Its purpose is to create jobs, particularly for youth and women in Kenyan slums through the distribution of life-improving products, such as solar lamps, clean-burning cook stoves and household appliances. The young people and women become sales agents developing professional skills and, at the same time, improving the environment by the use of solar products. Another example of a non-profit organisation is *¡Échale! A tu Casa* in Mexico.¹² This organisation believes that low-income families can have decent housing through self-building. This social enterprise lends money at affordable interest rates and promotes features, such as rainwater harvesting, energy efficient stoves and composting and the use of *Adoblock* made from local soil.

An example of a cooperative that is considered a social enterprise is *Chernomorka*, 'woman from the Black Sea'.¹³ It is a Bulgarian clothing cooperative that focuses on employing disabled people (currently over 100 employees). They produce clothing for babies with 100% natural materials (European Commission, 2013). In Italy, *la Cordata Hostel* is a cooperative providing accommodation in Milan and Rome to women and young men who have been referred by the municipality's social services as being at risk of social marginalisation (Social Enterprise London, 2011). Their common background is that they all come from dysfunctional families or may have been living in a children's home. In these residences around 60% of residents are private payers who are students. These students pay a much lower rent than in the open market, while the municipality pays for the target group (Social Enterprise London, 2011).¹⁴

Examples of *Community Interest Companies* from the United Kingdom are *Warm Wales* and *Blues and Beers*. *Warm Wales* provides homes with affordable warmth in its efforts to alleviate fuel poverty in partnership with the public and private sector.¹⁵ *Blues and Beers* is an annual music festival held in the Oxfordshire village of Wallingford where local producers offer artisan

¹¹ For more information, see: <https://www.livelyhoods.org/about-us#who-section>

¹² For more information, see: <https://www.echale.com.mx/quienes-somos/>

¹³ For more information, see: http://www.chernomorka.com/info.php?info_id=10&lang=en

¹⁴ For more information, see: <http://socialeconomyaz.org/wp-content/uploads/2011/06/Social-CooperativesInItaly.pdf>

¹⁵ For more information, see: <http://www.warmwales.org.uk/>

beer.¹⁶ There are over 60 volunteers involved and the profit from the festival is reinvested in regional youth projects.

An example of a *Benefit Corporation* in the United States of America is *King Arthur Flour*.¹⁷ This enterprise is 100% employee-owned and produces flour that generates revenue from which they give donations to environmental non-profits organisations.

These examples show that a social enterprise can adopt any type of organisational form to offer products and services in the same way as any other enterprise. What makes them different is that at any part of the value chain (procuring supplies, employing workers, designing the product/service, producing the product/service, marketing to target customers) they can create social value (Dees & Battle Anderson, 2006).¹⁸

But, what does social value mean?

2.2.3. What is social value?

The definition of *social value* is mostly taken for granted in the literature but covers a wide spectrum of similar concepts, such as *social wealth*, *social capital*, *social change* and *social impact*. Defining *social value*, or at least generating an understanding, would help avoid confusion.

Social value is at the fore in the social entrepreneurship and social enterprises literature. Experts in the field variously explain the concept as the element that social entrepreneurs should aim to **maximise** (Seelos & Mair, 2004), **deliver** (Ebrahim et al., 2014; Weerawardena & Sullivan, 2006), **develop** (Martin & Osberg, 2007) or **create** (Austin et al., 2006; Choi & Majumdar, 2014; Dees, 1998; Lundström & Zhou, 2014a; Peredo & McLean, 2006; Perrini & Vurro, 2006; Sekliuckiene & Kisielius, 2015; Sullivan Mort, Weerawardena & Carnegie, 2003). But, what is precisely that *thing* that should be maximised, delivered, developed or created? That is, what is social value? Choi and Majumdar (2014) concluded that it is difficult to

¹⁶ For more information, see: <https://www.gov.uk/government/case-studies/blues-and-beers>

¹⁷ For more information, see: <https://www.kingarthurfLOUR.com/>

¹⁸ According to Michael Porter (2001), the value chain consists of the physically and technologically distinct activities a firm performs (i.e., the value activities), and of the margin, that is the difference between total value and the collective cost of performing the value activities. Therefore, when talking about the value chain, the value activities should include the “after sale service” as one more value activity, and also the margin. For matter of simplicity, this dissertation will be using just the mentioned value activities by Dees & Battle Anderson (2006): procuring supplies, employing workers, designing the product/service, producing the product/service, marketing to target customers.

identify a precise definition of social value and define exactly what activities it actually entails.

Definitions of social value vary considerably. One example given by Cunha, Benneworth and Oliveira (2015, p. 637) defines social value as the “value that accrue [sic] to society from social entrepreneurship/social innovation initiatives and that allow [sic] to solve social problems and create social capital”. This definition considers the terms ‘value’ and ‘social capital’, which are themselves also difficult to define. An alternative example defines ‘social value creation’ as the “process involved in entrepreneurial action, where the value is created and remains present in the social outcome or change that occurs, instead of in monetary profit” (Pierre, von Friedrichs & Wincent, 2014, p. 59). This definition adds the term ‘creation’, which focuses on the procedure to obtain what is not defined as yet (i.e., social value). Another example by Acs, Boardman and McNeely (2011, p. 787), states that “at the individual level, social value is what a person values more than the money paid, such as a computer or a prescription”. In economics, this definition could be associated with the term of ‘consumer’s surplus’, i.e., “the amount which the consumer would be willing to pay, if he could not get any of the commodity otherwise, for the opportunity to buy, at the existing price, the amount which he is in fact buying” (Henderson, 1941, p. 117).¹⁹

Those examples show us, without doubt, that to define social value is a difficult task as the concept *value* itself is quite controversial.

The concept of *value* used in social and behavioural sciences and economics derives from the basis established in philosophy (Pauls, 1990). Evidence found in philosophy research shows that, in certain contexts, a wide variety of meanings is given to *value*. This concept is, on the one hand, associated with the perception of good or bad as an attribute of an individual, a nation or a society (Li, 2014). This means that *value* is partially dependent on their standards, beliefs, principles, moral obligations and social norms (Pauls, 1990; Rescher, 1969). On the other hand, *value* can be understood as a relation (Li, 2014; Marías, 1980; Smart, 1931). This relation can be an object-subject relation in which value is the meaning of an object given by a subject (Li, 2014). Moreover, the idea of such meaning has evolved and

¹⁹ Henderson (1941) suggested this definition as the Marshallian consumer’s surplus. According to Robert D. Willing (1976), the term is quite controversial since it first appeared in 1844.

created several approaches among philosophers. For example, according to Li (2014), *value* can be classified either from the perspective of an object or a subject. For the object, the usual expression is “value of something” when value “could be categorised into three types: value of a thing, value of spiritual and cultural phenomena and value of a human being” (Li, 2014, p. 68). For a subject, “the value of an object is assessed by the subject’s needs and the extent to which these needs are being satisfied”, usually expressed as “[something has] what value” and where *social value* simply refers to the satisfaction of social needs (Li, 2014, p. 69).

Some researchers claim that *social value* can be created when a social entrepreneur addresses problems or tries to satisfy social needs (Doyle Corner & Ho, 2010; Mair & Martí, 2006). These could be very basic humanitarian needs, such as “food, water, shelter, education and medical services to those members of society who are in need”, or could be needs whose provision “can be a matter of life or death for those who receive them” (Certo & Miller, 2008, p. 267; Seelos & Mair, 2005, p. 244).

Social entrepreneurs operate in ways that do not satisfy needs through charity, but through earned-income activities. As such, they can satisfy social needs by generating income for the economically disadvantaged, for example, through employment opportunities, skills development, community cohesion, goods and services that people need and/or desire, among others (Di Domenico, Haugh & Tracey, 2010; Doyle Corner & Ho, 2010; Seelos & Mair, 2004). Considering these examples, *social value* can be generated in any part of the value chain.

Some authors claim the creation of *social value* should benefit to all society and not just those directly involved in exchanging the goods or services. This has been termed a ‘positive externality’ (Auerswald, 2009; Lumpkin, Moss, Gras, Kato & Amezcua, 2011; Singh, 2016). This idea support those who claim that activities designed to create *social value* inherently bring benefit to the society as a whole (Lumpkin et al., 2011; Smith & Stevens, 2010). By contrast, Young (2006) suggested that *social value* benefits only those people who are disadvantaged.

The literature on social entrepreneurship has become more all-encompassing, as some authors include characteristics or qualities for a better creation of *social value*. For example, in the provision of resources to

social enterprises, effectiveness is guaranteed better when the provision is accompanied by the knowledge necessary to maintain access to resources (Hazy, Moskalev & Torras, 2009). Another example is where a social enterprise creates *social value* through the display of certain characteristics, such as innovativeness, proactiveness and risk management (Weerawardena & Sullivan, 2006). Lastly, when organisations come together and deploy resources in partnerships with others, then the opportunity to create *social value* is greater than when operating individually (Austin, 2006).

Measuring *social value* allows one to evaluate, control, promote, learn and improve the activities and results of social enterprises (Behn, 2003). Haugh (2006) states that measuring will ‘help social and community enterprises prove their effectiveness in achieving economic, social and environmental goals to stakeholders’ (p. 200).

Unfortunately, it is very difficult to measure *social value* (Austin et al., 2006). Standardised tools are lacking that allow, among other things, comparability (Nicholls, 2015). There are numerous examples of tools that have tried to measure *social value*, including: Social Return on Investment (SROI); Key Social and Co-operative Performance Indicators (KSCPIs); Global Reporting Initiative (GRI); Impact Reporting and Investing Standards (IRIS); among many others (Wood & Leighton, 2010). All come with advantages and disadvantages. R. Young (2006) states the following regarding metrics:

people will come to see [metrics] as a description of a reality, rather than as a tool for a conversation about that reality...It is worrying that some metrics, such as social return on investment (SROI), appear to promise a finer grained accuracy, though they are, in fact, built on much looser assumptions (p. 64).

In summary, and building on this previous discussion, *social value* created by a social enterprise in any part of the value chain can be understood as:

The outcome derived from fulfilling basic social needs or from contributing to alleviate a social (or environmental) problem, as a result of practicing earned-income activities.

For instance, *LivelyHoods*, the enterprise example mentioned above, by selling household appliances, is able to employ vulnerable people. *Échale a tu casa!* commercialises a construction product to benefit low-income families that would not have decent housing otherwise. By doing this, the two enterprises are creating *social value*, as shown in **Figure 3**. However, these

social values remain difficult to measure and compare because the *social value* generated by employing vulnerable people is different to the *social value* created by producing a product for low-income families.

LivelyHoods

Échale a tu casa!

Figure 3. Social value created at any part of the value chain

To ensure the creation of *social value* in the context of social entrepreneurship it is advisable to have a social entrepreneur with certain qualities and who makes use of certain tools to address problems or satisfy social needs at any stage of the value chain. The main objective of the *social value* is to bring benefit to the people directly involved and to society as a whole, preferably to those who are relatively disadvantaged.

2.2.4. What do different levels imply for social enterprises?

Social enterprises can create social value at different levels. This implies that their scope is geographically focused, for example, at the local or national level. It also implies that their scope may depend on the scale or current perception of a problem. In this sense, a social enterprise creating social value in favour of local climate mitigation, for example, is also creating social value

at a global level illustrating how a social enterprise can act locally, while creating global social value. In a few words, the level at which social value can be created is not defined or restricted by territories.

Commonly, social entrepreneurs who identify local social needs also try to use local partners and resources to address these issues (Dufays & Huybrechts, 2014). Zahra, Gedajlovic, Neubaum and Shulman (2009) call these social entrepreneurs, who focus on local social problems, *social bricoleurs*. They say that without *social bricoleurs*, local social problems would be overlooked. However, they are such small local initiatives that governments, media or investors often disregard them.

What a *social bricoleur* does at a local level in a specific context can be adapted to a different local context (Smith & Stevens, 2010). Sometimes, the replication cannot be exact, but, at least, the process might be replicable (Seelos, Ganly & Mair, 2006).

Moreover, the aforementioned authors (Zahra et al., 2009) also identified two other types of social enterprises: *social constructionists* and *social engineers*. A *social constructionist* addresses those problems that existing institutions are unable to solve. In most cases, these problems require substantial resources that are difficult to obtain. A *social engineer* “identify systemic problems within the social systems and structures and address them by bringing about revolutionary change” (p. 526). To succeed in their endeavour, these social entrepreneurs require legitimacy through popular support because they are considered a threat to the interest of established institutions. In the words of Swanson and Di Zhang (2010):

[...] *social bricoleurs* address social needs at a small scale and local level while social constructionist can be larger in size and operate from a local to an international level, and social engineers are large in scale and operate nationally or internationally (p. 79).

On the basis of the points stated above, the problem a social enterprise addresses can sit at different levels; territorial and relating to the extent of a problem.

2.3. Social Enterprises and the Role of Governments

Scholars in the field agree that, apart from the profits from their market activities, social entrepreneurs rely on a variety of funding sources and support that can come from their own members, from the private sector and from government (Austin et al., 2006; Desa & Basu, 2013; Lundström & Zhou, 2014b; Martin & Osberg, 2007; Nicholls, 2009; Swanson & Di Zhang, 2010). Examples of support from their own members include: membership fees, savings or volunteer time. Examples of support from the private sector are foundation grants or philanthropic donations. Examples of support from the government are donations, grants and/or subsidies.

Ideally, all social enterprises should be self-sustaining through their own for-profit activities. However, in some cases, early financing from government is deemed fundamental (Bacq, Hartog & Hoogendoorn, 2013; Lundström & Zhou, 2014b; OECD & European Union, 2013).

Besides the financial support that governments can offer, they also play a very important role as regulators and as promoters of social enterprises. As a regulator, governments must guarantee competitive market conditions, which can be achieved through laws, regulations, or taxation (Mulgan, 2006; Santos, 2012; Schneider, 2016). As a promotor, the role of governments is to foster social entrepreneurship within society, presenting them as something desirable (Steyaert & Dey, 2010). Also as promoters, governments train social enterprise managers or stimulate a strong financial place in the market through giving incentives to banks (OECD & European Union, 2013).

Shockley and Frank (2011) identified four functions of governments as enablers or inhibitors in social entrepreneurship that depend on the state capacity and origins of social entrepreneurship. In this sense, as shown in **Table 1**, the four functions of a government in social entrepreneurship are as follows: 1) an originator and implementer, 2) a bungler, 3) an adapter and promoter and 4) an imitator and adopter (Shockley & Frank, 2011).

Table 1. Functions of government in social entrepreneurship

	Higher state capacity	Lower state capacity
Top-down Social Entrepreneurship	Government function: Originator and implementer	Government function: Bungler
Bottom-up Social Entrepreneurship	Government function: Adapter and promoter	Government function: Imitator and adopter

Source: Shockley (2011)

The first role type (originator and implementer) refers to governments with higher state capacity that promote top-down social entrepreneurship by being the originators and implementers of social innovation (Shockley & Frank, 2011). These authors demonstrated “that even governments with relatively low levels of state [capacity] still perform vital functions in social entrepreneurship” (Shockley & Frank, 2011, p. 195). Therefore, their role is important for the social entrepreneurship activities.

The second role-type (bungler) refers to governments with lower-state capacity that often mismanage social entrepreneurship initiatives (Shockley & Frank, 2011). These types of governments are actually the originators of the social needs and demands that the social entrepreneurship would address – hence, the pejorative naming of this type.

The third role-type (adapter and promoter) refers to governments with higher-state capacity that can enable and promote bottom-up social entrepreneurship (Shockley & Frank, 2011). For example, an initiative can start in non-profit organisations and, eventually, will find support and be promoted by governments, facilitating their activities.

Finally, the fourth role-type (imitator and adopter) refers to governments with lower-state capacity that support bottom-up social entrepreneurship (Shockley & Frank, 2011). A government imitates or adopts an idea that comes from a social enterprise and replicates the idea at a large(r) scale.

In general, social entrepreneurship originates from outside of government in countries with lower state capacity, where, according to Shockley and Frank (2011), governments tend to adopt a role in providing “resources, and policies in order to amplify the effect of local, bottom-up social innovation and make then large-scale” (p. 182). In contrast, governments in countries with higher state capacity tend to act as originator, implementers and promoters of social entrepreneurship.

Governments should take their roles as enablers of social enterprises and be aware that they are key in the development of these activities (Austin et al., 2006; Stephan, Uhlaner & Stride, 2015). Through social entrepreneurial activities, governments are actually aiming at, for example, improving economic growth or improving the local environment (Rey-Martí et al., 2016). Evidence has shown that governments that address problems through supporting social enterprises' activities are more efficient than others using alternative methods (OECD & European Union, 2013).

Scholars have concluded that governments that promote social enterprises and develop tools to facilitate the achievement of their objectives have an important impact on the success rate of social enterprises and providing structural support to the solution of social problems (Rey-Martí et al., 2016).

According to the OECD and European Union (2013), the following are key areas in national and local policy action to support social enterprises development: 1) promote social entrepreneurship from a very early education stage and foster their activities as key local or regional economic development; 2) enable a favourable regulatory framework; 3) guarantee access to capital; 4) offer business developments services and support structures (e.g., innovation parks and incubators; 5) support access to markets (e.g., incorporate social clauses in the procurement laws such as to encourage the employment of the long-term unemployed); and, 6) support future research (e.g., ensure there are strong links between researchers, policy makers and practitioners).

The above is important because, in short, it should be easier for people to establish a social enterprise and the customers of social enterprises should also receive some type of incentives (Bornstein & Davis, 2010; Dees, 2007). Dees (2007), actually mentions that governments should "encourage private investors to support this activity" (p. 29).

Thus, this section states that governments support social enterprises in different ways. Depending on their state capacity (i.e., high or low) and origins of social entrepreneurship (i.e., bottom-up or top-down) they can adopt different roles. In most of these roles, they are key to the development of social entrepreneurship. When supporting social enterprises, what distinguishes governments from other stakeholders is that, by working with and through

them, governments can meanwhile address problems that are actually of their own responsibility.

Usually, governments with lower state capacity are providers of resources to social entrepreneurs (Shockley & Frank, 2011). That is why these governments should focus on maximising the effectiveness of such resources. This dissertation proposes a model to help governments achieve this by mapping social enterprises and assigning them a priority for their selection. The following section elaborates on how to map social enterprises and how to prioritise them.

2.4. The Prioritisation Model for [Social] Enterprises: PRIME

In section 2.2., a social enterprise was defined as an organisation that, regardless of the legal form and the business model adopted, offers a product or a service to create, not only economic value, but also social value, at different levels. Having a definition of social enterprises is of great help to understand what they entail. However, for the purpose of dissertation this definition is insufficient, given that one of the goals of this work is to provide a basis to prioritise young social enterprises (i.e., social enterprises that have recently started operations, or that have been operating only for a couple of years) for an ideal selection.

Why is that definition not enough to prioritise? Based on the above definition of social enterprise, one way to prioritise social enterprises would be by comparing their social value. However, as also mentioned in section 2.2., measuring social value is a very challenging task in itself. This is difficult because of the lack of standardised measurement tools and the multiple definitions of social value. Moreover, it is even harder to prioritise social enterprises when they are not operating yet and thus, when there is no social value to measure from past practice.

Another way to prioritise social enterprises could be by looking at the social problem trying to be solved and give a priority to the most pressing problem. However, prioritising among several social problems is also a very difficult task. For example, should early childhood education be deemed more important than protecting rainforest? (Bornstein & Davis, 2010).

Therefore, this section proposes the Prioritisation Model for [Social] Enterprises (PRIME) to help prioritise social enterprises. This model is based on interest orientations (i.e., capital interest, mutual interest and general interest) and on profit orientations (i.e., not-for-profit, profit-as-a-purpose and profit-as-a-means), drawing on the work of Defourny and Nyssens (2017) in *Fundamentals for an International Typology of Social Enterprise Models*, and on the work of Heldeweg (2017) in *Normative Alignment, Institutional Resilience and Shifts in Legal Governance of the Energy Transition*. The rationale behind PRIME is that, in one schema in the shape of a triangle, promising social enterprises (i.e., social enterprises that are successful at creating positive social effects) can be identified, based on their balance between interest orientations and profit orientations (e.g., a capital interest with profit-as-a-purpose, a mutual interest with profits-as-a-means and a general interest with not-for-profit purpose). This is further explained and illustrated in the following sub-sections.

2.4.1. Landscape of social enterprises by Defourny and Nyssens

As explained in section 2.2.1, Defourny and Nyssens (2017) developed a theoretical framework that identifies and combines the traditional forms of organisations with a mutual interest, a general interest and a capital interest. They also explained how these traditional forms of organisations can become a type of social enterprise as they move towards different interests (as shown in **Figure 2**).

According to Defourny and Nyssens (2017), when movements towards different interests occur, the organisations can be found in a social enterprises' landscape and grouped in four models: 1) *the social business model (SB)*, 2) *the social cooperative model (SC)*, 3) *the entrepreneurial non-profit model (ENP)*, and 4) *the public-sector social enterprise model (PSE)*.

The *SB* model refers to for-profit enterprises that, besides aiming at a capital interest as their main purpose, also aim at a general interest. Defourny and Nyssens (2017) mentioned that it is more probable to find small and medium-sized enterprises (SMEs) as social businesses, because the founders or the owners are more likely to be motivated by a balanced combination of economic and social (or environmental) goals.

The *SC* model consists of cooperatives and mutual interest organisations moving towards the general interest, in addition to their interest in their own members. They aim to benefit the whole community or a specific target group. Some examples of social cooperatives given by Defourny and Nyssens (2017) are: 1) an enterprise that is composed of workers in disadvantaged conditions, where the cooperative has the goal of creating their own jobs. This is very common in Latin America. 2) A cooperative that produces organic food or that is composed of two or more cooperatives that come together for the same purpose. 3) A cooperative that is willing to address a specific social problem through its economic activities.

The *ENP* model consists of general interest associations or non-profit organisations that develop earned-income activities to complement public grants and donations. An entrepreneurial non-profit organisation could be a non-profit organisation that has a shop and uses the surplus for achieving its social mission (Defourny & Nyssens, 2017).

Finally, the *PSE* model refers to enterprises that offer products or services that historically used to be offered by the state (e.g., garbage collection), keeping its original social mission and adding a new market-oriented purpose (marketisation). According to the Defourny and Nyssens (2017), *PSE* can also refer to enterprises that were initially set up by the government aiming at local development.

Each of the four models represents a type of social enterprise. As with all social enterprises, the most important goal of each model is to accomplish the social mission. According to the mentioned authors, the social mission of an organisation is implicit in its notion of general interest and the mission of an organisation could be considered social at three levels. These are (Defourny & Nyssens, 2017):

- 1) Level 1. "The very nature of the goods or services provided: these goods or services address a social problem by meeting some unsatisfied needs that public organizations or for-profit enterprises have failed to address for certain groups of people" (p. 2487).
- 2) Level 2. "The social mission can be more related to processes or to forms of relations between social actors" (p. 2487). For example, "to integrate very disadvantaged workers" or to establish fair trade (p. 2487).

- 3) Level 3. “The social dimension can be embedded in broader societal values representing a primary focus: the enterprise can aim to foster economic democracy, promote sustainable ways of life and so on” (p. 2487).

Defourny and Nyssens (2017) also discussed the governance structure of any enterprise. This “can be seen as the set of organizational devices that ensure the pursuit of the [social mission]” (p. 2489). The authors looked at the governance structure of the social enterprises considering two devices: profit distribution and decision-making process. In the case of profit distribution, they explained that constraints on the distribution of profits would ensure the social mission by preventing profit-maximising behaviours. However, the four models of social enterprises (previously) identified, present different ways of profit distribution that for most of the time are required by the legal form adopted.

For the decision-making process, the authors explained the distribution of the decision-making power and the types of stakeholders holding the actual control of the organisation (e.g., beneficiaries, employees, volunteers, public authorities and donors). They stated that the governance of the organisations can qualify as being *democratic* or as *capitalist*. For example, the entrepreneurial non-profit and social cooperative are considered democratic social enterprises, because the *one person, one vote* rule applies in their governing bodies and they have the power in the decision-making process. Likewise, various stakeholders might be involved in the governance, in some countries a ‘multi-stakeholder structure is even recognized or required by national legislation of social cooperatives’ (Defourny & Nyssens, 2017, p. 2492). Social businesses generally have a capitalist governance “where the ultimate decision-making power is in the hands of the shareholders according to the proportion of shares they hold” (Defourny & Nyssens, 2017, p. 2492).

As explained previously, one purpose of this work is to develop a model that helps to prioritise social enterprises (i.e., social businesses, social cooperatives, entrepreneurial non-profit and public-sector social enterprises), especially those that have been recently-created. The framework proposed by Defourny and Nyssens does not allow one to locate a social enterprise specifically within the three types of interests and a priority among social enterprises cannot be established. These types of interests, along with the

social mission, as well as the distribution of profit and the decision-making process, will be the basis of the theoretical model to be proposed in this chapter. However, to design a model that can at least analytically show more nuances among social enterprises, the work of Heldeweg (2017) in *Normative Alignment, Institutional Resilience and Shifts in Legal Governance of the Energy Transition* will also be used.

2.4.2. A hybrid configuration: Heldeweg's work as the basis to find nuances among social enterprises

In *Normative Alignment, Institutional Resilience and Shifts in Legal Governance of the Energy Transition*, Heldeweg (2017) focused on resilient community energy services and what are the institutional legal consequences, after a shift in legal governance. The relevance of Heldeweg's work to this dissertation lies in the combinations between relationships and interests of the recognised institutional environments. These combinations give insights for building criteria to assess positions in the landscape of social enterprises more accurately.

Heldeweg (2017) identified nine, but focuses on three generally recognised institutional environments: constitutional orders (Co), competitive markets (Cm) and civil networks (Cn). The first one combines hierarchical relationships with the pursuit of the public interest (which would be similar to general interest), the second one combines exchange relations with the pursuit of private interest (which would be similar to capital interest) and, the third one, combines communal relationships with the pursuit of social interest (which would be similar to mutual interest). Heldeweg also identified that, in practice, there are interactions within and between the institutional environments, thus he represented in a model all the possible outcomes of these interactions, as shown in **Figure 4**.

Heldeweg (2017) explained that the numbers 1, 2, 3 and 4 in **Figure 4** are hybrid institutional environments that represent the possible combinations of characteristics of the three pure institutional environments. Numbers 1, 2 and 3 are dual hybrids, while number 4 refers to trial hybrids. For example, a dual hybrid institutional environment occurs when the Co combines their relation (hierarchical) and interest (public) with the relation (exchange) and interest (private) of the Cm. In **Figure 4** the number 5 in

between brackets indicates the theoretical possible combinations between two institutional environments. Likewise, the number 25 in between brackets is the number of theoretical possible combinations derived from the three institutional environments.

Figure 4. Governance triangle in Heldeweg's work. *Source:* Heldeweg (2017)

The hybrid configuration suggested by Heldeweg will be used as a reference to propose dual hybrids in the model to be presented in section 2.4.3. This model, instead of the institutional environments, uses traditional forms of organisations with their corresponding interest orientations (i.e., general interest, mutual interest and capital interest) and profit orientations (i.e., non-profit orientation, profit-as-a-means and profit-as-a-purpose). This is further explained in the next section.

2.4.3. Description of PRIME

The Prioritisation Model for [Social] Enterprises (PRIME), is based on the three types of interests of the overall economy, as proposed by Defourny and Nyssens (2017), namely the *capital interest*, the *mutual interest* and the *general interest*. In this dissertation, the *general interest* is understood as the concern about the society as a whole. The *mutual interest* is understood as

the concern for all members of an organisation. The *capital interest* is the concern for a few individuals, generally the shareholders of an organisation.

In this work, the three common interests are combined with a profit orientation.²⁰ Profit orientations could be: *non-profit orientation*, *profit-as-a-means* and *profit-as-a-purpose*. The non-profit orientation means to execute activities without profit being intended. Profit-as-a-means implies activities carried out to sustain the mission of an organisation. Profit-as-a-purpose refers to activities carried out to maximise profit.

The combination of an interest orientation and a profit orientation is deemed as a traditional form of organisation. This dissertation proposes three traditional forms of organisations. One that combines a general interest with a non-profit orientation (*GNp*), other that combines a mutual interest with profit-as-a-means (*MPm*) and another one that combines a capital interest with profit-as-a-purpose (*CPp*). These traditional forms of organisations are shown in **Figure 5** at each angular point on the triangle, respectively.

Figure 5. Traditional forms of organisations with an interest orientation and a profit orientation

²⁰ Heldeweg (2017) combined the interests with relationships.

After identifying the traditional forms of organisations in the triangle of **Figure 5**, combinations between them are studied by forming *belts*.²¹ The *belt* between MPm and GNp, the *belt* between MPm and CPp and the *belt* between CPp and GNp. In Heldeweg's (2017) work, the pure forms of institutional environments were the *Co*, *Cm* and *Cn* and the combinations were in-between positions considering their relations (e.g., hierarchical) and their interests (e.g., public). In this proposal, the GNp, the CPp and the MPm are the basic forms of traditional forms of organisation that combine an interest orientation and a profit orientation. For this reason, the combinations in a *belt* will consider a basic form (i.e., GNp, CPp or MPm), plus an interest orientation (i.e., general, capital or mutual) and/or a profit orientation (i.e., as-a-purpose, as-a-means or non-profit). The premise is that GNp, CPp and MPm need to be combined to form social enterprises; on their own, they are simply traditional forms of organisations.

Figure 6 shows the PRIME triangle. This triangle identifies positions where [social]²² enterprises combining interest orientations and profit orientations of two traditional forms of organisations would be located. It also identifies the area where social enterprises combining characteristics of three traditional forms organisations would be located.

The positions combining characteristics of two angles (i.e., two traditional forms of organisations) are described below and those positions that combine interest orientations and profit orientations associated with social enterprises have been particularly pointed out.

- **Belt between MPm and GNp in PRIME**

In **Figure 6**, the *belt* MPm-GNp shows all the cooperatives that can strive for a general interest with non-profit activities, or how charities, as an example of a non-profit organisation, can strive for a mutual interest and generate profits as a means. Social enterprises can be located in the following positions:

1. **MPm-G:** Mutual interest, and also a general interest generating profit-as-a-means.

²¹ Combinations are referred in the work of Heldeweg (2017) as hybrids.

²² The word [social] is in between brackets because not all combinations of interest orientations and profit orientations can be identified as social enterprises.

2. ***MPm-Np***: Mutual interest with profit-as-a-means, and also having non-profit activities.
3. ***MPm-GNp***: Mutual interest, and also a general interest with profit-as-a-means and also having non-profit activities.
4. ***GNp-M***: General interest with non-profit activities, and also having some mutual interest but without intended profit.
5. ***GNp-Pm***: General interest with non-profit activities, and also having some activities to generate profit-as-a-means.

- **Belt between MPm and CPp in PRIME**

In **Figure 6**, the *belt* MPm-CPp shows all the cooperatives that strive for a capital interest with profit-as-a-purpose or all commercial companies, specifically SMEs, which strive for a mutual interest and generate profit-as-a-means. The following positions represent either a cooperative with a capital interest and/or profit-as-a-purpose, or a for-profit organisation with a mutual interest and/or profit-as-a-means. These are not considered social enterprises because a general interest is missing.

- A. ***MPm-C***: Mutual interest, and also a capital interest generating profit-as-a-means.
- B. ***MPm-Pp***: Mutual interest with profit-as-a-means, and also having activities to generate profit-as-a-purpose.
- C. ***MPm-CPp***: Mutual interest, and also a capital interest with profit-as-a-means and also having activities to generate profit-as-a-purpose.
- D. ***CPp-M***: Capital interest generating profit-as-a-purpose, and also having some mutual interest.
- E. ***CPp-Pm***: Capital interest generating profit-as-a-purpose and also having activities to generate profit-as-a-means.

- **Belt between CPp and GNp in PRIME**

In **Figure 6**, the *belt* CPp to GNp shows all SMEs, for example, that strive for a general interest and all the non-profit organisations that strive for a capital interest and generate profit-as-a-purpose. Social enterprises can be located in the following positions:

- v. **CPp-G**: Capital interest, and also a general interest, generating profit-as-a-purpose.
- w. **CPp-Np**: Capital interest generating profit-as-a-purpose and also having non-profit activities.
- x. **CPp-GNp**: Capital interest, and also a general interest, generating profit-as-a-purpose and also having some non-profit activities.
- y. **GNp-C**: General interest with non-profit activities, and also having some capital interest.
- z. **GNp-Pp**: *General interest with non-profit activities, and also having some activities to generate profit-as-a-purpose.*

Thus, from all the positions previously presented, social enterprises can be located in the belt that goes from MPm to GNp, or in the belt that goes from CPp to GNp (yellow belts in **Figure 6**). Social enterprises can also be in the area between the belts in the middle of the triangle (the green area in **Figure 6**), because these types of social enterprises, to some degree, combine the three types of interest orientations or profit orientations of the traditional forms of organisations. The next two sub-sections (i.e., 2.4.3.1 and 2.4.3.2) elaborate upon how to locate social enterprises in PRIME and how to prioritise them, based on their positions.

Figure 6. The Prioritisation Model for [Social] Enterprises (PRIME)

2.4.3.1. Mapping social enterprises

This section elaborates on how to map social enterprises within the PRIME triangle. This is done in two steps: 1) assessing their characteristics and 2) identifying their positions. Based on the positions identified, social enterprises can be prioritised, but this will be further elaborated in the next sub-section 2.4.3.2.

1) Assessing characteristics. The location of social enterprises within the PRIME triangle should be based on a correct assessment of the interest orientation and profit orientation of the enterprises. A document analysis, together with a study of the enterprise project's proposal and, if possible, observations of the enterprise's activities or interviews with the entrepreneurs, should be carried out for this purpose. In this assessment, based on the aforementioned theory, it is important to take into account the mission of the organisations, their decision-making process and their profit distribution to determine their type of interest. It is also important to consider the financial goal of their activities, which determines the type of profit orientation. **Table 2** serves as a guideline that details the aspects to consider when assessing the interest orientation and profit orientation:

Table 2. Aspects to consider in the assessment of interest orientations and profit orientations of an enterprise

Interest orientations			
	General Interest	Mutual interest	Capital interest
Aspects to consider			
1. Mission	To solve or alleviate a social problem (also called a social mission).	To support their members.	To sell a product or a service for the benefit of a few.
2. Decision-making process	Decision-making accountable to democratic institutions.	Democratic (one person, one vote).	Capitalist (only among shareholders or some members).
3. Profit distribution	The profit is constrained to be reinvested in the social mission.	Distributed equally among all members.	Distributed according to shares or initial contributions.
Profit orientations			
	Non-profit activities	Profit-as-a-means	Profit-as-a-purpose
Aspect to consider			
1. Goal of the activities	Their goal is not to generate profit.	Their goal is to achieve their mission first. Generating profit is just a necessary condition to enable this.	Their first goal is to maximise profit, that is, to reach a broader market or to adjust the cost of production to increase the profit of the enterprise.

Defourny and Nyssens (2017) stated that the profit distribution and the decision-making process can help to ensure the pursuit of the social mission.

Therefore, considering these two characteristics helps to determine whether an enterprise has a general interest. Additionally, in this dissertation, the type of decision-making process and the type of profit distribution are characteristics that are considered to help to determine whether an enterprise has a mutual interest or a capital interest.

2) Identifying positions. Based on the assessment of the enterprises, the second step is to identify their positions in PRIME. If social enterprises combine elements of two traditional forms of organisations, then the enterprises can be in the position no. 1, 2, 3, 4 or 5 or in the position v, w, x, y or z of the *belts* shown **Figure 6**.

Sunny, a fictional example of a SME constituted as a joint stock corporation, produces and delivers solar panels in a marginalised community. The payment methods are affordable and accessible to the people living in that community and *Sunny* compensates this with sales to big companies. There are 14 members in the company and two are shareholders. The members claim that they do not receive some allowances that they are entitled by law, but the shareholders claim that they are a very recent company and they will get there soon.

1) Assessing the characteristics of Sunny: This company has a clear social mission, but the decision-making process is capitalist and the distribution of profit is according to shares. This company aims at maximising profit. These characteristics show that this enterprise has capital interest with profit-as-a-purpose as all regular joint stock corporation, but it also has a clear general interest.

2) Identifying the position of Sunny within PRIME: this enterprise, that can be considered a social enterprise, fits in the position v, i.e., *CPp-G* from the belt *CPp-GNp* in PRIME.

When a social enterprise combines elements of the three angles, a position should be identified for each belt. First, for the *MPm-GNp* belt, to analyse if the enterprise “x” fits in the position no. 1, 2, 3, 4 or 5. Second, for the *MPm-CPp* belt, to analyse if the enterprise “x” fits in the position A, B, C, D or E position. Third, for the *CPp-GNp* belt, to analyse if the enterprise “x” fits in the position v, w, x, y or z. Once the positions are identified and, in the event, that there are three different positions, a cross reference should be made. As

a result, a position in the centre of PRIME will appear, indicating the position of the company. *Babs* is a fictional example that illustrates this situation.

Babs is a social enterprise that has been constituted as a cooperative with 33 members. Most of their members are single mothers. The working schedules of the company are flexible so the single mothers can have time to take care of their children. As in many cooperatives, the profit is divided among the members, but the decisions are made only by five members. The company produces organic food and also makes bags from recycled textiles. *Babs* only started operations in 2018, and the sales of its products to the general public have been very successful, so the members are planning to expand the business. Recently, they signed a contract with a big enterprise that wants to commercialise their products worldwide.

1) *Assessing the characteristics of Babs*: it seems that this enterprise has a mutual interest with profit-as-a-means, because its mission is to support its members and share the profits equally among them; it also shows a capital interest with profit-as-a-purpose, because the decision-making process is capitalist and, without losing its original mission, the members of this enterprise have more initiatives and are doing activities to earn profit-as-a-purpose; lastly, it also shows a general interest because employing vulnerable people and producing environmental-friendly products is also considered as a mission, a social one.

2) *Identifying the position of Babs within PRIME*: *Babs* can be considered a social enterprise that fits in the number 1 position, i.e., MPm-G from the *belt* MPm-GNp; in the letter C position, i.e., MPm-CPp from the *belt* MPm-CPp; and, in the letter ν position, i.e., CPp-G from the *belt* CPp-GNp. The corresponding letter or number is marked in each *belt* of PRIME, and a cross-reference is made. **Figure 7** shows the positions that results after mapping *Babs* and *Sunny*.

Figure 7. Example of mapping a social enterprise within PRIME

The idea of PRIME is to show that the traditional forms of organisations can move not only towards different interests, but, to different degrees, may be positioned either within the belts or between the angular points of the triangle. Finally, **Figure 7** also shows the *centroid*,²³ a position that plays an important role for the prioritisation. This will be explained in the next section.

2.4.3.2. Prioritisation of social enterprises: looking for a balance

To ensure that there is effective support of social enterprises, governments need to be able to count on reliable information of the social value they are creating or will create. In this dissertation, the emphasis has been put on recently-created social enterprises. This means that social value has not yet been created, simply because the social enterprises are either not operating yet or because they have only just started their operations. The established difficulty on measuring and comparing the social value of different social enterprises means that the social value data is lacking to know the degree to which the Mexican government has fulfilled its mission of effectively support social enterprises.

Then again, one of the purposes of this work is to provide a model that helps to prioritise new or recently-created social enterprises for their selection. This dissertation assumes that social enterprises that tend to

²³ The centroid is the geometric position where a triangle find its perfect balance [Weisstien, 2020].

combine all interest orientations and all profit orientations (GMC-PpPmNp) are more likely to be successful at creating positive social effects, and therefore, more likely to create and sustain social value. These enterprises would be located in the centroid of PRIME (as depicted in **Figure 7**) and this means that:

- a) A social enterprise has a capital interest and makes profit-as-a-purpose. However, the individualistic way of making business fades away and there is an interest beyond selfishness and a concern about others. This also means that the decisions that are made consider all workers, who also believe and adopt the mission as their own.
- b) A social enterprise has a mutual interest and makes profit-as-a-means to sustain its mission. However, the members are just as important as the mission and that making profit-as-a-means is not enough to accomplish the social mission.
- c) A social enterprise has a general interest with not-for-profit activities. However, having a general interest is not enough, a social enterprise needs to concern about the welfare of its members, in order to reflect the same into the society. A social enterprise realises that only doing activities without profit intended would make it a pure charity and not necessarily a social enterprise and that adding activities with intended profit-as-a-means helps fostering its general interest goals.

Overall, being in the centroid of the PRIME triangle means that a social enterprise has a clear social mission with sufficient means and proper organisation to be successful at creating positive social effects. Therefore, the suggestion for those governments that are willing to support new or recently-created social enterprises is to select the ones that are likely to be located in the centroid of PRIME as their first option, followed by others that are likely to be close to the centroid of the triangle (i.e., social enterprises looking for a balance between interest orientations and profit orientations) but are not there yet, and so on. The basic logic is that social enterprises that seem to combine elements of the three angles should have priority over those that seem to combine only two angles.

If a government had to select one of the two fictional examples previously provided (i.e., *Babs* and *Sunny*) which one should the government support? According to PRIME the *Babs* enterprise should be supported over the *Sunny* enterprise as *Babs* combines a mutual interest, a capital interest and a

general interest and has profit-as-a-means as a basis and is looking for profit-as-a-purpose. These combinations locate *Babs* close to the centroid of the PRIME triangle. Sunny, on the other hand, combines a capital interest and a general interest and has profit-as-a-purpose. Having an individualistic way of making business dragged this enterprise to the right side of PRIME, which is farther away from the centroid position.

Summing up, PRIME is a tool that allows interested parties to see in one schema the location of different social enterprises in respect to their interest orientations and profit orientations. As a result, interested parties might be able to determine the real extent and 'degree' of the societal contribution of each enterprise. The main idea behind the PRIME triangle is that the closer an enterprise is to the centroid position, the higher priority it should have over others. Therefore, the outcomes obtained from using PRIME would allow a ranking for [social] enterprises.

2.5. Conclusion

This chapter addressed the first sub-question of this research, i.e., *what are the ideal-type social enterprises and how can they be prioritised for selection?*

To answer this from the literature, the social enterprise term was defined and its main elements were underlined to circumscribe a social enterprise as *an organisation that, regardless of the legal form and the business model adopted, offers a product or a service to create, not only economic value but also social value, at different levels.*

Governments were found to be key supporters of social enterprises, assuming that —especially in the beginning— social enterprises need government support and, at the same time, governments need social enterprises and their beneficial outcomes for society. In this role, governments, first of all, should adopt a clear definition of social enterprise to avoid misconceptions and to create the means for effective support.

When supporting new or recently-created social enterprises, governments should consider prioritising them to make their support more efficient. In this task, they should consider tools such as PRIME, proposed in this chapter. This tool considers the interest orientations and the profit

orientations of social enterprises to map them within PRIME and, based on their positions, prioritise them.

This chapter concludes that an ideal-type of social enterprise is the one that is able to combine all interest orientations with all profit orientations. Social enterprises can be prioritised considering their position within the PRIME triangle. Being in the centroid position or close to it within the PRIME triangle means that a social enterprise is able to balance the interest orientation and the profit orientation of the three different traditional forms of organisations.

Based on project's proposals or interviews, governments willing to help new or recently-created social enterprises can use PRIME to estimate the position and establish a ranking. Based on this, they could make a selection. In chapters 5 and 6, PRIME will be used to identify the location of enterprises supported by the Mexican government between 2015 and 2017 and they will be prioritised using this information. The idea of this exercise (i.e., mapping and prioritising) is to assess how close to the centroid of PRIME these enterprises are and, in that way, to see how 'social' they are and to what extent they should be prioritised. The hypothesis is that, since these enterprises were selected and supported by the government, their location within PRIME should fit, at least, in a social enterprise position, and (ideally) close to the centroid position. In this sense, PRIME will also be used as a sort of an assessment tool.

In the next chapter, the variety of means of government support are labelled as policy instruments. The performance of these policy instruments can be affected by different context factors that will be explained using contextual interaction theory and an institutional perspective.

CHAPTER 3. POLICY INSTRUMENTS SUPPORTING SOCIAL ENTERPRISES AND THE FACTORS THAT INFLUENCE THEIR IMPLEMENTATION

3.1. Introduction

Chapter 2 explains that governments are key to the success of social enterprises and can use several means and tools to support social entrepreneurship activities. However, the proper implementation of those tools is not guaranteed. Several factors can influence the process and, therefore, their effectiveness. Hence, the leading question of this chapter is the second sub-question of this research, i.e., *what tools can governments use to support social enterprises and what supports or restricts the implementation of these tools?*

The outline of this chapter is as follows. First, some tools to support social enterprises or social entrepreneurship activities are introduced as policy instruments. The selection of policy instruments by governments is explained through a network-based perspective. Second, Contextual Interaction Theory is used to present the motivation, cognitions and resources as individuals characteristics that represent the first factors that restricts (or not) the implementation of policy instruments. Third, different institutional environments are presented as the second set of factors that also might influence the implementation and the effectiveness of the policy instruments. Finally, the last section concludes with a model that combines theoretical elements taken from policy instruments, contextual interaction theory and institutional environments. This model will be used later in chapter 7, as the conceptual basis for the analysis of the policy instruments used by the Mexican government to support social entrepreneurs between 2015 and 2017.

3.2. Policy Instruments

This section introduces a definition of policy instruments and some classifications to give an idea about their variety. It also presents the relation between the target group and the government, as an influence on the selection of policy instruments.

3.2.1. Definition and types of policy instruments

A social enterprise can be supported by governments in numerous ways. These include subsidies, covenants, rules, or any other form of the state authority that a government implements to influence the action of individuals. These forms are all called *policy instruments* (Bressers & O'Toole, 1998; Howlett, 2005; McDonnell & Elmore, 1987). For example, entrepreneurs can be trained to develop their skills; enterprises can receive grants to develop ideas; and, regulations can be established to facilitate social entrepreneurship activities. *Policy instruments* are used because they are expected to change a current situation. **Figure 8** illustrates, in a simple way, the relation between governments, policy instruments and individuals. What a policy instrument looks like on paper and what it might become in practice are two different things and the importance of this is to be kept in mind because:

Behind the term [policy instrument] is a core idea: the type of mechanism used in a policy matters –for how and whether the policy is executed, how a proposed initiative is greeted during policy formation, and how likely the effort is to achieve the intentions of policy makers (Bressers & O'Toole, 1998, p. 217).

Figure 8. Policy instruments implemented by governments to influence individuals

There have been several efforts to classify policy instruments. McDonnell and Elmore (1987) proposed four generic classes of policy instruments that aimed to benefit specific individuals or agencies. The classes were: *mandates*, *inducements*, *capacity-building* and *system-changing instruments*.

Mandates are about rules that seek compliance with the targets (McDonnell & Elmore, 1987). They can specifically benefit individuals, groups or society as a whole. For example, there can be regulations against discrimination. There can be environmental regulation when factories are required to comply with certain standards to avoid pollution, to ensure that both specific people and society as a whole benefit.

Inducements concern “transfers of money to individuals or agencies in return for the production of good or services” (McDonnell & Elmore, 1987, p. 138). These individuals or agencies are the first beneficiaries of this type of instrument –because they receive the money–, but secondary beneficiaries are also expected –those benefited by the value produced by the individual or agency that received the money.

Capacity-building instruments are also about the transfer of money, but with the expectation of enhancing skills and competences. For example, investing in science and mathematics curriculum development will produce future capacity to teach (McDonnell & Elmore, 1987). In comparison with the inducements, long-term returns are expected from these instruments because *capacity-building* involves intermediate products or services.

System-changing instruments assume that the current system by which public goods and services are delivered has certain incentives or distribution of authority that cannot produce desired results. The idea is to transfer official authority to individuals and agencies, changing the way in which public goods and services are delivered and expecting to increase efficiency (McDonnell & Elmore, 1987). However, this can bring on the creation of new agencies and the dissolutions of other ones.²⁴

Another classification of policy instruments was offered by Howlett (2005). He defined the *substantive* policy instruments as those “intended to

²⁴ McDonnell and Elmore (1987) gave as an example the process of deinstitutionalisation, that is when people that are mentally ill go from being in a psychiatric hospital to be part of the community. This caused the closing of state juvenile detention facilities and, in consequence, the opening of community mental health centres.

directly affect the nature, types, quantities, and distribution of the goods and services provided in society” (Howlett, 2005, p. 35). Examples of substantive instruments were classical command and control regulation, public enterprises, subsidies and tax expenditures. This dissertation considers that this classification offered by Howlett (2005) is an overarching definition that includes the four generic classes of policy instruments proposed by McDonnell and Elmore (1987), i.e., mandates, inducements, capacity-building and system changing.

Howlett (2005) also described *procedural* policy instruments that included “education, training, institution creation, the selective provision of information, formal evaluations, hearings and institutional reform” (p. 36). He pointed out that procedural instruments can be used to positively affect a group, but they can also be used the other way around, for example, by using propaganda, banning groups and associations and eliminating funding. Procedural instruments are actually oriented to alter the policy process (van Nispen tot Pannerden, 2011).

The policy instruments governments can use to influence the actions within social entrepreneurship are very diverse. Advisers and policy makers need to be aware of this variety when selecting a proper policy instrument, such as those to support social enterprises or social entrepreneurship activities (Howlett, 2005). McDonnell and Elmore (1987) claimed that the selection of policy instruments depended on the constraints and resources available for the policy maker, which might hinder or enhance the effectiveness of instrument deployment. Moreover, Bressers and O’Toole (1998) proposed a framework for the selection of policy instruments from a network-based perspective. The next section elaborates on that framework.

3.2.2. Selection of policy instruments

Bressers and O’Toole (1998) proposed a network-based perspective to explain the variables that influence the selection of policy instruments. This network is the relation between the target group and the government. According to the authors, this relation matters to the selection of policy instruments and can be assessed before, during or after the policy formation.

Bressers and O’Toole (1998) proposed the characteristics of a policy network as relevant elements influencing the selection of instruments. They

claimed that “*the more an instrument’s characteristics help to maintain the existing features of the network, the more likely is to be selected during the policy formation process*” (Bressers & O’Toole, 1998, p. 220). In order to understand this relation, they provided a definition of a network, its characteristics and what are, in turn, the characteristics that an instrument might possess.

A network is “the pattern of relationship between a governmental authority (like an agency or ministry), on the one hand, and the set of actors – the ‘target group’ – toward which the governmental authority’s policy efforts are directed, on the other” (Bressers & O’Toole, 1998, p. 215). According to these authors a network can possess two characteristics: interconnectedness and cohesion. The first one refers to the degree of personal connections that might have developed among the actors, not only during the policy process time, but at any time. The second is the degree of empathy that individuals, groups or organisations might have towards each other’s objectives. Together, these two characteristics lead to four different basic types of policy networks: strong cohesion, weak cohesion, strong interconnectedness and weak interconnectedness.²⁵

Bressers and O’Toole (1998) stated that under a certain combination of policy networks’ characteristics, the presence of specific instruments is more likely. These authors affirmed that “the influence of network characteristics is sufficiently great to explain an empirically significant portion of the instruments selected” (Bressers & O’Toole, 1998, p. 214). These selected policy instruments can be characterised for restricting or enabling the target group behaviour. That is, the policy instruments can (Bressers & O’Toole, 1998):

- 1) *Make a normative appeal*: There are instruments that make a normative appeal “to encourage the targets to choose or reject certain type of behaviour” (p. 226). For example, this can be achieved through any type of regulation.
- 2) *Possess proportionality*: Proportionality of an instrument is “the degree to which the size or intensity of a certain target group

²⁵ Bressers and O’Toole (1998) gave examples for each type of policy network. The examples responded to four dichotomies: 1) strong cohesion & strong interconnectedness, 2) strong cohesion & weak interconnectedness, weak cohesion & strong interconnectedness and weak cohesion & weak interconnectedness.

behaviour is in proportion to the size or intensity of the government reaction to that behaviour” (p. 225). For example, when a government adds a tax per unit of a certain product and the demand of that product is affected by such measure, there is proportionality, as more or less of the “behaviour” results proportionally into more or less “government response” (e.g., tax to cigarettes).

- 3) *Provide resources to the target group or withdraw resources from it, with the purpose of obtaining certain behaviour.* The examples can go from offering funds to applying taxes to certain target groups.
- 4) *Give freedom to the target group members to opt for or against the application.* For example, a target group can have the choice to apply for a subsidy.
- 5) *Imply bilaterality or multilaterality:* It is a characteristic of an instrument that implies that its design involves the negotiation between the government and actors of the target group.
- 6) *Have a specific role of policy makers in implementation:* This refers to the presence of these actors or the intervention of other parties in the process of policy instrument implementation.

Table 3 summarises the relation that Bressers and O’Toole (1998) theorised between the types of policy networks and the characteristics of the policy instruments. The idea behind this table is to determine either the type of policy network based on the characteristics of a policy instrument or the characteristics of a policy instrument based on the type of policy network . In the table, an “X” means that an instrument is likely to lack that characteristic; a “✓” means that an instrument is likely to have that characteristic. In addition, some notes regarding the degree of the presence of an instrument with certain characteristics were added, when the presence of the characteristics of an instrument is not fully there.

Table 3. Overview of the presence of policy instruments' characteristics based on the types of policy networks

Policy Instruments' characteristics Types of policy network	Normative appeal	Proportionality	Provision of resources	Freedom to opt for or against application	Bilaterality or Multilaterality	Role of policy makers in implementation
Strong Cohesion & Strong Interconnectedness	X	✓	✓	✓	✓	Closely affiliated with the target group
Strong Cohesion & Weak Interconnectedness	X	✓*	✓	Considerable freedom	X	Policy makers or intermediary organisations
Weak Cohesion & Weak Interconnectedness	✓	X	X	Limited ability to opt	X	Other parties
Weak Cohesion & Strong Interconnectedness	✓	✓	Individually applied or limited withdrawal	X	✓	Policy makers themselves or by affiliated organisations

✓*: According to Bressers and O'Toole (1998), in this case, the proportionality is "weaker than for the networks strong on both dimensions, since the use of individually-applied instruments often requires intermediaries" (p. 231).

Source: Based on Bressers and O'Toole [1998].

In short, policy instruments are expected to influence the action of individuals. There is a wide variety of policy instruments that can be applied to various target groups. The focus of this dissertation is on those policy instruments oriented to affect social entrepreneurship activities. In this dissertation, the attention is paid to the policy instruments that have been already used by the Mexican government to support social enterprises. The table above can help to determine the type of network that prevails in Mexico, based on the characteristics of their policy instruments.

3.3. Implementation of Policy Instruments

Governments use tools to support social enterprises, which as mentioned in the previous section, can be labelled as policy instruments. This dissertation will focus on policy instruments used by the Mexican Government in supporting social enterprises and on the assessment of their implementation.

To do that, this section presents the Contextual Interaction Theory, which is a theory "relatively simple, with broad applicability...[that] analyses the very core of implementation: the motivation, information [or cognition] and power [or resources] of target and implementer" (Owens & Bressers, 2013, p. 205). The purpose is to present these characteristics as the first set of factors that might influence the implementation and effectiveness of a policy instrument.

3.3.1. Contextual Interaction Theory: Cognition, Motivation and Resources

Bressers and O'Toole (2005) identified two complications during the implementation of policy instruments: 1) instruments are often operating simultaneously with other influential factors, including other policy instruments, and 2) they operate in a networked-context.

The first complication refers to the fact that the same target group can be addressed by other instruments. This, in turn, has two implications:

[a] analysts interested in effective governance need to begin to grapple with the full social context within which instruments can be expected to shape action; and [b] attention to ongoing interactive processes is required rather than a simple and static kind of causality (Bressers & O'Toole, 2005, p. 136).

The second complication is that policy instruments can be implemented in a context where multiple actors are interdependent, that is, a networked-context. Bressers and O'Toole (2005) explained that "networked" refers to the fact that the "policy-relevant actors operate not as autonomous or atomized units, nor merely as parts of a larger, straightforwardly hierarchical array, but in a matrix of interdependence" (p. 140).

These authors proposed the *Contextual Interaction Theory* as a tool to explain the implementation of policy instruments. This theory assumes that there is an active interaction between the government, or those in charge of applying an instrument, and the members of the target group to which instruments are oriented (Bressers & O'Toole, 2005). What is interesting is that this interaction does not have to coincide with the same time when the instrument is being applied. It can also happen beforehand or be maintained afterwards. In this sense, implementers need to be aware of any possible interaction because the implementation of a policy instrument will not solely determine this interaction, but it will just add a new contextual element to it. Additionally, "the course and outcomes of the processes depend [...] primarily on the characteristics of the actors involved, particularly their motivations, information, and relative power", and not only on the characteristics of the policy instruments (Bressers & O'Toole, 2005, p. 149).

There can be various types of interaction depending on the combination of *motivation*, *information* and *balance of power*. The type of interaction can predict if "an instrument will be implemented at all, and if so, to what extent their application can be labelled 'adequate'" (Bressers & O'Toole, 2005, p.

150]. In more recent work, these three core actor characteristics were re-labelled as *motivations*, *cognitions* and *resources*, the latter giving both capacity to act and exert relative power over others (Bressers, 2009; Bressers & Lulofs, 2010).

Motivations refer to those forces internal or external that can lead an individual to act in a certain way. The internal forces refer to the values, goals or interests of a person (which can be self-interests or altruistic interests). External pressures can be present when the individual is part of a group and would follow the identity of the group (Bressers, Bressers, Kuks & Larrue, 2016; Bressers & O'Toole, 2005). An example of an internal force is when governments authorities associated with a certain institution in charge of supporting social enterprises may have personal interests (e.g., political interests), that may lead them to act in a certain way when allocating grants to these types of enterprises. An example of an external force is when entrepreneurs have to adjust their interests (e.g., altruistic interests) to align with the interests of other entrepreneurs, shareholders or members that belong to the same enterprise.

Cognitions, also referred as *information held to be true*, are the interpretation of reality “influenced by filters, frames and interactions with other actors” (Bressers et al., 2016, p. 49). Depending on how different the cognitions are regarding aspects of the problem to solve, these can lead to significant impacts in the interaction, for instance, when governments list requirements that social enterprises are supposed to fulfil to obtain a grant. However, from the perspective of social entrepreneurs, some requirements are difficult to achieve, given certain circumstances that the government might be unaware of.

Resources are defined as “any asset that public and private actors can use to support their actions” and can put them at an advantage over other actors (Bressers et al., 2016, p. 50). A resource is anything that gives individuals some kind of capacity to act and power over others, particularly when they need those resources more than what they have to offer in return. Some examples of resources are legal rights, money, skilled people, time and consensus. For instance, social entrepreneurs can be constrained by the legal form adopted or they might lack sufficient resources to invest in the company, which are (or could be) reasons to ask for a grant. Similarly, when the

allocation of resources is carried out in a decentralised manner by the government, some authorities hold more power than others, depending on the level [i.e., state level or federal level] at which they work.

Figure 9 illustrates the characteristics of the actors involved in the process of providing a grant for a social enterprise. The figure shows that the individuals that belong to the institutions in charge of providing grants face their own motivations, cognitions and resources when formulating and implementing the policy. The figure also shows that the target group, in this case, social enterprises, is also composed of individuals who, in turn, have also their own motivations, cognitions and resources.

Figure 9. Contextual Interaction Theory applied in supporting social enterprises in Mexico

The motivations, cognitions and resources of the individuals involved in the process of allocating a grant to a social enterprise will be analysed in chapter 7. This will draw on the cases selected in chapter 4.

3.4. Institutional Environment Elements

This section presents the second set of factors that might influence the implementation and effectiveness of a policy instrument. These are the regulative, normative and cultural-cognitive elements, which are identified in all organisations that belong to institutional environments.

In Mexico, there are two different public agencies that promote and support social enterprises: The National Institute of Social Economy (INAES, acronym in Spanish), which supports social enterprises that are registered as cooperatives; and, the National Entrepreneur Institute (INADEM, acronym in Spanish), which supports social enterprises registered as joint stock corporations.

The operations of both public agencies to allocate grants to social enterprises will be explained in chapter 4. An interesting observation is that the two types of social enterprises supported by these public agencies can operate in very different ways, because of the social context they operate in or because of the rules they have to follow, depending on the legal form adopted. This shows how these social enterprises simply belong to different environments and that this context should be considered when explaining how the implementation of the policy instrument can be affected.

It makes sense to identify these organisations (social enterprises) within institutional environments to explain this (and when looking for what else can affect the implementation of a policy instrument). *Governments, markets and civil society* are three different institutional environments that have their own normative arrangements (Heldeweg, 2013). For example, Democracy and rule of law are found in *governments*. Property, contract, company and competition law are arrangements that are found in *markets*, while the freedom of association, legal personality and voluntary codes exist in *civil society*.

The institutions supporting social enterprises operate in the institutional environment of government, joint stock corporations (SMEs) within markets and cooperatives are within the civil society. From a legal perspective, each environment comes with its own characteristic regulations that frame behaviour and, from a governance perspective within such regulation, each of the three types of actors can adopt a role as a regulator and as a regulatee. This dissertation will not go deep into this issue, it concentrates on the regulation that the public agency will have over the social enterprises. **Figure 10** illustrates the three different institutional environments and the arrows show that regulation can be originated and applied from governments to the other two institutional environments, which will be the focus on this dissertation. Additionally, this work wants to explore other elements, besides regulation that can affect each environment, for which institutions will be reviewed from a sociological perspective.

Figure 10. Three institutional environments. Governments regulating civil society and markets

3.4.1. Organisations and institutions

INAES and INADEM (as governmental entities), and each of the social enterprises have something in common: all can be considered as organisations. An organisation is a system of consciously coordinated and controlled activities (Meyer & Rowan, 1977; Selznick, 1957). An organisation

arises “when work is embedded in complex networks of technical relations and boundary- spanning exchanges” (Meyer & Rowan, 1977, p. 340).

As mentioned, organisations belong to institutional environments and they tend to imitate or adopt the elements of these environments, in order to gain legitimacy (rather than efficiency) or maintain stability (Jackson, 2010; Meyer & Rowan, 1977). Following Scott (2003, p. 879), institutions can be defined as “systems composed of regulative, normative and cultural-cognitive elements that act to produce meaning, stability and order”. Scott considered these elements as the pillars that provide a basis of legitimacy for organisations and are also “the elastic fibers that guide behaviour and resist change” (Scott, 2014, p. 57). Scott’s theory fits within the sociological institutionalism approach that recognises individuals as part of a society, a culture or an organisation that gives them their identity (Hall & Taylor, 1996; Koelble, 1995).²⁶ In general, sociological institutionalists define institutions “not just as formal rules, procedures or norms, but the symbol systems, cognitive scripts and moral templates that provide the ‘frames of meaning’ guiding human action” (Hall & Taylor, 1996, p. 947).

Scott (2014) found that economists (like North) emphasised the regulative elements, sociologists (like Parsons, Selznick, March and Olsen) emphasised the normative elements and anthropologists (like Geertz and Douglas), and sociologist (like Berger, DiMaggio, Goffman, Meyer) emphasised the cultural-cognitive elements.

The regulatory elements involve the process of rule-setting, monitoring and sanctioning activities (Scott, 2008). They specifically refer to the legal requirements, that is, the rules, laws and sanctions that organisations should

²⁶ Institutions have been widely studied across social sciences and they can be widely defined as explicit or implicit rules that shape the actions and interactions of individuals. There are different approaches identified. One of them is the sociological institutionalism, but there are others like the rational-choice approach or the historical institutionalism. The *rational-choice* approach refers to a rational individual that has preferences and acts accordingly to maximise those preferences (Hall & Taylor, 1996). North (1991, p. 97) states that institutions are “informal constraints (sanctions, taboos, customs, traditions and codes of conducts) and formal rules (constitutions, laws, property rights) that structure political, economic and social interaction”. These institutions are used, as long as they help individuals, “to achieve certain ends and, above all, to provide exchange relations with rules, procedures and enforcement mechanisms” (Koelble, 1995, p. 240). The *historical* institutionalism approach defines institutions as the formal or informal procedures, routines, norms and conventions embedded in an organisation (Hall & Taylor, 1996). This approach is able to explain the development of political institutions, described as rules, regularised patterns and routinised practices (Schmidt, 2014). It is useful for the analysis of institutional development and policy-making (Koelble, 1995).

consider in their daily activities. They, in one way or another, set the formal boundaries of organisations. In this dissertation, INAES and INADEM follow laws and regulations to allocate grants to social enterprises. Social enterprises comply with the regulations set by INAES and INADEM to obtain the grant, but they also follow laws and rules depending on the legal form adopted.

The normative elements refer to social obligations. They “involve the creation of expectations that introduce a prescriptive, evaluative, and obligatory dimension into social life” (Scott, 2003, p. 880). Scott (2014) mentioned that normative systems define goals or objectives, but also designate appropriate ways to pursue them. The question that derives from the normative element is “given this situation, and my role within it, what is the appropriate behaviour for me to carry out?” (Scott, 2014, p. 65). In this case, and trying to follow Scott, the normative element of social enterprises would be that they are supposed to accomplish a social mission at the same time that they generate profit.

The cultural-cognitive elements consist of “preconscious, taken-for-granted understandings” (Scott, 2014, p. 74). They “involve the creation of shared conceptions that constitute the nature of social reality and the frames through which meaning is made” (Scott, 2003, p. 880). Examples of these elements are beliefs, shared logics of actions that can create certainty (or confusion). In any case, the cultural-cognitive elements are comprehensible, recognisable and culturally supported. They also associate with routines, because routines are taken for granted as “the way we do these things” (Scott, 2014, p. 68). In the analysis of the governmental entities in charge of supporting social enterprises, and of the social enterprises themselves, the focus will be on the taken-for-granted attitudes and on the assumptions adopted by the entrepreneurs when applying for a grant.

This dissertation will consider the regulative, normative and cultural-cognitive elements of the institutional environments as factors that can also affect [along with the cognition, motivation and resources of individuals] the implementation of the policy instrument. The behavioural reasoning for regulative, normative and cultural-cognitive elements are “I have to”, “I ought to”, and “I want to”, respectively (Palthe, 2014, p. 61).

Figure 11 shows that governments, markets and civil society are composed of regulative, normative and cultural-cognitive elements that can influence the behaviour of their individuals. As mentioned, the focus of this dissertation is on the relation that the Mexican government will have towards social enterprises that can be identified in the civil society and in the markets. That is why there is a direct line from governments towards these two institutional environments.

Figure 11. Institutional environment elements: Regulative, Normative and Cultural-cognitive Elements

3.5. Conclusion

The leading question of this chapter was: *what tools can governments use to support social enterprises and what supports or restricts the implementation of these tools?* According to this chapter, governments can use a wide variety of policy instruments to support social enterprises and their selection depends on the network characteristics.

In Mexico, the government has offered grants over the last couple of years to support social enterprises of recent creation. The policy instrument that has been used (i.e., the grants) and the procedure that entrepreneurs follow to obtain it, will be explained in detail in chapter 4. As with most other policy instruments, this is designed and implemented by a public agency. The selection of this policy instrument might be explained by the prevailing type of the network at the moment of selection. For example, if the *provision of resources* is one of the characteristics of the policy instrument selected, then it can be deduced that the type of the policy network was one of *strong cohesion* and either *weak or strong interconnectedness*. While the combination of *strong cohesion* and *strong interconnectedness* enables the full variety of characteristics of instruments, quite often the provision of resources, especially when combined with *multilaterality* and a weak *proportionality*, indicates the combination of *strong cohesion* (i.e., wanting to help) with *weak interconnectedness* (i.e., absence or only few interactions). This would seem to be the situation in the Mexican case.

Additionally, the assumption of this chapter was that the implementation and effectiveness of the policy instruments can be supported or restricted by individual characteristics (motivation, cognition, resources) and by elements of the institutional environment (regulative, normative and cultural-cognitive).

In the Mexican case, there are two types of social enterprises supported by the government: those constituted as cooperatives supported by INAES; and the SMEs constituted as joint stock corporations supported by INADEM. These government institutions, the cooperatives and the joint stock corporations all have institutional environment elements and individual characteristics that play a role in the implementation of the policy instrument.

Figure 12 shows the relation between the governmental entities and the two types of traditional forms of organisations where social enterprises are identified, linked by the grant support. **Figure 12** also illustrates how the governmental entities and the social enterprises can be affected by the cognition, motivation and resources of the individuals involved. The cognition, motivation and resources are the first constraints that individuals face when taking actions. These constraints constitute the inner circle, which surrounds individuals and that influences their behaviour. Within this circle, these constraints can also be seen as enabling the behaviour of individuals. The

outer circle is composed of their institutional environment elements (regulative, normative and cultural-cognitive elements), which is the second constraint of the individuals. The model shown in **Figure 12** will be used in chapter 7 to analyse the cases to be selected in the next chapter.

Figure 12. The individual characteristics and the institutional environment elements of the actors involved in the implementation of policy instruments

In short, the regulative, normative and cultural-cognitive elements, as well as the motivation, cognition and resources that surround an organisation, constraint or facilitate the implementation of a policy instrument.

CHAPTER 4. SELECTION OF SOCIAL ENTERPRISES SUPPORTED BY THE MEXICAN GOVERNMENT

4.1. Introduction

According to López-Cózar Navarro et al. (2015) social enterprises have adopted different names in different countries. In Mexico, social enterprises are associated with the social sector of the economy. Within this sector, cooperative organisations are the most predominant (Secretaría de Desarrollo Social, 2017). Wulleman and Hudon (2015) pointed at cooperatives as one of the origins of social entrepreneurship. They explained how in Mexico a “social and civic-minded economy has existed for centuries” (p. 167), with a supportive government fostering cooperatives mainly in indigenous and rural communities. They also identified the National Institute of Social Economy (INAES, acronym in Spanish) as the public institution responsible for the support of cooperatives. Defourny and Nyssens (2017) considered cooperatives as social cooperatives, which is a type of social enterprise, “when their social mission targets their own members” (p. 2482). Examples of social cooperatives are “Latin American worker cooperatives, [which are] set up within the ‘popular economy’ movement by poor people trying to create their own jobs” (p. 2482). *Cemento Cruz Azul*, *Periódico Excélsior*, *Periódico La prensa*, *El Grullo*, and *Pascual Boing* are examples of cooperatives in Mexico in which the workers had as an original objective to create and keep their jobs (Fritz-Krockow, 1986; Izquierdo, 2012). Therefore, they are also good examples of social enterprises.

Furthermore, Defourny and Nyssens (2017) claimed that the owners of small and medium-sized enterprises are more likely to keep the balance between economic and social goals than big companies with high-profit

perspectives.²⁷ When that occurs, they can be called social businesses, which are another type of social enterprises (Defourny & Nyssens, 2017). In the case of Mexico, Wulleman and Hudon (2015), mentioned that the latest initiative to promote social enterprises was in charge of the National Institute for Entrepreneurs (INADEM, acronym in Spanish), which was precisely aimed to support micro, small and medium sized enterprises (MSMEs). INADEM had a special form of support oriented to MSMEs with high-impact, that is, with the purpose of having a positive impact in the society and on the environment. These MSMEs could be good examples of social enterprises.

Based on the above, social enterprises supported by the Mexican government could be found in two types of traditional forms of organisations: cooperatives and MSMEs.²⁸ However, *which of the enterprises (MSMEs) and cooperatives that were supported by the two Mexican support programmes show features of social enterprises?*

To answer the above [third] research sub-question, the goal of this chapter is twofold. Firstly, it aims to present the background and operation of INAES and INADEM and their corresponding programmes to support cooperatives and enterprises. Secondly, it aims to describe the criteria used to select the cooperatives and MSMEs that could be confirmed as social enterprises, based on the information available at the moment of selection. The cases selected will be analysed further in the following chapters.

²⁷ Defourny and Nyssens (2017) considered four models of social enterprises. 1) social cooperatives, 2) social businesses, 3) entrepreneurial non-profit organisations, and 4) public-sector social enterprises. In this document, the last two are not included. On the one hand, there were no signs of the existence of public-sector social enterprises in Mexico. On the other hand, non-profit organisations in Mexico are supported by the National Institute of Social Development (INDESOL, acronym in Spanish). However, those were not considered in this work because: a) Their relevance to society is very small compared to cooperatives and MSMEs in Mexico (in terms of the contribution to the Gross Domestic Product, which is barely 2.7%). Only a few non-profit organisations survive due to a limited philanthropic tradition. Moreover, more than 60% of the Mexican population do not trust in non-profit organisations (Layton & Moreno, 2010; Varela y asociados & Centro de Estudios Sociales y Opinión Pública, 2013; Wulleman & Hudon, 2015). b) There is a lack of transparency in the Mexican non-profit organisations (Natal & Sánchez, 2013). c) There are no legal incentives to promote the financial sustainability of non-profit organisations (Ablanedo-Terrazas, 2009).

²⁸ There might be more types of social enterprises in Mexico, for instance, in the informal sector. However, this dissertation focuses on social enterprises legally constituted and that have been supported by the Mexican government.

4.2. INAES and the Selection Criteria of Cooperatives

This section introduces the National Institute of Social Economy (INAES, acronym in Spanish) as the Mexican institute in charge of supporting organisations of the social sector of the economy (specially cooperatives). It also describes the support mechanism to select cooperatives with a new productive project, under the *Programme to Promote the Social Economy*. Once that the reader is familiarised with INAES, its programme and its way of work, some of the cooperatives that were actually supported by this public organisation during the period 2015-2017 will be selected, for the purposes of this dissertation.

4.2.1. INAES supporting social enterprises

In 1983 a paragraph was added to the article 25 of the Mexican Constitution. This addition led to the *Law on Social and Solidarity Economy* (LESS, acronym in Spanish) published in 2012 (Arregui, 2009; Conde-Bonfil, 2016; Simental-Franco, 2016). According to the LESS, the Mexican social sector of the economy is composed of the following forms of social organisations (Poder Ejecutivo Federal, 2015):

- I. Commons (*Ejidots*, in Spanish²⁹)
- II. Communities
- III. Worker organisations
- IV. Cooperative Societies
- V. Companies that belong mostly or exclusively to workers
- VI. In general, of all forms of social organisation for the production, distribution and consumption of socially necessary goods and services.

On the basis of this law, INAES was created in 2012, as a deconcentrated organisation of the Ministry of Economy. However, in 2015 the LESS was amended, establishing that INAES will be part of the Ministry of Social Development from 2016 (Poder Ejecutivo Federal, 2015). In general, the purpose of this institute has been to implement public policies for the promotion and development of the social sector of the economy. Specifically,

²⁹ According to the online Oxford dictionary, an ejido is a "system of communal or cooperative farming". Retrieved from Oxford online dictionary: <https://www.lexico.com/es-en/traducir/ejido>

INAES has managed the *Programme to Promote the Social Economy* which main objective has been to provide the necessary means to the organisations of the social sector of the economy to boost their *productive initiatives* (Secretaría de Desarrollo Social, 2016; Secretaría de Desarrollo Social y Secretaría de Economía, 2015).

In 2017, an evaluation of the *Programme to Promote the Social Economy* was made. It revealed that there were 179,216 organisations that belonged to the social sector of the economy (Secretaría de Desarrollo Social, 2017). Within this number, 148,683 were cooperatives, that is, cooperatives constituted almost 85% of the social sector of the economy in Mexico (Secretaría de Desarrollo Social, 2017). Given those figures, the cooperatives prevailed over other forms of social organisations that belonged to the social sector of the economy. This dissertation will focus on *cooperatives* and only on those that aim to execute *a new productive project*.

The article 46 of the LESS establishes that the operation of the *Programme to Promote the Social Economy* shall be subject to certain *Rules of Operation* (Poder Ejecutivo Federal, 2015). The first *Rules of Operation* were published in 2013 to regulate the programme in 2014. The *Rules of Operation* determine the target population, eligibility criteria, the support modes, rights and obligations of the applicants, among other mechanisms that regulate the process of support. Among the support modes, there is one that focuses on the implementation of a *new productive project*, which idea is to support those organisations of the social sector of the economy that seek to execute, or develop and consolidate their productive projects. In short, this research focuses on the cooperatives, within the social sector of the economy, supported by INAES, through the *Programme to Promote the Social Economy* under the mode of *new productive project*, in the years of 2015, 2016 and 2017.

In those three years, the process carried out by INAES remained basically the same. **Figure 13** shows the process flow followed by the Mexican authorities to allocate the grant intended to cooperatives with new productive projects.

Figure 13. Process followed by INAES to support new productive projects. *Source:* Based on the *Rules of Operation* (Secretaría de Desarrollo Social, 2016; Secretaría de Desarrollo Social y Secretaría de Economía, 2015; Secretaría de Economía, 2014b).

The first step in the process (no. 1 in **Figure 13**) was the approval of the *calls*. The *calls* needed to be authorised by the National Technical Committee.³⁰ Then, they were published in the INAES website (no. 2 in **Figure 13**), and were disseminated in the state delegations of INAES and through any means that the state delegations considered appropriate (Secretaría de Desarrollo Social, 2016; Secretaría de Desarrollo Social y Secretaría de Economía, 2015; Secretaría de Economía, 2014b).

The next step is a *pre-registration phase* in which the applicants had to enter to the website and capture the required information to generate a pre-registration voucher (no. 3 in **Figure 13**). This voucher marked an appointment to go to the respective INAES delegation to register the application for support (no. 4 in **Figure 13**). The legal representative had to go to the appointment and deliver all the required documentation (Secretaría de Desarrollo Social, 2016; Secretaría de Desarrollo Social y Secretaría de Economía, 2015; Secretaría de Economía, 2014b). Among the most relevant requirements were the following documents:

- a) The current constitutional act of the organisation (in this case, cooperatives).
- b) The support application duly completed.
- c) A copy of the Federal Taxpayer Registry (RFC, acronym in Spanish) of the legal representative.
- d) Proof of being up to date with tax obligations.
- e) An investment study, which is a document in which the technical, market and financial aspects of a productive project are captured and analysed. It establishes the investment requirements for its execution and operation. Applicants could apply for fixed investment (up to 70% in 2015, up to 80% in 2016 and 2017), deferred investment (up to 25% in 2015, up to 15% in 2016 and up to 10% in 2017) and working capital (up to 50% in 2015, up to 40% in 2016 and 2017). The three items must add up to 100%. The first type, fixed investment,

³⁰ In 2015, the National Technical Committee was composed of public servants from INAES, such as the General Director and some of the central administrative units that formed part of the institute, and from the Ministry of Economy. Since 2016, it is only composed of public servants from INAES (Secretaría de Desarrollo Social, 2016; Secretaría de Desarrollo Social y Secretaría de Economía, 2015; Secretaría de Economía, 2014b).

refers to real estate, physically tangible assets such as machinery, transportation equipment. The second type, deferred investment, refers to intangible assets such as costs of legal constitution of patents, studies and training. The third type, working capital, refers to resources for raw materials, inputs, payment for labour and/or payment for necessary services. In 2015 and in 2016, the amount of support could reach up to one million pesos (around fifty thousand euros) (Secretaría de Desarrollo Social y Secretaría de Economía, 2015; Secretaría de Economía, 2014b). In 2017, this amount was up to five hundred thousand pesos (around twenty five thousand euros) (Secretaría de Desarrollo Social, 2016). It is also worth to keep in mind that INAES published a list of external consultants that were accredited to have the knowledge to support the Organisms of the Social Sector of the Economy in the elaboration of their productive projects. In case that the applicants would like to hire external consultants, only those published in that list could be hired.

- f) Identification of the legal representative and members.
- g) In the case that applicants had decided to hire external consultants, they needed to submit a document releasing INAES from any civil or labour liability, in case of any eventuality that might arise from the hiring of external consultants (Secretaría de Desarrollo Social, 2016; Secretaría de Desarrollo Social y Secretaría de Economía, 2015; Secretaría de Economía, 2014b).

Once that all the documentation was validated, the *definitive registration of application* was completed (no. 5 in **Figure 13**) and the project passed to the evaluation process. The *Rules of Operation* for 2015, 2016 and 2017 established three types of evaluations and they were held by the INAES' delegations (Secretaría de Desarrollo Social, 2016; Secretaría de Desarrollo Social y Secretaría de Economía, 2015; Secretaría de Economía, 2014b).

The first type consisted of a *field validation* which was carried out to check the existence of applicants and the congruence between the initiative and the application (no. 6 in **Figure 13**). It was established that the *field validation* could be done before, during or after the *normative validation* and the *technical evaluation*. The result of this validation could be positive or negative. For the

normative validation and the *technical evaluation*, the INAES delegations could rely on external evaluators.³¹

The second type was a *normative validation* (no. 7 in **Figure 13**) which consisted of verifying the information in the documents provided. If any information was missing or inconsistent, the applicant was notified and had five business days to remedy the omission or inconsistency notified. The result was also positive or negative.

The third type was the *technical evaluation* (no. 8 in **Figure 13**), which determined the viability of the project and the INAES' delegations could also rely on external evaluators. There were evaluation criteria published by INAES on its website, regarding the technical, market and financial aspects to be evaluated.³² The Delegation could give a grade from five to ten and only those with a total grade equal or above 70 points had a positive technical evaluation, otherwise it was negative.

Once the evaluations were completed, the requests for support were forwarded to the *Regional Technical Committee* for *approval*, based on budget sufficiency (no. 9 in **Figure 13**).³³ The results of the committee session would tell whether or not the requests were authorised and the committee would have a maximum of five days to publish the results (no. 10 in **Figure 13**). The selected organisations then had to go to the corresponding INAES delegation to check that they had the permits, licenses, authorisations and everything else that was necessary for the implementation of the new productive project. In order to receive the corresponding funds, they also had to provide their bank account number. The formalisation of the terms and conditions was done through the signing of a legal instrument, which was adapted to the specific characteristics of the support granted (no. 11 in **Figure 13**).

³¹ External evaluators were recruited through public calls issued by INAES. An example of a call can be found in:

<http://inaes.gob.mx/doctos/pdf/Renglon%204/RO2015/CONSULTORES/Convocatorias/Convocatoria%2005-2015%20y%20Bases.pdf>

³² For more information about the evaluation criteria see:

<http://inaes.gob.mx/doctos/pdf/Renglon%204/RO2015/INTEGRA/Criterios/Criterios%20para%20la%20evaluaci%20n%20t%20cnica%20INTEGRA%20I.1%20Nuevo.pdf> – Accessed on 15th June, 2020.

³³ The Regional Technical Committee was composed of the respective delegates, one delegate from the Ministry of Economy for 2015 and from the Ministry of Social Development for the years 2016 and 2017.

The day after the delivery of the resources, the organisations (in this case the cooperatives) had a specific period of time (30 working days for 2017, 20 working days for 2016, 60 working days for 2015) to prove the correct application of the resources received. The organisations were requested to provide documents or fiscal invoices (no. 12 in **Figure 13**).

Finally, to verify the results obtained by the cooperatives with the support given, INAES, through the delegations, would carry out site visits (if deemed necessary) to the cooperatives that executed the projects (no. 13 in **Figure 13**). These visits were independent to the *field validation* visits.

The following section describes the process to select the cooperatives used as case studies in this research. Following the criteria explained below, seven cooperatives were selected. Those cooperatives will be explained further and assessed in chapter 5.

4.2.2. Selection criteria of cooperatives supported by INAES

In this section, the intention is to describe the criteria used to select cooperatives. The purpose was to select a sample composed of cooperatives that could be confirmed as social enterprises, according to the theoretical elements previously reviewed and based on the information available at that moment of the research. Therefore, the criteria used to make such a selection was 1) to identify projects presented by cooperatives, excluding the other types of organisations of the social sector of the economy 2) to select only those cooperatives that were contactable and 3) to select actual social enterprises.

The first criterion was *to identify projects presented by cooperatives*. The list of the correspondent organisations of the social sector of the economy, supported through the *Programme to Promote the Social Economy* managed by INAES, was available online, in an Excel file, on the website of INAES³⁴. The type of organisations of the social sector of the economy was also specified; therefore, the cooperatives were easy to identify among the other types of organisations of the social sector of the economy.

According to the *General Law on Cooperative Societies* (Poder Ejecutivo Federal, 1994), there are three types of cooperatives: 1) cooperatives of

³⁴ The database can be found in: <https://datos.gob.mx/busca/dataset/beneficiarios-del-programa-de-fomento-a-la-economia-social>.

consumers of goods and/or services, 2) cooperatives of producers of goods and/or services and, 3) cooperatives of savings and loans. These types of cooperatives were also specified in the Excel file of Organisations of the social sector of the economy that were eligible to be supported. With respect to the last type of cooperative, there was only one awarded with the in 2015, one in 2016 and one in 2017, so the selection was focused on the first two types of cooperatives. In 2015, there were **408** cooperatives supported, in 2016 there were **314**, and in 2017 there were **370**.

Once that the population of cooperatives was identified, the second criterion was *to select only those cooperatives that were contactable*. That is, to select cooperatives that were easy to find because they had their address or telephone number published online; and/or cooperatives that had e-mails, Facebook pages or websites. The result was that only **24** cooperatives could be reached out through any of the mentioned means in 2015, **15** in 2016 and **10** in 2017. This drastic reduction had a pragmatic reason: without contact information no further research was possible. However, this also had an impact on the nature of the selection. The organisations that were contactable would be on average more developed and well-organised than the population of cooperatives as a whole. When interpreting the data this should be considered.

The third criterion of selection was based on the idea that *the cases should actually be social enterprises*. In chapter 2 various aspects that characterise enterprises as social enterprises were presented. Based on that, the criterion was to select those that even with the scarce information available (taken either for the short description in the Excel file or online) could be considered as social enterprises. Therefore, certain variables were determined and the cooperatives that complied with at least one of those variables were selected. The further round of selection using those variables implied that the sample that is used in this work for further study is not representative for all Mexican state supported enterprises, but has certain desired characteristics that make it more likely that they will comply with the notion of “social enterprises”.

According to Defourny and Nyssens (2017), a cooperative can be considered as a *social cooperative* “when their social mission targets their own members”, who live actually in poverty conditions and the activities

involved in the cooperative would mean improvements in their living conditions and/or in their incomes (p. 2482). In this sense, the *degree of marginalisation* was considered as a first variable. Marginalisation is the set of social problems [disadvantages] of a community or locality and refers to groups of people and families [Consejo Nacional de Población, 2010]. The evaluated cooperatives were scored either with 1 point if the project was being held in a community with high or very high *degree of marginalisation* or with 0 points if the project was located in a community with a medium, low or very low *degree of marginalisation*.

The second variable is the *number of members* of each cooperative. This responds to the idea that a social cooperative “goes beyond most conventional cooperatives in that it combines the pursuit of its members’ interests with the pursuit of the interests of the whole community” (Defourny & Nyssens, 2017). So, if the cooperative was located in a small community and had several members, could be deduced that several members of the community were being benefited by the activities of the cooperative. Additionally, a fundamental characteristic of a social cooperative is the accessibility to become a member, to be open to “all persons [...] willing to accept the responsibilities of membership” (International Cooperative Alliance as cited in Defourny & Nyssens, 2017). Moreover, Izquierdo-Muciño (2009) explained that the current *General Law on Cooperative Societies* reduced the minimum number of members to constitute a cooperative, from 10 to five. This reduction affects the spirit of mutuality without mentioning that some people have taken advantage of this legal form [cooperative], turning it into a business of a few people and even defrauding their own partners on several occasions (Izquierdo-Muciño, 2009, p. 111). Therefore, based on this idea, cooperatives with less than 10 members were scored with 0 points and cooperatives with at least 10 members, with 1 point.

The third and last variable considered was *protection of the environment*. This followed upon the idea that a cooperative can be considered as a social cooperative when it pursues a large societal aim, such as environmental protection or improvement, in addition to favouring their own members (Defourny & Nyssens, 2017). The score was 1 point to those cooperatives that were producers of organic food or that explicitly mentioned the protection of the environment in some way.

In 2015, out of the 24 cooperatives, **nine** cooperatives had characteristics of at least one of the variables exposed (high or very high degree of marginalisation, more than 10 members and protection of the environment). In 2016, out of the 15 contactable cooperatives, only **eight** complied with one or two of the characteristics. In 2017, out of the 10 contactable cooperatives, only **four** complied with one or two of the characteristics. **Figure 14** shows the resulting cooperatives, per year, after applying the selection criteria described.

Figure 14. Results of the selection process of cooperatives supported by INAES

Table 4, **Table 5** and **Table 6** show the name and location of the resulted cooperatives for the years 2015, 2016 and 2017, respectively, after applying the third criterion. The tables also show which characteristics the cooperatives complied with. Unfortunately, none of the cooperatives complied with the three characteristics proposed at the same time, in 2015 and 2016. The rest of the contactable cooperatives, the ones that scored with 0 points, were excluded from the tables.

Table 4. Cooperatives supported by INAES in 2015 with high or very high degree of marginalisation, with more than 10 members or that protect the environment

No.	Municipality, State	Name	High/very high degree of marginalisation	More than 10 members	Protection of the environment	Score
1	Tapachula, Chiapas	Central de Acopio de Productores del Soconusco	0	1	0	1
2	Magdalena Tequisistlan, Oaxaca	Procesadora de Productos Ecológicos	0	1	0	1
3	Alto Lucero de Gutiérrez Barrios, Veracruz	Grupo Agrícola y Ganadero de Mesa de Guadalupe	0	1	0	1
4	Aquismón, San Luis Potosí	Cabañas don Gaude	1	0	0	1
5	Tula de Allende, Hidalgo	Productores Agropecuarios de la finca del Horcado	1	1	0	2
6	Aquismón, San Luis Potosí	Café Cumbre de Aquismón	1	1	0	2
7	Soconusco, Veracruz	Citricola la Virgen	1	1	0	2
8	Temozón, Yucatan	Cenote Ecoturístico X-Canché	1	0	1	2
9	Sombrerete, Zacatecas	Productores de la Sierra Prieta	1	1	0	2

Table 5. Cooperatives supported by INAES in 2016 with high or very high degree of marginalisation, with more than 10 members or that protect the environment

No.	Municipality, State	Name	High/very high degree of marginalisation	More than 10 members	Protection of the environment	Score
1	Saucillo, Chihuahua	Ore Procesadora de Orégano Silvestre	0	0	1	1
2	Atoyac de Alvarez, Guerrero	Herbereda	0	1	0	1
3	Villa Guerrero, Estado de México	Agroemprendedores de Villa Guerrero	0	1	0	1
4	Amatepec, Estado de México	Rancho Lang, Cordero Mexicano	1	0	0	1
5	Ocosingo, Chiapas	Centro Ecoturístico Maya Luna Roja	1	0	0	1
6	Montemorelos, Nuevo León	Grupo empresarial de costura Montemorelos	0	1	0	1
7	Ixmiquilpán, Hidalgo	Unión Alberquina	1	1	0	2
8	Temozón, Yucatan	Cenote Ecoturístico X-Canché	1	0	1	2

Table 6. Cooperatives supported by INAES in 2017 with high or very high degree of marginalisation, with more than 10 members or that protect the environment

No.	Municipality, State	Name	High/very high degree of marginalisation	More than 10 members	Protection of the environment	Score
1	Guanajuato, Guanajuato	Nutrinopal Aguirre	0	1	0	1
2	Santa María Tonameca, Oaxaca	Lagarto Real	1	0	1	2
3	Putla Villa de Guerrero, Oaxaca	Itunuvico	0	1	1	2
4	La Huacana, Michoacán	Unión Regional de Cooperativas Arroyo San Pedro Jorullo	1	1	1	3

In short, after applying the third criterion, 20 cooperatives were requested for an interview with the legal representative of the cooperatives. The count of the cooperatives is actually 21, but the cooperative *Cenote Ecoturístico X-Canché* located in Temozón, Yucatan was supported twice, in 2015 and in 2016.

Out of the 20 cooperatives that were reached out, only seven satisfactorily replied and agreed on an interview, which was needed for a further analysis of the cases. Reaching out to the rest of the cooperatives was unsuccessful for various reasons. For example, the phone numbers were out of service, the e-mails were never replied, or the contacts simply refused to be interviewed. **Table 7** shows the state and municipality where the seven interviewed cooperatives are located, the name of the cooperative, the year in which they were supported, and their score obtained after applying the third criterion of selection.

Table 7. Cooperatives selected for the study

No.	State	Municipality	Name	Year	Score
1	Oaxaca	Magdalena Tequesistlán	Procesadora de Productos Ecológicos	2015	1
2	San Luis Potosí	Aquismón	Café Cumbre de Aquismón	2015	2
3	Yucatán	Temozón	Cenote Ecoturístico X-Canché	2015 & 2016	2
4	Estado de México	Amatepec	Rancho Lang, Cordero Mexicano	2016	1
5	Chiapas	Ocosingo	Centro Ecoturístico Maya Luna Roja	2016	1
6	Hidalgo	Ixmiquilpan	Unión Alberquina	2016	2
7	Michoacán	La Huacana	Unión Regional de Cooperativas Arroyo San Pedro Jorullo	2017	3

It is important to note, that the cooperatives approached are located in different states of Mexico, as shown on the map in **Figure 15**. For this reason, some interviews were held via skype or via telephone and, only when possible, face to face. The questions formulated during the interview can be consulted in Appendix B.

Figure 15. Geographic distribution of INAES cases

4.3. INADEM and the Selection Criteria of MSMEs

This section introduces the National Entrepreneur Institute (INADEM, acronym in Spanish) as the Mexican organisation that used to support MSMEs. It also describes the mechanism to select MSMEs under the form of support called *high-impact Entrepreneurship* within the *National Entrepreneur Fund*. Once that the reader is familiarised with INADEM, its mode support modes and its mechanism, some of the MSMEs that were supported will be selected, for the purposes of this research.

4.3.1. INADEM supporting social enterprises

The Ministry of Economy has been in charge of implementing the *Law for the Development of the Competitiveness of the Micro, Small and Medium Enterprises*, since 2002. This law promotes, on the one hand, national economic development through the creation of micro, small and medium sized-enterprises (MSMEs) and, on the other hand, offers support for their

viability, productivity, competitiveness and sustainability (Poder Ejecutivo Federal, 2002).

In 2013, by presidential decree, INADEM was created as a new deconcentrated organisation of the Ministry of Economy. Its purpose was to implement and coordinate the national policy of support for entrepreneurs and MSMEs, through the promotion of innovation and competitiveness in the national and international markets to increase their contribution to economic development and social welfare (Poder Ejecutivo Federal, 2013a).

INADEM managed and regulated a programme called *National Entrepreneur Fund* (FNE, acronym in Spanish). The *Federal Law of Budget and Tax Liability* established that the programmes indicated in the Budget of Expenditures of the Federation, through which supports are granted, would be subject to *Rules of Operation* with the purpose of assuring that the application of public resources was carried out with efficiency, effectiveness, honesty and transparency (Poder Ejecutivo Federal, 2012). In that sense, the FNE was regulated through *Rules of Operation* and the first ones were published in December 2013 to regulate its operations during 2014. Based on this, the INADEM, through the FNE, allocated grants to MSMEs that presented a project concerning any of the categories contemplated in the *Rules of Operation* of the FNE (Secretaría de Economía, 2016).

One of the categories was called *Entrepreneurship and Finance Programme* and, within this, there was a support mode called *Impulse to high-impact entrepreneurship*. In general, *Impulse to high-impact entrepreneurship* supported business models oriented to have not only positive economic impact, but also positive social and environmental impact (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015).

Table 8 shows the objectives of this mode of support and its sub-modes of support for the years 2015, 2016 and 2017, which is the period under study of this research.

Table 8. Impulse to high-impact entrepreneurship of the National Entrepreneur Fund: Objectives and sub-modes of support

	2015	2016	2017
Objectives	To support MSMEs that incorporate or develop high impact practices in their product, service, process or business model, in order to achieve their development, commercialisation and scaling. Also, to support those business models based on solutions for social problems or that generate benefits to the environment.	To support MSMEs with high economic potential, based on products, services and/or business models with an integral impact on their environment.	To support high-impact ventures with high economic potential and global scale-up, based on products, services and/or business models with an integral impact on their environment.
Sub-modes of support	Two sub-modes of support: 1. <i>High-impact entrepreneurship</i> 2. <i>Entrepreneurship with social/environmental impact</i>	Two sub-modes of support: 1. <i>High-impact entrepreneurship</i> 2. <i>Entrepreneurship with social / environmental impact</i>	Three sub-modes of support: ³⁵ 1. <i>High-impact entrepreneurship:</i> Projects with an innovative product, service or business model, with potential for high global economic growth and generating positive impacts (sectoral, social, environmental, cultural) in the environment. 2. <i>Entrepreneurship with social impact:</i> Projects with an innovative product, service or business model that addresses social problems with sustainable impact, focused on vulnerable groups. ³⁶ 3. <i>Entrepreneurship with environmental impact:</i> Projects with an innovative product, service or business model focused on dealing directly and sustainably with environmental problems. ³⁷

Source: Based on *Rules of Operation* (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015)

In 2015, 2016 and 2017 the process carried out by INADEM to support MSMEs remained basically the same. **Figure 16** shows the process flow followed by INADEM to allocate the grants to MSMEs with high-impact.

³⁵ Unlike 2015 and 2016, in this year the Rules of Operation gave a definition of “high impact” and a definition of its sub-modes. This is why they are presented in the table.

³⁶ Vulnerable groups were considered to be: children and adolescent women; indigenous people; migrants, elderly people, people with some type of disability or special needs; dependents of people deprived of their liberty, the disappeared, the terminally ill, alcoholics or drug-dependent people; victims of crimes; indigent people or people affected by natural disasters.

³⁷ For example, environmental problems such as climate change, habitat destruction, loss of species, and pollution were considered.

Figure 16. Process followed by INADEM to support high-impact entrepreneurship. *Source:* Based on the *Rules of Operation* (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015).

To start, the *calls* had to be approved by the Ministry of Economy (no. 1 in **Figure 16**). Once authorised, the calls were disseminated through the website of INADEM (no. 2 in **Figure 16**). The calls established the target population, the corresponding dates and requirements that the applicants should comply with (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015).

In the period that was established in the calls, the applicants uploaded to *the national entrepreneur system* a set of requirements (no. 3 in **Figure 16**). Among the most relevant requirements were the following (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015):

- a) Company history.
- b) Trajectory of the owner of the project and/or work team.
- c) Technical and financial viability document. In this document the justification of the support concepts requested were specified. Applicants could obtain up to three million pesos (around 150 thousand euros) if they were start-ups³⁸ or up to five million pesos (around 200 thousand euros) if they were scale-ups³⁹ for the year 2015 and 2016. In 2017, regardless if they were start-ups or scale-ups they could get up to three million pesos. The money could be requested for the following concepts:
 - Software development and/or implementation.
 - Specialised certifications applicable to products, services, processes and human talent.
 - Professional and consulting services.
 - Acquisition of machinery to generate products and/or improve processes.
- d) Document that specified how the presented business model affected the environment, and what its social or environmental impact was.
- e) Document that evidenced the link of the company with other entrepreneurs, mentors, research centres, educational institutions, government, etc.

³⁸ Companies recently created (no more than two years of creation).

³⁹ Companies operating for at least two years. They are growing companies.

- f) In 2017, an additional requirement was to upload to the system the URL link of a video explaining the venture.

The next step in the process was the evaluation, which consisted of a *normative evaluation* and of a *technical and financial evaluation* (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015).

The *normative evaluation* referred to the process through which the compliance of each project is assessed upon the formal documentation established in the call (no. 4 in **Figure 16**). This evaluation was carried out by internal evaluators on INADEM. If something was missing, there was a period of three days to complement the missing information. If the information was completed successfully, the project was approved and proceeded to the next evaluation; otherwise, the applicants were informed of their rejection through the national entrepreneur system.

The *technical and financial evaluation* referred to the process in which specialised evaluators (external to INADEM and usually two evaluators per project) assessed the technical characteristics of each project, as well as its financial structure and its business potential (no. 5 in **Figure 16**). Additionally, according to the *Rules of Operation* and their corresponding calls, the evaluators graded the projects considering also the trajectory of the entrepreneurs (i.e., their experience as entrepreneurs), impacts generated (i.e., either social or environmental) and the proposal differentiation (i.e., what makes the proposed project different to others projects within the same industry). These evaluation criteria are listed in **Table 9**. This table shows that the score of each criterion was adjusted in 2016 and remained the same for 2017. The maximum score was 100 points and the projects that had obtained at least 60 points were allowed to continue in the process. In 2016 and in 2017 it was specified that once that the projects were graded, the applicants had two days to write 250 words in the national entrepreneur system with the purpose of influencing the ratification or modification of the grade given.

Table 9. Evaluation criteria and score given per year

Evaluation Criteria ⁴⁰	Score 2015 Social / environmental impact	Score 2016 Social / environmental impact	Score 2017 Social / environmental impact
Trajectory of the entrepreneur	20 points	30 points	30 points
Technical and financial viability	25 points	20 points	20 points
Impacts generated (social / environmental)	30 points	30 points	30 points
Proposal differentiation	25 points	20 points	20 points

Source: Based on Rules of Operation (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015)

According to the *Rules of Operation*, the projects that were approved in this last evaluation were sent to a *panel of experts* (no. 6 in **Figure 16**). The *panel of experts* was a group of specialised professionals who could provide an expert opinion in relation to the sector that the project impacts (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015).⁴¹

The next step was to send the approved projects to the *Analysis Group* (no. 7 in **Figure 16**). The *Analysis Group* was composed of senior evaluators, a group of experts in evaluation issues (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015). The *Analysis Group* issued an opinion validating whether the development of the evaluation process was carried out in accordance with the *Rules of Operation*. In addition, they ranked the projects according to the ratings determined in the evaluation process, for presentation to the *Board of Directors* (no. 8 in **Figure 16**).

The *Board of Directors* was the ultimate decision organism formed mainly by the President of the National Entrepreneur Fund, a representative of the Ministry of Economy; a representative of the Mexican Association of Secretaries of Economic Development, A.C.; and a representative of the Ministry of Finance and Public Credit. This Board rejected or approved the projects and, made the final decision based on the grades and on the available

⁴⁰ The evaluators had a 'technical, financial and business evaluation guide' that specified evaluation elements for each evaluation criterion and a certain number of points for each of them. This guide was confidential, only evaluators had access to it.

⁴¹ In the interview that was conducted with the authorities of INADEM on the 7th of November, 2017, it was mentioned that the panel of experts also graded the projects. Their approval was enough to send the project to the next phase. However, the *Rules of Operation* only mentioned that the Panel of Experts could provide only its opinion.

budget (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015).

Subsequently, the beneficiaries were notified via the *national entrepreneur system* (no. 9 in **Figure 16**) whether they were awarded or not with the grant. Those that were awarded with the grant had to make the *formalisation of delivery of the resource* by signing the corresponding agreement (no. 10 in **Figure 16**). For the support to be allocated, the beneficiary had to have an exclusive bank account for the project (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015).

The beneficiaries had to upload to the *national entrepreneur system* reports proving how the money was spent (no. 11 in **Figure 16**). Finally, INADEM might request information from beneficiaries during or at the closure of projects and that the results may be verified through visits and surveys during or at the end of projects (no. 12 in **Figure 16**) (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015).

The following section describes the process to select the enterprises used as case studies in this research. Following the criteria explained below, 10 enterprises were selected. Those enterprises will be further explained and assessed in chapter 6.

4.3.2. Selection criteria of MSMEs supported by INADEM

The announcements to apply for the grant called *Impulse to high-impact Entrepreneurship* were oriented to MSMEs that were legally registered. These enterprises could be *start-ups* or *scale-ups*. According to the announcement, the enterprises could apply for the grant presenting a project considered as a 1) *high impact entrepreneurship* or 2) an entrepreneurship with *social/environmental impact*. According to the list published in the website of INADEM, **160** projects were supported in 2015, **148** in 2016 and the list of 2017 was never published.

Moreover, in comparison with INAES that published the list of beneficiaries specifying the names of the cooperatives, municipality and type of activity, the list published by INADEM was a vague description regarding the projects and the score that they obtained in the evaluation process.

Since the name of the enterprises was not published due to privacy and confidentiality, in order to be able to eventually contact them, a broader

description of the projects that were supported between 2015 and 2017 was requested, through the *National Institute for Transparency, Access to Information and Personal Data Protection* (INAI, acronym in Spanish). The INAI is an institute responsible for upholding the right to access to public information held by any entity that receives and spends public money at the federal level.⁴²

As a result of the official request, INAI provided **159** pdf files with the description of the projects that were supported in 2015, out of 160 that were officially supported in that year according to the online publication in INADEM's website; it provided **143**, out of 148 supported in 2016; and, **169** in 2017 without specifying if this was the total number. However, due to the *General guidelines for the classification and declassification of information* that protects against publication of certain information (Consejo Nacional del Sistema Nacional de Transparencia, 2016), there were files with text crossed out which made them illegible. Others files required a password to open them. Therefore, considering these facts, the number of documents available were actually **150** projects in 2015, **141** in 2016 and **169** in 2017. In this last year, all the documents had the same format and were provided without any crossed-out text or at least, the documents were fully understandable.

Once all documents were available for analysis, and as with the cooperatives, the purpose was to select a sample composed of those MSMEs that could be confirmed as social enterprises, according to the theoretical elements that have been reviewed and based on the information available at that moment of the research. The selection criteria were 1) to filter the projects with social or environmental impact, 2) to identify the contactable projects and 3) to select the projects with *the best score*, assuming that they are actually social enterprises.

The first criterion of selection was to filter the projects that in the title mentioned "social or environmental impact" and to leave out those with only "high-impact". The resulting sample was **60** projects (pdf files) with "social or environmental impact" in 2015 and **33** projects in 2016. In 2017, each file had the name of the project as well as the mode of support in which it fitted, therefore the selection was easier and the result was **23** projects with either

⁴² More information about INAI available in: <http://inicio.inai.org.mx/SitePages/ifai.aspx>

environmental or social impact [15 projects belonged to the mode of environmental impact and eight projects belonged to the mode of social impact entrepreneurship].

The second criterion of selection was *to identify the contactable projects*. For this, it was considered telephone numbers, e-mails, Facebook pages, websites or any means that allowed to contact the enterprise. In 2015, **36** project leaders or headquarters could be reached through any of the mentioned means. In 2016, **23** projects were identified and in 2017, only **22**. As with the cooperatives, selecting contactable enterprises would likely mean that the enterprises in the resulting sample would be on average better organised than the ones that cannot be contacted.

The third criterion of selection was based on *selecting the best scored*. To further increase the likelihood that the enterprises that were selected for more detailed study complied with the notion of “social enterprises”, as described in chapter 2, the *best on paper* were selected. Based on the pdf files of the contactable projects, the following information was identified: their social or environmental contribution, their innovation, their contribution to any policy, their scalability, the replicable qualities, the sector to which the project belonged and the state/ city from it was launched. These elements allowed to have a uniformed summary of the projects.

Based on that information, each project was scored according to the answers of the following questions:

- a) *Does it help vulnerable people?* The project was scored with 1 point, when in any step of the value chain, a good or a service benefits some category of vulnerable people. By vulnerable people, the definition of INADEM was considered. In this definition, vulnerable people are children⁴³ and, inter alia: adolescent women; indigenous, migrants, elderly people; disabled people; people affected by natural disasters, among others (Secretaría de Economía, 2016). In addition, people from rural and marginalised areas, small producers, people with low income or that in the project are

⁴³ Children are every human being below the age of 18 years unless under the law applicable to the child, according to the Convention on the Rights of the Child. See more in: <https://www.ohchr.org/en/professionalinterest/pages/crc.aspx>

explicitly considered as poor people, and so were also considered as vulnerable people.

- b) *Does it protect the environment?* The project was scored with 1 point when in any step of the value chain of a good or a service, deliberate actions to protect the environment were mentioned explicitly in the project's proposal.
- c) *Does it contribute to any current policy?* The project was scored with 0.5 points when the entrepreneurs explicitly claimed in the project's proposal presented that their good or service was aligned with some current policy (national or international).
- d) *Does it contribute to the promotion of culture?* The project was scored with 0.5 points when the product or service aimed at promoting the Mexican culture.

To make the criteria behind each question uniform, the projects were scored by different persons, including the author of this dissertation. First, the author scored the projects of the three years under study. Then, the projects were handed to three different peers for evaluation. Each peer scored projects from one year, that is, peer 1 scored the projects supported in 2015, peer 2 scored the projects supported in 2016 and peer 3 scored the projects supported in 2017.

Figure 17 shows the resulting MSMEs per year, after applying the selection criteria described.

Figure 17. Results of the selection process of MSMEs supported by INADEM

Out of the 36 projects that were assessed from 2015, one scored 3 points; two projects scored 2.5 points; three scored 2 points; two 1.5 points; fourteen scored 1 point; nine scored 0.5 points; and five scored 0 points.

Table 10 shows the eight projects with the highest score (i.e., with minimum 1.5 points) of that year. The minimum score was decided assuming that an enterprise needed at least to help *vulnerable people* or *to protect the environment* to be considered as a social enterprise. Besides, to *contribute to policies* or to *contribute to the promotion of culture* were considered as variables that could add an additional value or, in a way, guarantee the achievement of their mission. For each project there is a brief description, as a way of justification, under the concept in which they were assessed.

Table 10. MSMEs supported by INADEM in 2015 that help vulnerable people, protect the environment, contribute to policies and/or to the promotion of culture.

No.	Name and description	Help vulnerable people (1 pt.)	Protects the environment (1 pt.)	Contributes to policies (0.5 pts.)	Contributes to the promotion of culture (0.5 pts.)	Score
1	<u>AL & CAT</u> Service of catering	1. Mostly women manage this enterprise. 2. The service is offered to primary public schools located in marginalized areas at an affordable cost. 3. It employs 30 people of scarce resources.	0	0	It boosts Mexican culinary tourism.	1.5
2	<u>Grupo X</u> Sensor for the detection of falls	Device designed for the care of the elderly.	0	Health centres, non-governmental organisations (NGOs) or Ministry of Health will have a positive impact on their finances by reducing costs for care.	0	1.5
3	<u>Bambus</u> Biodegradable dermatological diapers	1. A diaper that avoids contact with chemicals that damage the skin of babies. 2. It has a belt attached to the packaging with the product description in braille.	The diaper biodegradation occurs in 10 months.	0	0	2
4	<u>Mycoffeebook.com</u> Web page responsible for the marketing of organic coffee	It supports small producers of coffee with by a fair trade.	It is an organic production so there are no agrochemicals in the process, avoiding pollution in the environment.	0	0	2
5	<u>Cerveceria Nacional Morelos</u> <u>Catorce Cero Uno</u> Production of craft beer	It benefits micro and small producers. The social impact generated would cover all the communities, from primary products such as barley and malts, to the production of final inputs for the containers and their distribution.	All waste is 100% recyclable or re-usable, such as glass, aluminium and spent malt is used as food for animals.	0	0	2

6	<u>SalaUno.</u> <u>Ver. Vivir.</u> <u>Transformar</u> Visual Healthcare	The purpose of this enterprise is to eliminate unnecessary blindness at an affordable cost, especially for people in disadvantage.	The service offered complies with environmental standards, such as the use of recycle material and separating garbage.	In Mexico, only 1,250 cataract surgeries are made per million inhabitants, out of the 4,000 required by the WHO. The government would save up to 60% regarding of what is currently paying.	0	2.5
7	<u>Blue Beats</u> Courier and parcel collection services in the first mile	The employees are students, people with disabilities and elderly people.	The collection and packaging process will be carried out in an ecological way: Green Logistics.	Support the National Work and Employment Programme for Persons with Disabilities.	0	2.5
8	<u>Tototal- Viajes</u> <u>que iluminan</u> Travel agency, pioneer in sustainable tourism	Collaboration with rural cooperatives and local suppliers from 12 states of the country.	It offers tourism services and products based on sustainability and responsibility.	In Mexico, there is the Sustainable Tourism Programme, which aims to generate sustainable development of tourism activity and improve conditions in tourist destinations in Mexico.	By visiting rural communities and cooperatives, the tourist get to know real ancestral cultures, traditions, gastronomy, and customs.	3

In 2016, out of the 23 projects that were assessed, two projects scored 2.5 points; two, 2 points; two, 1.5 points; twelve scored 1 point; and five scored 0 points. **Table 11** shows the **six** projects with the highest score. As the previous table, for each project there is a brief description, as a way of justification, under the concept in which they were assessed.

Table 11. MSMEs supported by INADEM in 2016 that help vulnerable people, protect the environment, contribute to policies and/or to the promotion of culture

No.	Name and description	Help vulnerable people (1 pt.)	Protects the environment (1 pt.)	Contributes to policies (0.5 pts.)	Contributes to the promotion of culture (0.5 pts.)	Score
1	<u>Gran Mitla</u> Gourmet Sales Project (grasshopper/worm salt)	Promotes the inclusion of indigenous ethnic groups and small producers by promoting fair trade.	1. Organic production avoids the contamination. 2. Eliminating intermediaries in the chain reduces the ecological footprint. 3. Producers not only take care of the extraction of insects, but also regeneration and care thereof.	0	Promotes ancestral culinary traditions.	2.5
2	<u>Innovación licorera</u> Production of pox (distillate)	People who previously did not have a way of living, can have a stable and formal employment that allows a better quality of life for their families (focus on indigenous communities located in Chiapas, a very poor Mexican state).	It uses organic sowing and manages the waste properly.	0	The product is a cultural heritage of the community.	2.5
3	<u>Sureste Sustentable</u> Portable biogas generator of high efficiency for the generation of biogas and biofertiliser	Benefit to many rural communities that do not have a proper disposition of organic waste and with basic energy needs that are not covered.	Proper disposal and transformation of organic waste that cause pollution, to become value-added products.	0	0	2
4	<u>Mycofeeboox.co</u> It is a web page responsible for the marketing of organic coffee	It supports small producers of coffee by fair trade.	The enterprise supports organic production so there are no agrochemicals in the process, avoiding pollution in the environment.	0	0	2
5	<u>Suncore Solar Energy</u> Production of solar panels	0	The use of solar energy has a positive impact on the education of new generations, on economic technologies and on	The objective of the Ministry of Energy is to increase the use of clean technologies by 2024.	0	1.5

respect for the environment.						
6	<u>Grupo X</u> Sensor for the detection of falls	Device designed for the care of the elderly.	0	Health centres, non-governmental organisations (NGOs) or Ministry of Health will have a positive impact on their finances by reducing costs for care.	0	1.5

In 2017, out of the 22 projects that were assessed, one project scored 2.5 points; two scored 1.5 points; fourteen, 1 point; three scored 0.5 points; two scored 0 points. **Table 12** shows the **three** projects with the highest. Finally, as the previous two tables, for each project there is a brief description, as a way of justification, under the concept in which they were assessed.

Table 12. MSMEs supported by INADEM in 2017 that help vulnerable people, protect the environment, contribute to policies and/or to the promotion of culture

No	Name and description	Help vulnerable people (1 pt.)	Protects the environment (1 pt.)	Contributes to policies (0.5 pts.)	Contributes to the promotion of culture (0.5 pts.)	Score
1	<u>Vitaluz</u> Solar panels with prepaid meters.	It provides an electricity service to people who do not have access to the public service and who have to use candles and diesel generators that are both expensive and harmful to health and the environment.	Electrification with solar energy.	One of the objectives of sustainable development of the United Nations is to <i>Access to affordable and sustainable energy</i> . It is also one of the social lag indicators of the Mexican National Council for the Evaluation of Social Development Policy (CONEVAL, acronym in Spanish).	0	2.5
2	<u>Trevicy Service Group</u> Platform of means of attention (SaberesPoder) to repatriated people and migrants, with national coverage	Creates the communication channels that motivate the actions of promotion, forecasting, prevention and protection towards the migrant and repatriated population, in	0	Migratory phenomenon. In 2014, the federal government incurred an expense equivalent to 15% of the total spending on advertising and print media.	0	1.5

		order to achieve their incorporation to a full and productive life.			
3	<u>Visionaria Game</u> Learning programme oriented to the prevention of bullying and the prevention of addictions	The proposed project aims to directly impact 290,000 adolescents of secondary schools. By developing socio emotional skills and putting them into practice, young people will have healthier lifestyles and therefore the community environment will be positive.	0	Contributes to the new educational model proposed by the Ministry of Public Education	0 1.5

Considering that two of the projects with the highest score were supported both in 2015 and in 2016, the final list of projects selected to conduct the interview for further analysis was composed of **15** enterprises (instead of 17). The enterprises were approached and **10** out of 15 agreed to carry out the interview. The five enterprises that were not interviewed was because three of them did not reply to emails or phone calls and two of them declined the invitation for an interview due to their busy agendas. **Table 13** lists the 10 enterprises that accepted to be interviewed, it shows in which state of Mexico they are located, the year they were supported by INADEM and, finally, it shows the score that they got using the third criterion described in this section.

Table 13. MSMEs selected for the study

No.	State	Enterprise	Year	Score
1	Quintana Roo	Tototal- Viajas que iluminan	2015	3
2	Yucatan	Blue Beats	2015	2.5
3	Mexico City	Gran Mitla	2016	2.5
4	Jalisco	Bambus	2015	2
5	Michoacan	Cervecería Nacional Morelos Catorce Cero Uno	2015	2
6	Mexico City	ALYCAT Service of catering	2015	1.5
7	Yucatan	Falls detector	2015 & 2016	1.5
8	Mexico City	Suncore Solar Energy	2016	1.5
9	Zacatecas	Trevicy Service Group	2017	1.5
10	Mexico City	Visionaria Game	2017	1.5

Given the geographic location that can be seen on the map in **Figure 18**, four of the interviews were conducted via skype. The questions formulated during the interview can be reviewed in Appendix B.

It was not possible to conduct the interview with the enterprise *Bambus* (*Biotec Bambus S.A.P.I de C.V.*) neither in person, because of the distance, nor online, due to internet connection problems. However, one of the founders of the enterprise accepted to respond the same questions carried out in the interview but in the form of a questionnaire. Thus, the description of the case in chapter 6 is based on the information obtained through that questionnaire.

Figure 18. Geographic distribution of INADEM cases

4.4. Conclusion

Social enterprises supported by the Mexican government can be found in two types of traditional forms of organisations: cooperatives and micro, small and medium sized enterprises (MSMEs). INAES and INADEM are the two Mexican institutions that have supported cooperatives and MSMEs, respectively.

This research focuses only on those organisations that were supported in 2015, 2016 and 2017 by INAES and INADEM. The chapter described in the first place, the background and operation of INAES and INADEM. In the second place, it explained the selection criteria of social enterprises. This selection criteria considered practical reasons and theoretically features that cooperatives and MSMEs should comply in order to be considered social enterprises.

Then which of the enterprises (MSMEs) and cooperatives that were supported by the two Mexican support programmes show actually features of social enterprises?

As a result of the selection criteria applied, 20 cooperatives supported by INAES showed characteristics of social enterprises. That is, they performed activities that protected the environment, they were composed of more than 10 members, and/or they were located in an area with a high or very high degree of marginalisation. Some of the selection criteria were also based on the idea that selecting contactable enterprises, would probably mean that the companies in the resulting sample, on average, would be better organised than those that could not be contacted. This selection effect was even stronger because of the 20 enterprises that showed characteristics of social enterprises and that were supposed to be contactable, only seven could actually be reached out. The remaining enterprises were not reachable because, either their phone number was out of order, or the emails sent to them were never answered.

Regarding the MSMEs supported by INADEM, 15 showed characteristics of social enterprises. That is, they helped vulnerable people, protected the environment or contributed to politics and/or culture. As for the cooperatives, some of the criteria were about selecting contactable enterprises and that they would be, on average, better organised than those that cannot be contacted. All enterprises were reachable and five were not available [three of them did not reply to emails or phone calls and two of them declined the invitation for an interview due to their busy agendas]. This meant that 10 out of the 15 enterprises selected collaborated with this research.

The following chapters will use the seven cooperatives supported by INAES and the 10 MSMEs supported by INADEM for further analysis.

CHAPTER 5. SOCIAL COOPERATIVES CASES IN THE MEXICAN CONTEXT

5.1. Introduction

Chapter 2 presents PRIME as a tool that governments could use for the selection of social enterprises. However, this dissertation studies social enterprises that were already selected. In this sense, PRIME will also be used, in this chapter and in the next one, as a sort of an assessment tool to analyse to what extent the Mexican government supports these types of enterprises, considering for this research the cases selected between 2015 and 2017.

The characteristics of the seven cooperatives selected in the previous chapter, that were supported by INAES, will be identified in terms of their interest orientations and profit orientations to map them within PRIME. Consecutively, according to the criteria presented in chapter 2, they can also be prioritised and, under the assumption of having limited resources, an 'ideal' selection will be suggested. Therefore, this chapter answers the fourth research sub-question, which reads as: *what are the characteristics of the selected social enterprises and what implications do they have for their ideal-type selection, based on a prioritisation?* This exercise is performed to confirm whether the cooperatives supported by INAES are social enterprises and to what degree. The hypothesis is that, given that they have already been selected and supported as social enterprises, they should fit in a social enterprise position.

The order of this chapter is as follows. Firstly, it explains that cooperatives can adopt a legal form called *Cooperative Society*, this is a type of commercial company, according to the *General Law of Commercial Companies*. Furthermore, it also explains that the cooperatives are regulated in a special law, called the *General Law of Cooperative Societies*. This law establishes the types of cooperatives, the requirements to be registered as one and the main actors that can be involved. Additionally, it describes the legal way of the cooperatives to distribute their profit, to make their decisions and to declare their taxes.

Secondly, once that the general legal picture has been described, and the legal constraints of a cooperative are known, this chapter describes the seven cases under study. It explains the main purpose of each enterprise, the products and services that they offer and their income-earning mechanism. Naturally, the description emphasises their interest orientations and their profit orientations.

Afterwards, based on the interest orientations and profit orientations of the seven cases, the enterprises are located in PRIME, which was presented and explained in chapter 2. They are also prioritised based on that location. Finally, a brief conclusion is presented.

5.2. Mexican Legal Framework for Cooperatives

According to the *General Law of Commercial Companies* published in 1934 (Poder Ejecutivo Federal, 1934), a cooperative is considered as a commercial company that can adopt a legal form called *Cooperative Society* (*S.C.*, acronym in Spanish). As all commercial companies, a cooperative can be categorised by size, depending on the sector to which it belongs and to the number of workers as: micro, small or medium size enterprise.

After many reforms to the *General Law of commercial Companies*, the enterprises that adopt the legal form of *Cooperative Society* as a type of commercial company would be governed by their own special legislation. In that sense, the *General Law of Cooperative Societies* (*LGSC*, acronym in Spanish) was published in 1994. Based on this law, a legally constituted cooperative is defined as a form of social organisation composed of individuals based on common interests and the principles of solidarity, self-help and mutual assistance, with the purpose of satisfying individual and collective needs, through the implementation of economic activities of production, distribution and consumption of goods and services (Poder Ejecutivo Federal, 1994).

The *LGSC* provides of certain requirements for the formation and registration of a cooperative (Poder Ejecutivo Federal, 1994). On the one hand, regarding the formation, it establishes that in a cooperative each member has one vote, independently of their contributions; that they will have variable

capital [C.V., acronym in Spanish], which means that the share capital may be increased by subsequent contributions of the members or by the admission of new members, and the capital may be reduced by partial or total withdrawal of the contributions (Poder Ejecutivo Federal, 1934); that they will have equality in rights and obligations; that they will have an indefinite duration and they will be integrated with a minimum of five members.

Regarding the registration of a cooperative, the law establishes that the constitution of a cooperative must be carried out in a general assembly held by the interested parties. At the same meeting, an act must be established, which will contain the general details of the founders, the names of the persons elected to the councils and commissions, and the bases of incorporation. These Articles of Incorporation shall be filed with the *Public Registry of Commerce*.

In article 14 of the LGSC, a cooperative legally constituted (i.e., a S.C.) may adopt a *limited* (R.L., acronym in Spanish) or a *supplemented liability* (R.S., acronym in Spanish) regime of the partners (Poder Ejecutivo Federal, 1994). When the cooperative adopts a *limited liability* regime, it means that the partners are only obliged to pay the contribution certificates they have subscribed. When it adopts a *supplemented liability*, it means that the members are liable on a pro rata basis for the corporate operations, up to the amount determined in the articles of association.⁴⁴ The type of regime of responsibility that the partners of a cooperative would adopt must also be established in the constitutive act that is registered in the *Public Registry of Commerce*.

Another characteristic to highlight is that article 21 of the LGSC (Poder Ejecutivo Federal, 1994) recognises the existence of three classes of Cooperative Societies: 1) Consumers of goods and/or services, 2) Producers of goods and/or services and 3) Savings and loans. According to article 22 of the same law, in the first class of cooperative the members are associated in order to obtain in common articles, goods and/or services for them, their homes or their production activities. According to article 27 of the same law, in the second type the members are associated to work together in the

⁴⁴ Pro rata means that something is calculated according to, or as share of, the fixed rate for a larger total amount. This according to the Cambridge dictionary: <https://dictionary.cambridge.org/dictionary/english/pro-rata>.

production of goods and/or services, contributing their personal, physical or intellectual work. Regardless of the type of production to which they are dedicated, these companies may store, conserve, transport and market their products. Finally, according to article 33, the third type was specifically created with the intention of solving the problem of the lack of financing for the cooperative sector.

Regarding the decision-making process, there should be a General Assembly, an Administrative Board and a Supervisory Board and any other that the Assembly designates (Poder Ejecutivo Federal, 1994). The first one is the supreme authority and here all the agreements are taken to bind all partners. The second one is the executive body of the General Assembly and represents the cooperative. The third one supervises all the activities of the cooperative. **Figure 19** shows the hierarchy of these three decision bodies.

Figure 19. Organs in charge of the decision-making process in a cooperative

Regarding the distribution of profits, the annual yields, reported in the balance sheets of the cooperative societies of producers, will be distributed according to the work contributed by each member during the year. This according to article 28 of the General Law of Cooperative Societies (Poder Ejecutivo Federal, 1994).

In addition, according to article 79 of the Law of Income Tax, the Cooperative Societies of consumers of good and/or services are exempted of the income tax (Poder Ejecutivo Federal, 2013b). Bodies bringing together cooperative societies, whether of producers or consumers, are also exempted from income tax. Cooperative societies of production also have some benefits according to the same law, in article 194. This article also states that

cooperative societies of production may defer the whole of the tax, until the fiscal year in which they distribute the taxable profit corresponding to their partners.

In short, the Mexican legal framework gives a definition and distinguishes some types of cooperatives. As mentioned in chapter 4, this research considers the first two classes of Cooperatives Societies because they are the most numerous. That is, the selection of cases was made considering Cooperative Societies that are: 1) consumers of good and/or services and 2) producers of goods and/or services. However, all seven cases selected for the purposes of this chapter belong to the second type, that is, they are Cooperative Societies of producers of goods and/or services. Besides, most of them are registered as a Cooperative Society (S.C.) of limited liability (R.L., acronym in Spanish) and variable capital (C.V., acronym in Spanish).

The Mexican legal framework also establishes the composition of a cooperative (i.e., minimal five members) and the benefits of being constituted as a cooperative (i.e., equal rights and obligations for the members). With a basic idea of what a cooperative is in Mexico, it is possible to understand the way they make decisions (i.e., the general assembly hold the ultimate decision power) and how they distribute their incomes (according to the work of each member). These last two aspects, as exposed in chapter 2, are complemented information to know what their interest orientations are. The coming description of the cases will reveal how the practice relates to what is established in the regulation.

5.3. The Cases: Cooperative Societies

In this section, the cases are described showing their interest orientations and profit orientations. As mentioned in chapter 2, the mission of the organisation, its decision-making process and its distribution of profit, are used to identify the interest orientation of the enterprises. Whereas the goal of their activities, in terms of profit generation, determines whether they have a non-profit purpose, profit-as-a-means or profit-as-a-purpose. **Table 2**, presented in chapter 2, is used to assess the interest orientation and the profit orientation of the enterprises presented in this section.

The information presented in this section is based on the interviews carried out with the legal representatives of the cooperatives, as selected in chapter 4 on the basis of their social identity.

5.3.1. Case 1: Production of coffee

In the mountain area of *La Huasteca Potosina*, a region within the state of San Luis Potosí in Mexico, there is a tradition of cultivating coffee. *Aquismón* is one of the municipalities known for this tradition. A family of seven members was concerned about increasing the quality of the coffee in the region, for which they came with the idea of organising small farmers of coffee to achieve this goal. On their own, these small farmers have to deal with getting a fair price for their products, and also with natural hazards, such as pests.

In this way, around 2011, they legally constituted *Café Cumbres de Aquismón S.P.R. de R.L.*⁴⁵ (acronym in Spanish that means *Rural Production Company of Limited Liability*) in a locality with a high degree of marginalisation called Tamápatz, in *Aquismón*, San Luis Potosí. At the beginning, *Café Cumbres de Aquismón* grouped 99 members, but at the time of the interview only 32 active members remained.

The impact of the pests on the coffee production could help to understand the reduction of the number of members. That is, except for the family members, whose income do not depend on the sale of coffee, the rest of the members of *Café Cumbres* are characterised for being indigenous people that belong to an ethnic group called *tenek* of low socio-economic condition. Therefore, when there is a decrease in the production of coffee, in this case due to the pests, the income of the small producers is severely affected. Under such situation, most of the members tend to look for another job and they usually migrate to another state.

The interviewee is convinced that supporting the workers is the most important goal of this enterprise. To start, one of the main tasks is to eliminate intermediaries, to help the producers of the coffee to receive a fair price for their product. Additionally, another task is to fight together against natural hazards.

⁴⁵ According to the Agrarian Law (Poder Ejecutivo Federal, 1992), article 111, rural producers may set up rural production companies. Limited liability companies are those in which the partners are liable for obligations up to the amount of their contributions to the capital stock. When the selection was made, this type of legal form appears in the excel file as a cooperative society of production.

Café Cumbres de Aquismón sells its bean and ground coffee in some commercial establishments within the same state of San Luis Potosí. Additionally, the enterprise uses social networks, such as Facebook, to publicise its products and it also sells them directly to individuals.

The enterprise is still growing, there has not been profit yet because, basically, all yields are reinvested. In any case, it is not established in the constitutive act how the distribution of profit should be done. However, it has to be considered that, at the beginning, the members of the family made some expenses in order to legally constitute the enterprise. Thus, the assumption is that the distribution of profit will be according to some percentages that still need to be established.

Café Cumbres de Aquismón has a General Assembly composed of all the members. There are times in which some of the members are absent but they are informed about the decisions taken in the General Assembly. The legal representative of this organisation admits that the members of the family take, in general, the lead. That is, they lead not only the enterprise but also the meetings. He argues that, for example, the other members have a lower level of education which is a factor that prevents them of developing certain skills to negotiate.

The objectives in the meetings are usually twofold, on the one hand, to inform all members about the decisions, explaining the advantages and disadvantages until everybody agrees. On the other hand, the objective is to listen to the needs of the members in order to find a solution or provide them with what they request, such as equipment for the production of coffee.

Summing up, as a cooperative, this enterprise has a mutual interest with profit-as-a-means. Its mutual interest can be identified in its mission, which is oriented to support their members. This is also reflected in its decision-making process, which involves all members of the cooperative, although there is a leading group within the organisation (i.e., the family). Regarding the profit orientation, it can be said that this enterprise carries out activities that generate profit-as-a-means, given that all the yields that they have generated have been reinvested mainly in products and equipment for the small producers.

In addition, it should be noted that the fact that this enterprise supports vulnerable people (i.e., people that belong to an indigenous community), which

in this case turned out to be the same members of the cooperative, can be deemed as its general interest aspect. Therefore, with these characteristics, this cooperative is considered a social enterprise.

5.3.2. Case 2: Production of organic products

In 1995, *Comunidades Campesinas en Camino S. de S.S.* was created. The abbreviation “S. de S.S.” stands for *Social Solidarity Society* and it is a legal figure that is regulated by its own law, published under the same name in 1976. An entity constituted as “S. de S.S.” is a form of collective organisation for production that contributes to the creation of economic units. It is based on the practice of self-help and solidarity work and it can carry out commercial activities (Garay Maldonado & Ruiz Dueñas, 1981). The mission of *Comunidades Campesinas en Camino* is to provide advice, accompaniment, training and committed support to indigenous peoples, peasant communities and marginalised urban areas, for the defence and care of their land and territories, as well as for the management, conservation and sustainable use of their natural resources.⁴⁶

Over the years and realising the needs of production, *Comunidades Campesinas en Camino* organised people in the region of *Istmo de Tehuantepec*, Oaxaca, to constitute commercial companies. One of those commercial companies is *Procesadora de Productos Ecológicos S.C. de R.L.*, one of the cases of study of this research, that is a cooperative legally constituted in December, 2003.

Procesadora de Productos Ecológicos S.C. de R.L. is legally composed of 16 members but, at the moment of the interview, only six members were effectively working for the cooperative. The cooperative produces sesame oil (which is its main product), honey, pasilla pepper, hibiscus, tamarind jam and sesame flour cookies. The brand that they used is called “eco-tierra”. These products are sold in various commercial establishments within the region of Oaxaca. The cooperative also manages its own page in Facebook for advertising purposes.

The social mission of this cooperative can be found in the following two actions. First, this cooperative produces organic products, which contributes

⁴⁶ For more information, see: <http://ccc-ecotierra.org>

to the care for nature and avoid diseases arising from the use of chemicals in products. Second, the enterprise cares about incorporating women with no academic background and, some, single mothers who are able to support their families with the income they receive from this cooperative.

In spite of the bad weather that in some occasions has affected the production of sesame, *Procesadora de Productos Ecológicos* has been having enough revenues, for at least reinvesting and getting more machinery, for example. It does not have profits yet. If in the future the cooperative generates profit, the distribution will be in equal parts among the members.

The cooperative *Procesadora de Productos Ecológicos* has a Board of Directors (*Consejo de Administración* in Spanish) appointed at the Annual General Meeting (*Asamblea General Anual* in Spanish). It is composed of a president, a secretary and a treasurer. The legal representative of *Procesadora de Productos Ecológicos* is also the president of the Board of Directors. She considers that all the members have the same influence, all are involved and have the same voting power, that the rule *one person, one vote* always applies.

In short, this cooperative supports its members. All members are involved in the decision-making process and the idea prevails of distributing equally the profits, once they are generated. This confirms its mutual interest and in addition, the enterprise generates profit-as-a-means, since its profits are used to sustain the production of its organic products and support its members. In addition, it also shows a general interest, given that this enterprise also has as a mission to take care of the environment through its organic products and to employ single mothers that are the providers for their families. Therefore, just as the previous case, this cooperative can also be deemed as a social enterprise.

5.3.3. Case 3: Promotion of eco-touristic activities (Yucatan)

In the locality of Hunukú, municipality of Temozón in Yucatan there is a cooperative called *Eco-touristic Cenote X-Canché, S.C. de R.L.*, legally constituted in 2006. The name of this cooperative responds to the main attraction in the site, that is a sinkhole, known in Spanish as *cenote*. In addition to swimming in the *cenote*, this cooperative offers services and attractions for

the site, such as: zip line, rappel, restaurant, handicraft sale, camping area and rent of cabins.

Tourists can pay either the entrance to the site and pay individually all the services and products offered there or, they can also pay for tour packages with entrance, activities and accommodation included. The choice will depend, mostly, on how long tourists wish to stay in the site. There are discounts for students, for individuals that belong to some indigenous communities, and for tourists if they are part of a group or if a tour operator brings them to the place.

There were 22 members when the cooperative was created, but eventually this number diminished. Today, there are only eight members working actively in this enterprise. However, the enterprise keeps generating jobs for the people of the village. During opening hours, in addition to the members, there are from 38 to 40 people working there. The enterprise also accepts students' internships.

Something to note is that the site is located right next to an archaeological site called *Ek Balam*. A state and a federal institution are in charge of the preservation of the archaeological site and they also manage it. Recently, the entrance price to *Ek Balam* increased a lot and can be considered expensive for a local resident. The legal representative is concerned about the changes this increase in the price can bring, whether it will bring benefits or it will be disadvantageous for the enterprise.

Hunukú is a small locality with a high degree of marginalisation (SEDESOL, 2019). The interviewee himself acknowledges that the social mission of this cooperative is to be self-employed. He added that they have jobs and at the same time they are the owners. In this sense, they themselves are the final beneficiaries of services that they offer.

The enterprise also takes care of the environment. The enterprise has reforested the area, they use eco-friendly toilets (wetlands), prevent pollution and they also use renewable energy, for example, they use solar energy to light the cabins that they rent.

In the last year, there has been a financial growth tendency and what the enterprise has done is to reinvest in the facilities. The interviewee said that, for example, there is a new cable for the zip line, and a new handrail. With the

rest of the profit, they stick to the statutes in which the sanctions and rights are established.

Every afternoon, after a working day, the eight members gather to share what has been earned during the day and they also discuss what is needed and make decisions together. Additionally, they also have an official meeting *per month* and an annual meeting.

Despite that there are more members and the rule *one person, one vote* applies, the interviewee explained that due to his experience, his influence is bigger than the rest of the members. As a legal representative, he is the one who supervises the activities, the one who has access to the bank account and manages the invoices, and the one who reports to the accountant.

Based on the above, this cooperative is about mutual interest because it supports its members, has a democratic decision-making process and divides equally the profits generated. Additionally, it has reinvested as much as possible in the facilities, therefore it has profit-as-a-means to sustain their first mission (i.e., to be self-employed). Additionally, it serves a general interest because its mission focuses on being self-employed and on employing people from the community, which is an indigenous community from a very marginalised area. It also actively promotes eco-touristic activities. Therefore, this enterprise can be considered, just as the previous two cases, a social enterprise.

5.3.4. Case 4: Promotion of eco-touristic activities (Chiapas)

In the middle of the Lacandon jungle, in the municipality of Ocosingo, Chiapas, there is a cooperative called *Centro Ecoturístico Maya Luna Roja S.C. de R.L. de C.V.* This cooperative was founded in 2015 but it started operations in 2017. The commercial idea of the cooperative is to offer accommodation, food services, rafting and hiking activities.

The eco-touristic centre has coped with difficulties to start operations for two reasons. The first difficulty was because the construction of the facilities was done in phases, depending on the availability of financial resources. At the moment of the interview, financial resources were still needed to accomplish the full functionality of the centre and the loans to the bank had to be paid. The government grant constituted its initial capital, but it was not enough. The second reason is associated with the isolation of the area, which is a

marginalised area where there is a lack of basic services such as electricity and drinking water. The cooperative also lacks of publicity. There is almost no media used for publicity and given the location of the place this would be very useful.

This cooperative was initiated by the legal representative along with nine more members of her family. However, all the formalities to constitute the cooperative were done by the legal representative, who has a great entrepreneur spirit. The rest of the members are actually involved in other commercial and external activities, different to the ones that this cooperative does. The interviewee of this cases is the legal representative of the cooperative, is the founder and manager of the eco-touristic centre. She is the one in charge of arranging whatever is needed to have the place in optimal conditions to receive the guests.

The social mission of this enterprise is focused on: 1) promotion of eco-touristic activities; 2) growing organic products (fruit and vegetables) to use in the restaurant that belongs to the centre; 3) generating jobs for people of the locality.

By generating jobs, the interviewee meant to employ people from the community who can work as tour guides, offering night walks to the archaeological site that is located nearby to the centre. She also meant the employment of waiters and waitresses to help in the restaurant and to allow artisans to sell their products in the place. The employees have been or could be of all ages and from a low socio-economic level.

Summing up, this cooperative is such only on paper. This enterprise does not have a mutual interest comparable with the three previous cases, since the registered members of the cooperative work *de facto* somewhere else. This cooperative has a capital interest instead. The emphasis of this enterprise's activities is on offering an accommodation service. Additionally, since the founder makes all the decisions, the decision-making process is of a capitalist nature. This enterprise is still consolidating its operations, therefore there is no profit yet, and all incomes are being invested to complete the construction of the facilities. It could be deduced that the enterprise would generate profit-as-a-purpose because the profit would go only to the legal representative. This deduction is based on the fact that, legally, the rest of the members will not receive anything if they did not contribute to the cooperative.

Although the focus of this enterprise is on running the accommodation, the founder of this organisation has as additional mission, to help the community wherever possible (e.g., by generating employment or taking care of the environment). Then, it seems that there is a general interest that drives this enterprise away from its capital interest, which brings it into the landscape of social enterprises.

5.3.5. Case 5: Production of lamb meat

In the locality of Palmar Chico, municipality of Amatepec, State of Mexico, there is a cooperative called *Rancho Lang, Cordero Mexicano*. It is a cooperative founded in 2013. The main activity of this cooperative is related to the breeding and sale of lamb.

The lamb can be bought by individuals or by restaurants. This cooperative also teaches the buyers, locals and neighbours who want to start a new business related to the breeding of lamb, all the necessary knowledge to produce lamb meat and for the lamb to have better genetics.

The interviewee narrated how his sister and he started the project in the backyard of their house. They kept developing the idea and made agreements with the University of the State of Mexico to do experiments with goats. They ended up opening the Ranch for the breeding of lambs.

The ambition of this cooperative is to sell a high-quality product, barely consumed in the region. This cooperative is composed of five members, who are the two siblings that initiated the business, two other family members and a friend. They employ two more people. However, there is a season in which the work increases and they can hire up to 40 people. It is usually the same people that come back asking for the job and who are of low socio-economic level. These people sometimes acquire some animals and since they already know how to grow them, they can start their own business.

This cooperative is focused on increasing the sales of a product for the benefit of a few people; its five members. These members do not depend economically on this business. Based on this, it could be said that they rather have a capital interest.

However, in this cooperative, the members meet every month (or so) to discuss actions to follow within the cooperative. During these meetings, the members follow the *one member, one vote* rule. In addition, this cooperative

has established that profit shall be distributed equally among the members. For these reasons, it can be concluded that they are also driven by a mutual interest.

The members of this enterprise are actually aiming at expanding their business and at having greater economic gain. Given that this is their actual priority, it could be said that they are looking to generate profit-as-a-purpose.

In short, the result of the assessment of this enterprise is that it is a cooperative with a capital and a mutual interest, with profit-as-purpose. With these characteristics, this cooperative is not a social enterprise because it lacks a social mission. Although the cooperative manages to employ people temporarily from the marginalised area where they are located, this action is more circumstantial than a mission in itself. None of their actions are oriented to satisfy a social need nor to contribute to the solution of a social problem.

5.3.6. Case 6: Production of hibiscus flower

The state of Michoacán has one of the lowest levels of human development in the country, in terms of long and healthy life, being knowledgeable and having a decent standard of living (PNUD, 2015). The interviewee started by pointing out that this state is well-known because of the violence and issues with the drug trafficking.

A civil association called *Balsas Group for the study and management of ecosystems A.C.*,⁴⁷ organised three cooperatives from La Huacana, in the state of Michoacán: Ejido Oropeo S.C. de R.L., Capirito Las Anonas S.C. de R.L. and Guadalupe de Oropeo S.C. de R.L. The purpose of doing this was aimed at helping the cooperatives to become a social enterprise and, thus, to promote and achieve regional development and sustainable forest management. The civil association along with the Research Centre in Environmental Geography, part of the National Autonomous University of Mexico, helped these three cooperatives to create a single one: Regional Union of Cooperatives “*Arroyo San Pedro Jorullo*” S.C. de R.L. de C.V.

The main activity of the new cooperative is the organic production of hibiscus flower, sesame and sorghum. In words of the interviewee,⁴⁸ they

⁴⁷ For more information, see: <http://www.grupobalsas.org/index.php?opc=13>

⁴⁸ The interviewee is part of Balsas Group. He is the legal representative of the *Regional Union of Cooperatives “Arroyo San Pedro Jorullo”*, however in practice he only plays a role of support, leaving the three presidents from the three cooperatives the decision-making.

produce high-quality organic products for the Mexican consumers, specifying that the cooperative has among its corporate objectives that only 10% of the whole production can be exported, trying to keep the best products in the country.

The products are sold in stores, unfortunately the final consumer buys the product three times more expensive. This is due to the intermediaries whom the product is sold to. If the cooperative had its own means of transport, this could be avoided.

The cooperative *Regional Union of Cooperatives "Arroyo San Pedro Jorullo"* was founded in 2009. There are over 100 members within this cooperative. Regarding the diffusion of the cooperative's activity, the cooperative has only a Facebook page which is not very active. However, their trademarks, "Chiltic" and "Axollin" have more presence in the social networks.

The social mission of this cooperative is twofold. On the one hand, the members of the cooperative are economically very disadvantaged. As it was mentioned, its Human Development Index ranks in the last place out of the 32 states of Mexico. Therefore, through the cooperative, these people find a way of living and a way to support their families.

On the other hand, this cooperative is concerned about the environment. With their organic products, they have eliminated the use of harmful chemical fertilizers and pesticides in the practice of growing the hibiscus flower which, among other benefits, prevents the damage to the soil and the pollution of water and air (FAO, 2019).

Economically speaking, there has been a tendency to grow. The profits that come from the sales of the hibiscus flower have been distributed among the partners equally.

This cooperative has a general assembly composed of all the members. Every member has the same right and weight in his vote, *one person, one vote*. However, as the interviewee mentioned, there is always someone that stands out, mainly because of the experience. In this assembly the price of the products is discussed and agreed among everyone. Annually, there are two sessions.

The cooperative also has a top council composed of 15 members. Five members from each cooperative are elected by the rest of the members. This council takes decisions which are relevant for the functioning of the Regional

Union of Cooperatives “*Arroyo San Pedro Jorullo*” as a whole and they meet regularly.

In short, as a cooperative, this enterprise has a mutual interest with profit-as-a-means. It supports its members and the profits obtained for the sales of the products are shared in an egalitarian way among the members.

Additionally, it shows great general interest orientation because employs (i.e., by self-employment) more than 100 members, who are inhabitants of a very disadvantage area in Mexico. Besides, it also produces organic products, which helps to protect the environment. Moreover, the enterprise not only takes all members into consideration in the general assembly but also involves the civil association and the university, which have been key in its development.

Finally, it can be said that it has profit-as-a-means since the cooperative is focused on taking care of the welfare of the members. In conclusion, this cooperative is considered a social enterprise.

5.3.7. Case 7: Reproduction of olives trees

In the locality El Olivo, from the municipality of Ixmiquilpan in the state of Hidalgo, there is a legally constituted cooperative since 2011. This cooperative is dedicated to the reproduction of olive trees, and the elaboration and preparation of table olives for their commercialisation. The name of this cooperative is *Alberquina Union S.C. de R.L. de C.V.* and its trademark is *Aceitunas Asunción* [‘Asuncion’ Olives].

This enterprise is composed of an extended family of 13 members. The oldest members, already retired from their profession, realised the commercial potential of the olive. Specially, when buyers of olives arrived at the locality and bought the olives in bulks, at a very low price. Since the family had orchards full of olive trees, they used to have a large amount of them. In addition to sell the table olives, they also sell the plants and advise on their care. There are different types, sizes and ages of the plant. Something remarkable is that they learnt by themselves how to grow the olive tree given the weather and geographic conditions that exist in the zone.

They also have as a mission to produce organic olives, which means that this cooperative avoids the use of harmful chemical fertilisers and pesticides in the practice of planting and growing the olive tree, which prevents the damage of the soil and the pollution of water and air among other benefits.

They also like the idea of sharing their knowledge and reforestation. For example, they have donated a great number of plants to schools and churches. The interviewee stated that they have donated around three thousand olive plants, he mentioned that they teach and train people in how to cultivate the tree and they are with them in the process. Additionally, if somebody from the locality or nearby is interested in planting and harvesting, they teach them how to take care of the plant for free. They also offer guided tours to educational institutions of all levels to show the orchards and teach about the olive trees.

Eventually, this family enterprise started to pack the olives and, after years of effort, different types of table olives are being sold in commercial establishments in the state of Hidalgo, Mexico. The packaging of the olives is designed to preserve their flavour, which differentiates them from the competition in the market. Although they have showed great progress in the development of their main product, it is still considered a small enterprise at the stage of investment, and by now it does not show any losses. When there are some profits to share, the members consider who is the member that has invested the most and according to this the share is made. Besides the members of the cooperative, this enterprise hires people when the harvest season arrives. The employees would, for example, help to cut branches from the trees to plant new ones.

The enterprise has a good organisation and division of tasks among the members. For example, some of them are dedicated to the publicity of the enterprise. All the history, activities, products and services that this enterprise offers can be found in its well-elaborated website. They also have a high activity in social networks. The enterprise has also a good communication among members and all of them get involved in the decision-making process.

Summarising, as a cooperative, this enterprise shows a mutual interest with profit-as-a-means. Its mutual interest is sustained by the fact that its decision-making process is democratic. Besides, it shows great interest in having enough income as to maintain its non-profit activities (i.e., they have profit as-a-means). In addition, the members have stipulated that the distribution of profits shall be in proportion to their contributions, which shows a capital interest. Moreover, the members have as an additional mission to increase the sale of their products, so it can be considered that they also have profit-as-a-purpose. In conclusion, this dissertation considers this cooperative

as a social enterprise, because it manages to combine the above characteristics with a general interest by sharing knowledge, reforestation and producing organic olives.

5.4. Mapping and Prioritisation of the Cases using PRIME

To answer the leading question of this chapter, the description of the cases will be used to map them in PRIME. Afterwards, the prioritisation of these enterprises will be discussed.

To start, the descriptions of the cases are summarised in **Table 14**. The summary shows the general interest, the mutual interest or capital interest when it applies, along with the profit orientation of the enterprises. The cases are ordered by the year in which they were supported by INAES.

Table 14. Cases supported by INAES per year, their interest orientations and profit orientations

No.	Social Enterprises	Year	General interest & non-profit activities	Mutual interest & profit-as-a-means	Capital interest & profit-as-a-purpose
1	Production of coffee	2015	<u>General interest:</u> To support small producers of coffee. <u>Non-profit activities:</u> N/A	<u>Mutual interest:</u> To support their members. All members are involved in the decision-making process. <u>Profit-as-a-means:</u> Its yields have been reinvested.	<u>Capital interest:</u> N/A <u>Profit-as-a-purpose:</u> N/A
2	Production of organic product	2015	<u>General interest:</u> To produce organic products and to support vulnerable members. It does not have non-profit activities. <u>Non-profit activities:</u> N/A	<u>Mutual interest:</u> All members are involved in the decision-making process. <u>Profit-as-a-means:</u> Its revenues have been reinvested.	<u>Capital interest:</u> N/A <u>Profit-as-a-purpose:</u> N/A

3	Promotion of eco-touristic activities (Yucatan)	2015 & 2016	<p><u>General interest:</u> To promote eco-touristic and sustainable activities. Self-employment and employment generation in a very marginalised locality.</p> <p><u>Non-profit activities:</u> N/A</p>	<p><u>Mutual interest:</u> The decision-making process involved all members. The distribution of profit is egalitarian among the eight members.</p> <p><u>Profit-as-a-means:</u> The profit has been used to reinvest in the facilities.</p>	<p><u>Capital interest:</u> N/A</p> <p><u>Profit-as-a-purpose:</u> N/A</p>
4	Promotion of eco-touristic activities (Chiapas)	2016	<p><u>General interest:</u> To promote eco-touristic activities; To grow organic products (fruit and vegetables) to use in the restaurant that belongs to the centre; to create jobs for people of the locality, a very marginalised area.</p> <p><u>Non-profit activities:</u> N/A</p>	<p><u>Mutual interest:</u> N/A</p> <p><u>Profit-as-a-means:</u> N/A</p>	<p><u>Capital interest:</u> To offer an accommodation service. The decision-making process involves only the founder.</p> <p><u>Profit-as-a-purpose:</u> The interest is first in the business and then in the social mission.</p>
5	Production of lamb meat	2016	<p><u>General interest:</u> N/A</p> <p><u>Non-profit activities:</u> N/A</p>	<p><u>Mutual interest:</u> Decision-making process democratic and equally distribution of profit</p> <p><u>Profit-as-a-means:</u> N/A</p>	<p><u>Capital interest:</u> N/A</p> <p><u>Profit-as-a-purpose:</u> To sell lamb meat of quality.</p>
6	Production of hibiscus flower	2017	<p><u>General interest:</u> To employ over 100 people from a very disadvantaged area To produce organic products. The decision-making process involved all members and stakeholders.</p> <p><u>Non-profit activities:</u> N/A</p>	<p><u>Mutual interest:</u> They support their members and they have equally distribution of profit. Decision-making process is democratic.</p> <p><u>Profit-as-a-means:</u> The members are the most important and to maintain the quality of the products.</p>	<p><u>Capital interest:</u> N/A</p> <p><u>Profit-as-a-purpose:</u> N/A</p>
7	Reproduction of olive trees	2017	<p><u>General interest:</u> To produce organic products.</p> <p><u>Non-profit activities:</u> To donate plants and train people about the care of olives, and to offer guided tour to educational institutions.</p>	<p><u>Mutual interest:</u> Decision-making process involved all members.</p> <p><u>Profit-as-a-means:</u> To keep doing their non-profit activities.</p>	<p><u>Capital interest:</u> To sell olive products. Distribution of profit according to initial contributions.</p> <p><u>Profit-as-a-purpose:</u> To sell olive trees and table olives was the motivation to start the enterprise.</p>

Based on **Table 14**, the enterprises concerning the cases exposed in this section can be located within the PRIME triangle as follow:

- Enterprises that combine elements of two angles of the PRIME triangle:
 1. *Case 1. Production of coffee, Case 2. Production of organic products, Case 3. Promotion of eco-touristic activities (Yucatan) and Case 6: Production of hibiscus flower* are located in the number 1 position of PRIME, that is where enterprises with MPm and G are located.
 2. *Case 4: Promotion of eco-touristic activities (Chiapas)* is located in the letter v position of PRIME, that is where enterprises with CPp and G are located.
 3. *Case 5: Production of lamb meat* is located in the letter D position of PRIME, that is where the enterprises with CPp and M are located.
- Enterprises that combine elements of three angles of PRIME:
 1. *Case 7: Reproduction of olive trees* fits in the number 3 (MPm-GNp), in the letter C (MPm-CPp) and in the letter x (GNp-CPp). To identify the location a cross reference is needed.

Figure 20 shows the distribution of these cases within the PRIME triangle.

Figure 20. Distribution of cooperatives supported by INAES, within PRIME.

Based on their location within PRIME, the cases can be prioritised for an ideal selection. That is, assuming that the resources are limited, it would be desirable to support those cooperatives that promise to be successful as social enterprises. Chapter 2 explains enterprises in the centroid should be the first option followed by those that are close to the centroid of PRIME and so on. Then, the prioritisation should be as follows:

1. *Case 7. Reproduction of olives trees* results to be the first advisable option to prioritise when supporting social enterprises. It is a social enterprise that finds a balance between interest orientations and profit orientations.
2. *Case 1. Production of coffee, Case 2. Production of organic products, Case 3. Promotion of eco-touristic activities (Yucatan) and Case 6. Production of hibiscus flower* are cooperatives that should come after the *case 7*. These cooperatives combine a mutual interest and a general interest, generating profit-as-a-means. It should be highlighted that some of them consider as a general interest, not only to support their members but, to take care of the environment. Perhaps, the variety and number of social missions is also a factor that should be taken into account when prioritising.
3. *Case 4. Promotion of eco-touristic activities (Chiapas)*, strictly speaking, is at the same level than the previous ones. However, it contradicts its essence as cooperative and seems to operate more or less as a regular business. In any case, it can be still considered as a social enterprise because of its social vision.
4. *Case 5. Production of lamb meat is a cooperative* that in terms of this research, is not a social enterprise, it lacks of a social mission. If the purpose is to support potential social enterprises, this one should not be included.

This exercise of mapping and prioritising the cases with PRIME, served as an example of an ideal selection, under the assumption of having limited resources. The following section summarises this chapter and discusses the importance of this exercise for this dissertation.

5.5. Conclusion

This chapter addressed the research sub-question: *what are the characteristics of the selected social enterprises and what implications do they have for their ideal-type selection, based on a prioritisation?* For this, the characteristics in terms of interest orientations and profit orientations of seven cases selected by INAES between 2015 and 2017 were identified. Afterwards, they were located in PRIME and a prioritisation for an ideal selection was suggested.

The analysis showed that most of the cooperatives are characterised for their traditional interest orientation and profit orientation, that is they have a mutual interest and profit-as-a-means. Moreover, they moved from their original angle (MPm) towards a general interest, becoming in this sense social enterprises. There is even one cooperative that has managed to combine interest orientations and profit orientations making it an ideal social enterprise.

However, there were two peculiar cases. These have a capital interest with profit-as-a-purpose as a principal interest instead of a mutual interest, which would be the normal case considering that they are enterprises constituted as cooperatives. One of them, at least, shows a general interest, which makes it a social enterprise but the other one seems more like a joint stock corporation that managed to find some characteristics that point it towards a mutual interest orientation.

Based on the characteristics of these cases, an ideal selection of social enterprises can be performed. Firstly, assuming that there are scarce resources and only some of them can be financially supported, the social enterprise located in the centroid should be the first one in the ranking, followed by those that are close to the centroid. Secondly, with the characteristics identified, the case with capital interest and profit-as-a-purpose with general interest, should probably be left behind or to review the legal form adopted and decide if it should be supported as a cooperative in the first place. Thirdly, the enterprise that has a capital interest with profit-as-a-purpose and a mutual interest should not be considered as subject of support for not being a social enterprise.

The exercise of mapping and prioritising the cases within PRIME was useful to confirm that between 2015 and 2017, INAES supported enterprises

that can be deemed (theoretically) as social enterprises. However, if the objective was to support social enterprises, INAES probably should not have supported *Case 4* and *Case 5* because the first does not comply with the characteristics of a cooperative and the other one lacks of a social mission.

Although, when reviewing again the *Programme to Promote Social Economy*, the objective was: to provide the means to the organisations of the social sector of the economy which have productive initiatives, and indeed, the programme seems to have accomplished that objective. Perhaps, the problem is that all cooperatives are associated with social enterprises, when according to this exercise, social enterprises could adopt the form of a cooperative, but not all cooperatives comply with the characteristics of social enterprises, at least not in the Mexican context.

CHAPTER 6. SOCIAL BUSINESS CASES IN THE MEXICAN CONTEXT

6.1. Introduction

The purpose, this time, is to identify the characteristics of the 10 enterprises selected in chapter 4, that were supported by INADEM, in terms of their interest orientations and profit orientations to map them within PRIME. Consecutively, according to the criteria presented in chapter 2, they can also be prioritised and under the assumption of having limited resources, an 'ideal' selection can be suggested. Therefore, this chapter also answers the fourth research sub-question, which reads as: *what are the characteristics of the selected social enterprises and what implications do they have for their ideal-type selection, based on a prioritisation?* This exercise, just as with the cooperatives, is performed to confirm whether the MSMEs supported by INADEM are social enterprises and to what degree. The hypothesis is that, given that they have already been selected and supported as social enterprises, they should fit in a social enterprise position.

The order of this chapter is as follows. Firstly, an explanation about the classification of micro, small and medium sized enterprises (MSMEs) in Mexico is given. *The General Law of Commercial Companies and the Law of Security Markets* establishes the legal form that the MSMEs can adopt, such as that of a joint stock corporation. It also establishes the procedure for any MSMEs to become a legal entity, having rights and obligations. A brief explanation will also be provided of the *Federal Fiscal Code* and the *Law of Income Tax*, and how taxation (deductions and exemptions) are regulated, particularly in regard to the joint stock corporations.

Secondly, once that the general legal picture has been described, and the legal constraints of a MSMEs are known, this chapter offers a description of the cases. In that description, the main purpose of each enterprise, the products and services that the enterprises offer and their earned-income mechanism are explained. Of course, the description also makes emphasis on the interest orientation and profit orientation of the enterprises.

Afterwards, based on the interest orientations and profit orientations of the 10 cases under study, they are mapped within PRIME, which was presented and explained in chapter 2, and they are also prioritised thereof. Finally, a brief conclusion is presented.

6.2. Mexican Legal Framework of Joint Stock Corporations

The *Law for the Development of Competitiveness of Micro, Small and Medium Enterprises* (Poder Ejecutivo Federal, 2002) aims at promoting national economic development by encouraging the creation of Micro, Small and Medium sized Enterprises (MSMEs) and supporting their viability, productivity, competitiveness and sustainability. All the cases that will be presented later on in this chapter can be considered as micro or small enterprises. In Mexico, the size of an enterprise depends on the number of workers and also on the sector (industrial, commercial or services) to which it belongs.

Table 15 shows a stratification of MSMEs made by the Ministry of Economy along with the Ministry of Finance and Public Credit (Poder Ejecutivo Federal, 2002):

Table 15. Stratification of MSMEs

Sector/Size	Industry (manufacturing)	Commerce	Services
Micro	0-10	0-10	0-10
Small	11-50	11-30	11-50
Medium	51-250	31-100	51-100

Source: Ley para el Desarrollo de la Competitividad de la Micro, Pequeña y Mediana Empresa (Poder Ejecutivo Federal, 2002)

It is worth mentioning the importance of MSMEs in Mexico during the last years. As shown in **Figure 21**, out of four million MSMEs, 97.6% are micro enterprises and encompass 75% approximately of the total employed personnel (INEGI, 2016). To obtain this information, in 2015, a first-time *National Survey on Productivity and Competitiveness of Micro, Small and Medium Enterprises* was held, with the objective of finding out the management skills and the governmental support that MSMEs receive.

Figure 21. Number of micro, small and medium sized enterprises in Mexico. *Source:* (INEGI, 2016)

MSMEs can be registered as any commercial company. According to article 1 of *The General Law of Commercial Companies* (Poder Ejecutivo Federal, 1934), the following are the different types of commercial companies that an enterprise can adopt in Mexico:

- I. Society in collective names (Names & Company): All the partners respond, in a subsidiary way, unlimited and in solidarity, to the social obligations.
- II. Limited Partnership, *Sociedad en Comandita* (S. en C., acronym in Spanish): It consists of one or several joint partners that respond, in a subsidiary way, unlimited and jointly, to the social obligations.
- III. Limited Liability Company, *Sociedad de Responsabilidad Limitada* (S. de R.L., acronym in Spanish). It is constituted between partners who are only obliged to pay their contributions.
- IV. Joint Stock Corporation, *Sociedad Anónima* (S.A., acronym in Spanish). Consists exclusively of partners whose obligation is limited to the payment of their shares.
- V. Limited partnerships by shares, *Sociedad en Comandita por acciones* (S. en C. por A., acronym in Spanish). It consists of one or several joint partners who respond in a subsidiary way, unlimited and jointly, to the obligations and one or several limited partners that are only obliged to pay their shares.

- VI. Cooperative Society, *Sociedad Cooperativa* [S.C., acronym in Spanish]. As mentioned in the previous chapter, this type has its own legislation.
- VII. Simplified Stock Companies, *Sociedad por Acciones Simplificada* [S.A.S., acronym in Spanish]. This type is constituted with one or more Individuals who are only obliged to pay their contributions represented in shares.

All the cases presented in this chapter are “S.A. de C.V.”; that is, they are constituted as Joint Stock Corporations of Variable Capital. As mentioned in chapter 5, any commercial company can be of Variable Capital [C.V., and must follow what the *General Law of Commercial Companies* stipulates. Being of Variable Capital means that the share capital may be increased by subsequent contributions of the members or by the admission of new members, and the capital may be reduced by partial or total withdrawal of their contributions (Poder Ejecutivo Federal, 1934).

The *General Law of Commercial Companies* stipulates requirements and procedures to become a commercial legal entity. In this sense, the joint stock corporation [S.A., acronym in Spanish] could be constituted in two ways: before *notary public* or by *public subscription* (Poder Ejecutivo Federal, 1934). In the first form, at least two partners, after obtaining the permission of the Ministry of Economy, appear before a *notary public* and sign a corresponding constituent document, to later register it before the *Public Registry of Commerce* (Mondragón Pedrero, 2018).

According to article 6 of the *General Law of Commercial Companies* (Poder Ejecutivo Federal, 1934), the elements that a constituent policy of a joint stock corporation must have are:

- I. The names, nationality and address of the individuals or legal entities that constitute the company;
- II. The object of the company;
- III. Its corporate name or denomination;
- IV. Its duration, which may be indefinite;
- V. The amount of the share capital/capital stock;

- VI. The expression of what each member contributes in money or other goods [...] When the capital is variable, this shall be expressed by indicating the minimum to be set;
- VII. The address of the company;
- VIII. The manner in which the company is to be managed and the manager powers;
- IX. The appointment of the directors [...];
- X. The manner in which profits and losses are distributed among the members of the company;
- XI. The amount of the reserve fund;
- XII. Cases in which the company must be dissolved early [...];
- XIII. The bases to practice the liquidation of the company.

Additionally, article 91 of the same Law (Poder Ejecutivo Federal, 1934) stipulates more requirements in a constituent policy such as participation in the profits granted to the founders; appointment of the administrative and supervisory body; powers of the General Assembly; reasons for exclusion of members or to exercise rights of separation, among others. The enterprises presented in this chapter were asked about the procedure to be followed when a shareholder wants to leave or if the enterprise terminates its activities. They all converge in the procedure: the shares will be sold, if a shareholder wants to leave and they will split the resources according to the shareholding, if the enterprise terminates its activity.

The second form to constitute a joint stock corporation is by *public subscription*. Under this form, the founders draw up a draft constituent document, which have the same elements than those constituted before *notary public* but omitting the name of the partners, the description of the contributions (indicated in article 6), and the appointment of the administrative and supervisory body (indicated in article 91). This is deposited in the *Public Registry of Commerce* and it remains public. A person interested in forming part of the company, a subscriber, must submit his request to the *Public Registry of Commerce* (Mondragón Pedrero, 2018). The request must contain what is prescribed in article 92 of the Law (name, number of shares, terms of payment, etc.).

In the description of the cases under study the reader will notice that some enterprises adopted the figure of “S.A.P.I.” *Sociedad Anónima*

Promotora de Inversión, which means *Joint Stock Corporation to Promote Investment*. It is a type of joint stock corporation in which the attraction of investments is the main purpose, but protecting the initial shareholder of losing certain corporate rights, even when they might hold the minority of shares [Robles Terraza, 2013]. This type of joint stock corporation is regulated by the *Law of Security Markets* (*Ley del Mercado de Valores, in Spanish*), and what is not provided for in this law, is considered in the *General Law of Commercial Companies*.

Regarding the decision-making process and the actors involved, in joint stock corporations there is the General Assembly of shareholders, the Administrative Board and General Manager[s] (Poder Ejecutivo Federal, 1934). When two or more persons are in charge of the administration, who may be partners or persons external to the corporation, the Administrative Board shall be constituted. The General Assembly, and the Administrative Board or manager (when there is only one in charge of the administration) may appoint one or more General Managers or Special Managers, regardless if they are shareholders.

Figure 22 shows these organs in charge of making decision in joint stock corporations. The General Managers shall not require special authorisation for the acts they perform, as long as it is within the scope of the powers attributed to them. The next section will mention who are the actors involved in making decisions and how they do it.

Figure 22. Organs in charge of making decisions in Joint Stock Corporations

Following the *General Law of Commercial Companies*, the distribution of profits among the partners shall be made in proportion to the amount of shares [Poder Ejecutivo Federal, 1934]. On the other hand, the distribution of profits for the benefit of employees must be made within sixty days following

the date on which the annual income tax is due (Poder Ejecutivo Federal, 1970). The cases that will be described do not distribute profit among employees because, following article 126 of the Law of Federal Labour (Poder Ejecutivo Federal, 1970), they are either of recent creation (i.e., no more than two years old) or they do not report any profit yet.

According to the *Federal Fiscal Code*, the joint stock corporation, as a legal entity, has to pay taxes (Poder Ejecutivo Federal, 1981). The most important tax is the Income Tax, for which companies pay 30% of their income (Poder Ejecutivo Federal, 2013b). However, the *Law on Income Tax* also considers deductions. For example, according to its article 34 (fraction XIII), investments made in machinery and equipment for the generation of energy from renewable sources may be deducted by up to 100 %, provided that the goods are in operation for at least five years immediately after the financial year in which the deduction is made. One of the cases that will be described in the next section, has this deduction for solar panels.

In summary, joint stock corporations are a type of commercial company. Most of the MSMEs that have been supported by INADEM and presumably social enterprises, are legally constituted as this type of commercial company. The *General Law on Commercial Companies* stipulates the requirements to be constituted as this type of commercial company (e.g., at least two shareholders). It also stipulates the distribution of profit (in proportion to the number of shares) and the bodies of decision that can exist in these types of companies (i.e., general assembly). Apparently, the basis of the distribution of profit and the decision-making process are not designed to pursue any social mission. However, the law contributes to protect the social mission, to a certain extent, when it establishes that in case the enterprises are of recent creation or without profit, they are not obliged to distribute profit among the shareholders. They can also benefit from a deduction of taxes when their investments are related to the generation of energy from renewable resources.

6.3. The Cases: Joint Stock Corporations

In this section, the cases are described showing their interest orientations and profit orientations. As mentioned in chapter 2, the mission of the organisation, its decision-making process and its distribution of profit, are used to identify the interest orientation of the enterprises. Whereas the goal of their activities, in terms of profit generation, determine whether they have a non-profit purpose, profit-as-a-means or profit-as-a-purpose. **Table 2**, presented in chapter 2, is used to assess the interest orientations and profit orientations of the enterprises presented in this section.

The information presented in this section is based on the interviews carried out with the founders or general directors of the enterprises (joint stock corporations).

6.3.1. Case 1: Elaboration of craft beer

Some years ago, the centres of beer consumption and commercial establishments in Mexico were under the control of big beer companies. This meant that these consumption centres and commercial establishments could not sell any beer other than that stipulated in the exclusivity contract they signed with these large breweries. Fortunately, in 2013 the Federal Economic Competition Commission (COFEC, acronym in Spanish) issued an opinion in which it stated that artisanal beer did not compete with beers sold by large companies [Comisión Federal de Competencia, 2013]. After that, consumption centres could start selling artisanal beers without this action being opposed to exclusivity contracts, opening in this way the market to small producers of craft beer.

There are around 180 types of beer, but because of the reasons exposed in the paragraph above, in Mexico only three or four types are known. Thus, with the purpose of changing this situation and promote the culture of craft beer, the interviewee founded *Catorce Cero Uno S.A. de C.V.* in 2015. In parallel, he is the president of the beer association of the state of Michoacán. This association represents the local producers of beer before the government. It also makes sure to defend the independency of the small producers from big international beer companies.

Catorce Cero Uno produces 10 different types of beer. From 80% to 90% of its product is sold in retail (for example, in large supermarket chains)

and the rest is exported to France and the United States. Additionally, the enterprise distributes its beers in restaurants and pubs. Besides, around 400 commercial establishments sell the beers of this enterprise.

The interviewee explained that for producing one beer, eight employees are needed. This enterprise started with only two employees but, after three years, is currently employing 17 individuals and it is expected to employ more by the end of 2019. In this sense, the interviewee claimed that the enterprise is a potential generator of jobs. Although the company has a fast-growing trend, according to the Mexican law, this company is still considered as a small enterprise for having less than 50 employees.

Gatorce Cero Uno is located in the state of Michoacán. It has a website in which the history and mission of the company is briefly explained. In addition, some types of beer are described and the contact details are shown. The enterprise also managed very well the social networks such as Facebook and Instagram.

This enterprise was supported by INADEM in 2015. In that year, INADEM was not very clear about the meaning of “high impact”, as it was reviewed in chapter 4. By 2015, high impact could be understood as a potential generator of employment, and this enterprise was a perfect candidate for that. However, this enterprise is not a social one because it lacks of a social mission. Although the generation of employment is a very positive characteristics, its first interest is capital and it generates profit-as-a-purpose. The generation of employment is just a consequence of the good performance of the company.

Gatorce Cero Uno has had a growth of 50% per year since 2015 to the time of the interview, a performance that for such a young company is very positive. The past couple of years, all the profits have been reinvested in the same company. When the time arrives to allocate profits, this should be done according to law among the three shareholders: the interviewee, his wife and the interviewee's wife.

The founder of this enterprise is the only one that makes decisions. The founder of this company would like to have an external council, but this is still a plan for the future and in the meanwhile he is in charge of making the main decisions.

In short, this enterprise is confirmed as a regular joint stock corporation that has a capital interest with profit-as-a-purpose. Its mission is to sell high-

quality beer in a market that is relatively new and its priority is oriented to make the enterprise grow. There is no general interest identified, therefore, the conclusion is that it is not a social enterprise.

6.3.2. Case 2: Provision of catering service

ALYCATnc S.A. de C.V. is a family enterprise started by the father and continued by the son in Mexico City. This enterprise works *de facto* since 1999, but it was legally constituted in 2014. They started offering catering services in parties until they started to serve meals in *full-time schools*.⁴⁹

Serving meals in schools became the main activity of this enterprise. Its earned-income activity consists of charging around 1.20 euros (24 pesos) *per* child, every day. Although it is a very low price, it is still profitable. With this mechanism the enterprise has to daily deal with the parents, which brings a lot of administrative complications for the enterprise.

Currently, *ALYCATnc* serves meals to children in five schools' canteens. Since each school canteen works relatively autonomous, administrated by a shareholder, each has its own administrative guidelines. Therefore, the number of workers is unknown, and in any case, the staff rotates a lot.

The interviewee is a very dedicated entrepreneur, willing to innovate and generate changes. He is really concerned about how to create awareness and consciousness about how to eat healthy. However, in all these years, he has faced difficulties with the parents, the school, the children themselves and the way the full-time school is designed, being the government responsible for the latter. Surprisingly, all the stakeholders demand nutrition but for one reason or another their acts are incongruent.

To solve this inconsistency, the interviewee started an Anti-Junk food workshop oriented to teach the parents how to eat healthy. Unfortunately, these workshops stopped because of the parents' absenteeism. He has in mind other ideas, for example, to teach the children to take care of a self-sustainable garden in green walls. In this example, the children would be learning how to create life, and to some extent, awareness, so they value what they eat. In any case, investments are needed to carry on this project.

⁴⁹ Since 2007, full-time schools extend their operation hours in order to improve learning in basic education. They are supported by a federal programme of the same name, the Full-Time Schools Programme. For more information, see: <https://educacionbasica.sep.gob.mx/site/proetc>

This enterprise was also involved in another project called “Gastronomic Adventure”. This project consisted of planning a gastronomic route, oriented to gastronomy students and involving traditional meals. What this enterprise still does, when there is an opportunity, is to offer catering service in social and political events.

The mission of this enterprise is to convince people that a good alimentation is the key for a healthy life. However, there is a big complexity in this system of providing meals in full-time schools. Not only the lack of resources prevents this enterprise from achieving its goal but also the network of actors that are involved. The parents, the directors, the teachers, the children, the government authorities, all are actors that demand special treatment and all have their degree of influence. Certainly not an easy environment that keeps this enterprise away from achieving what it would be its social mission.

To allocate the profits, this enterprise adds up the number of children of all the schools where the meals are served, afterwards the profit is divided by this total. Then, shareholders receive the amount that corresponds with the number of children they have in the school that they manage. Regarding the rest of the employees, the enterprise pays a fixed salary.

In this enterprise there was a tendency to grow, until a big drop that happened in 2017 due to the earthquake in Mexico City. This natural disaster caused many school closures.

This enterprise is composed of seven family members, the parents and their sons and daughters. The Board of Directors is composed of the same people. The most influential member is the interviewee, who mentioned that most of the time the rest of the shareholders have to agree with his decisions. Even though there are several shareholders, the decision-making process has more a capitalist sense.

Summing up, as a joint stock corporation, this enterprise has a capital interest with profit-as-a-purpose. The mission is to sell meals in schools and in social events. The decision-making process is capitalist and the distribution of profit is proportional to the number of meals that each shareholder sells in their assigned school. The focus of the enterprise is on making it grow.

Despite of all the difficulties that this enterprise has faced, it also has a general interest because it has a social mission which consists in promoting

a healthy diet among children. The enterprise has also carried out non-profit activities. For these reasons, the conclusion is that this enterprise is a social enterprise.

6.3.3. Case 3: Production of eco-friendly products

Biotec Bambus S.A.P.I. de C.V. offers products such as baby diapers, sanitary pads and special cleansing wipes for the care of delicate skin. The difference between the products sold by *Bambus* and similar ones in the market is that the products by *Bambus* are made of bamboo flower, a 100% natural material, disposable, medicinal and biodegradable. Taking care in this way not only of the environment but also of the skin of babies, with the bamboo diapers.

Bambus was legally constituted in 2016. According to the law, *Bambus* is considered a micro enterprise, since it employs five individuals including the two founders. It has a website in which the advantages of purchasing its products are explained. There, each product is described in detail. Although the main office is in the state of Jalisco, in the website they present 13 commercial establishments that sell its products, all of them in different states of Mexico. The enterprise also makes use of social networks such as Facebook.

This enterprise, as a joint stock corporation, has a capital interest with profit-as-a-purpose. It has a capital interest because it considers the three shareholders and their corresponding shares in the distribution of profit, and also because the decision-making process occurs in a conversation between two of the shareholders. It has a profit-as-a-purpose orientation because the idea of this enterprise is to maximise its profit.

In addition, it serves a general interest, because the mission of this enterprise is to invite the customers to integrate its products into a new environmentally friendly lifestyle. Its contribution is towards the conservation of biodiversity and natural resources and also in the prevention of pollution and waste management. Since this mission can be considered as a social one, it can be said that this enterprise has a general interest, which makes it a social enterprise.

6.3.4. Case 4: Promotion of sustainable tourism

Operadora Turística Viajes que Iluminan S.A. de C.V., which trade name is *Totonal* (word in Nahuatl that means: our destiny/soul/spirit/energy), is a tour operator located in the state of Quintana Roo, concerned about the environmental degradation and loss of local identity. This enterprise acknowledge itself as a promotor of sustainable tourism. This means, for example, that regarding the environment, the company encourages the reduction of plastic and it is against the capture of dolphins; regarding the social aspect, it is an inclusive enterprise since it incorporates rural cooperatives in the chain of suppliers, promotes fair trade and the respect to different cultures; and, of course, regarding the economic dimension, they count with a profitable model.

The interviewee and founder of *Totonal* consider herself as a traveller that the more discovered Mexico and its different states, the more interested she became in the variety of cultures within the country. She was so eager about spreading what she had learnt in all her travels that she came with the idea of founding this enterprise. Her main customers are foreigners for whom an itinerary is created. This itinerary can include as many cities as the customer wishes and the supply chain always involve rural cooperatives or urban entrepreneurship. The company has a network of 20 cooperatives and 90 rural and urban suppliers approximately. Of these, 15 cooperatives and 25 of the suppliers have been trained directly by the *Totonal* team to ensure quality of service.

The way the interviewee described *Totonal* is that rather than being a tour operator, *Totonal* is a host; and, more than a trip, this enterprise offers a life experience and new human relationships. The types of experiences that the enterprise offers are six and are described in its website in the following way:

- a) Ecotourism experiences: activities that include mangrove kayaking, river rafting, jungle trekking, among others.
- b) Family experiences: Activities that include all family members and combine fun with learning biology, environmental education, art and much more.
- c) Community-based tourism experiences: It's all about going deep into a community to learn about its culture.

- d) Wellness experiences: The activities offered are relaxation massages, encounters with healers, *temazcales*, yoga and meditation in the midst of nature.
- e) Cultural and gastronomic experiences: Activities like cooking classes or mezcal tasting sessions are involved in this experience.
- f) Romantic experiences: This type involves activities for two people, discovering places to enjoy in couple.

This enterprise was legally constituted in 2012, but the trade name *Totonál* works since 2010. It is a small enterprise, since it employs only 12 individuals. Currently, they count with the Certification of Rainforest Alliance and with this, the enterprise certifies its commitment with sustainable tourism in Mexico.

The interviewee claimed that the social mission of *Totonál* is to be a bridge that generates jobs and minimises the migration of rural people to urban areas through responsible tourism. This enterprise even has an internal policy that establishes that at least three ventures of rural cooperatives must be involved in each trip and by doing this they are accomplishing its social mission. This enterprise also trains the cooperatives and all suppliers to ensure the quality of the service and it does this as part of assisting the small suppliers.

Moreover, this enterprise cares about its own members. It makes sure that all workers feel moved by the cause more than making profits. In this sense, the interviewee assured that all of them learn about their own country (Mexico) and they feel motivated.

Additionally, the clients are also very important. Noteworthy is that as a way to incentivise Mexicans to discover their own country in a different manner, the enterprise gives a cheaper price to Mexican people than, for example, to Europeans. The main purpose of this is to make the Mexicans appreciate more their origins, their own culture.

Totonál is very aware of what sustainability means. They are environmentally friendly; its business model works and it supports small rural cooperatives. With this, its final beneficiaries are different (i.e., not only the clients but also employees and cooperatives) and the benefit is also different. The benefit can be tangible for some (like for the workers or the rural cooperatives) and for others something that is intangible (like the satisfaction that clients obtain).

This enterprise has a capital interest. It is a tour operator and, as such, it sells touristic packages. It is a young company that has not reached the point of generating profits. However, it might start soon, given that since 2016 the company has a tendency to grow. At that point, the distribution of profit will likely be according to the shares of each partner. It is considered that this enterprise has profit-as-a-purpose because it has the goal of maximising its profit.

Moreover, this enterprise has a general interest and executes some non-profit activities. That is, it has as a social mission to take care of the environment, to promote fair trade, to include small suppliers and to disseminate different cultures. It also performs activities oriented to educate those small suppliers about the quality of their service.

Surprisingly, this enterprise has also a mutual interest and profit-as-a-means. It has a mutual interest because it has a democratic decision-making process. It has something that is called 'operational boards', which are weekly meetings where all the members actively participate and their opinions are taken into account. Additionally, the company also has the regular board of directors, which is formed by three members. One person has a majority of the shares and the other two have equal shares. Regardless of the percentage of shares that each shareholder possesses, the decisions are made among the three members and the *one person, one vote* rule applies. As mentioned, the enterprise is expecting to generate profit-as-a-purpose but, in the meanwhile, it has been reinvesting and paying salaries with the incomes it has been making. This income is also used to perform its non-profit activities. For all the reasons mentioned above, this enterprise is considered an ideal social enterprise.

6.3.5. Case 5: Provision of a courier service

Blue Beats S.A. de C.V. is an enterprise founded in 2013, focused on software development. This company is composed of five shareholders and they are mainly focus on the development of web platforms and applications for companies. A few years ago, they had an idea related to courier services, which is now being implemented.

Their idea was related to the so-called first mile in the courier service. As explained by the interviewees, the first mile refers to the whole process in

which a product is taken from a person to any courier service, so the latter can deliver it to any final user. The interviewees explained that, in Mexico, the first mile service could be improved, for example, people could save a lot of time in the queue of a courier service establishment.

Based on the above, the shareholder of *Blue Beats S.A. de C.V.*, created *Bringo*, the brand name for a courier service and packaging. The idea is that a customer, through the website, is able to indicate any place where the package that wants to be sent can be collected. After collecting the package from the customer, *Bringo* is in charge of taking it to another courier service that, in turn, will be in charge of taking the package to the final user. With this, long queues are avoided by the users.

Bringo also makes a price comparison among the different courier services so the customer can also indicate through which company the package will be sent. *Bringo* makes use of *Green Logistics*,⁵⁰ which attempts to mitigate all the ecological impact of logistic activities. In this case, they try to use non-polluting means of transport.

The members of this enterprise work in different states of the country, developing software for different companies, but the offices are located in the state of Yucatan. *Bringo*, the courier service, operates only in the city of Merida, in Yucatan. *Blue Beats* is still considered as a small company since it employs only 11 individuals.

This enterprise claimed to be inclusive. The interviewees are willing to employ elderly people, people with certain types of illness that prevent them from moving to the office or people with special needs that ask for flexible work schemes (i.e., students). However, despite that before they have employed people with some of the characteristics mentioned, currently, none of the employees has a disadvantageous characteristic.

According to the interviewees, the growth of the company takes the form of a S-shaped curve, that naturally dips during the lifecycle of the company. The first months were losses, red numbers, the investments went to salaries, working capital, advertising issues, sales expenses. After that, now they can

⁵⁰ The term, Green Logistics, refers to a sustainable logistics that, in this case, for example, will care about reducing the damage to the environment while transporting or packaging (Gülmez & Tüzün-Rad, 2017).

say that they have reached the point of equilibrium, that they are having positive results, that there are black numbers.

In short, this enterprise, as a joint stock corporation, has a capital interest. Its mission is to succeed in the implementation of its courier service (*Bringo*), one of the many services that it offers. Precisely because the courier service is only one of the services that this enterprise offers, the use of green logistics is considered as a policy in this specific service rather than as a general interest.

Regarding the distribution of profit, it is based on the percentage of shares that each partner holds and the vast majority of the income is reinvested in the enterprise. Its intention as *Blue Beats* (i.e., a software development service) is to maximise profit. Therefore, this case is considered as a regular joint stock corporation with capital interest and profit-as-a-purpose. That is, it is not a social enterprise.

6.3.6. Case 6: Production of a falls' detector

A couple of young entrepreneurs, while doing their master degree, developed a mobile phone application. This app was in the top 25 downloads in the App Store of Mexico. Even though they did not earn anything, they got enough motivation to start their own enterprise. Nowadays, the company that they created develops websites, applications for other companies to have a more efficient communication with their customers, manage social networks and create ads for companies. Additionally, they created some functional devices.

The first device that they developed was a bracelet for the detection of falls of the elderly. According to the World Health Organisation (World Health Organization, 2018) falls are the second leading cause of accidental or unintentional injury deaths worldwide and adults older than 65 years old suffer the greatest number of fatal falls. When they are not fatal, subsequent care is required and, consequently, great financial costs need to be covered either by the family or the public health institutions. Unfortunately, this promising device still needs improvements and at the moment was not being commercialised.

However, they do sell two very similar devices. One is a pet-collar and a bracelet for children. Both are localisation devices. The children's device has two panic buttons to call any of their parents and in this way the kid can speak

through the device. The pet collar, through an application shows where the pet is. If the pet goes outside of the permitted set area an alarm will be triggered. The revenues collected from these two devices are expected to provide the money needed to complete the bracelet for the detection of falls.

This enterprise *X, S.A.P.I. de C.V.* is very young.⁵¹ It was founded in 2014 and it can still be considered as a small enterprise since it employs 12 individuals. The office of this enterprise is located in the south of the country. This enterprise publicises their products and services online via its website and social networks.

The idea behind completing the bracelet for the detection of falls of elderly people in Mexico has to do with facilitating their care. It also has to do with avoiding further care that implies great financial costs for the family or public health institutions. In this sense, we would be talking about the great benefits this is bringing, but it is not possible to discuss its achievements since it is not at the market yet.

Since 2014 this enterprise has had a regular growth trend, except in 2018 when they had to cope with a big drop. The way that they have managed the income is to reinvest 90% of the revenues and to keep 10% in case of any event like being without projects and while having to keep paying salaries. In general, when the time comes they will share the profits according to the shares they hold.

There are just two partners, the two founders. Being two, they just basically discuss any issue, they assess the situations, come with new ideas and make decisions. There is a third person that they call the project leader on whom they rely a lot. This third person would advise them regarding the technical part and the partners would deal with the economic part.

This company has, in principle, a capital interest because it offers software development services to the benefit of the shareholders. It generates profit-as-a-purpose because it aims at maximising its profits. In addition, it also has a general interest because its main product is oriented to support a vulnerable group (i.e., elderly people). This enterprise is also seen to have a profit-as-a-means orientation because part of its income is used to accomplish its first mission, which consisted of facilitating the care of elderly people.

⁵¹ The interviewee requested to keep the name of the enterprise anonymised.

Therefore, these characteristics move this enterprise to the landscape of social enterprises.

6.3.7. Case 7: Production of salt

Insects were one of the elements of the pre-Hispanic cooking because they are providers of salt and at the same time could be used as condiments. Nowadays, many of them are still used and form part of the traditional Mexican cuisine. The maguey worm is a great example of an insect that the first Mexicans would include in their daily diet and that is still used (García-Rivas, 1991).

Grupo Gran Mitla S.A. de C.V. uses the maguey worm as the main ingredient to produce salt. In this way, the enterprise helps to disseminate a part of the Mexican ancient culture. Its product is one of a kind in the market, so well accepted, that soon the demand exceeded the capacity of production of the enterprise. Besides, this enterprise not only commercialises maguey worm salt but also grasshopper salt at a national and international level. In the country, *Gran Mitla's* products are sold in gourmet stores, in some restaurants, and is also possible to purchase the products online.

Regarding the production process, *Gran Mitla* involves several suppliers from different states of the country. The interviewee highlighted that since 2014, when the enterprise started operations, the enterprise has been working with the same suppliers. The suppliers are people from small rural villages whose socioeconomic condition could be considered from low to medium. She said that one of their goals is that the suppliers grow together with the enterprise, maintaining a commercial relation. The main idea is that the enterprise buys the raw material directly from the suppliers, avoiding intermediaries, paying them a fair price for their product. In this regard, the interviewee added that, at the moment of the interview, they supported eight different suppliers, which translated into supporting eight families.

What started with the idea of one person who wanted to diffuse a family recipe has now become an office located in Mexico City and a centre of production in the same city. *Gran Mitla* is no longer considered as a micro enterprise in Mexico, but a small enterprise since it employs more than 10 individuals. Besides, there is an active website at which its products can be

purchased in different types and sizes, with deliveries in and outside the country.

Summing up, this enterprise has a capital interest with profit-as-a-purpose. It has a capital interest because its mission is to commercialise maguey worm salt and other similar products. Moreover, its decision-making process is capitalist because the decisions are made only by its shareholders. In addition, the enterprise has stipulated that the distribution of profit corresponds with the shares that are held. Finally, it has profit-as-a-purpose because it aims at expanding its market nationally and internationally.

Moreover, this enterprise has a general interest because first, its social mission is linked with the relation it has developed with the suppliers. Second, the enterprise also has the mission of spreading the Mexican culture by promoting the consumption of its product. These characteristics move this enterprise to the landscape of social enterprises.

6.3.8. Case 8: Installation of photovoltaic systems

It is well-known that global warming is caused by greenhouse gases emitted by humans. There are several greenhouse gases, but carbon dioxide or CO₂ is believed to be the first responsible (Anderson, Hawkins & Jones, 2016). Solar energy is supposed to mitigate global warming, because it diminishes the emission of CO₂. In this line of reasoning, Mexico is the third country with the highest amount of solar radiation on the planet, it belongs to the so-called Sunbelt countries (Instituto de Energías Renovables de la UNAM, 2016) which means that it has a great potential to generate solar energy.

Sun Core S.A.P.I. de C.V. is a company specialised in the installation of photovoltaic systems. The customers can be from the residential, commercial, industrial or governmental sector. The company leases photovoltaic systems for a fixed monthly fee, for mandatory terms ranging from 5 to 20 years. The company amortises the investment of the system and after 5-7 years begins to receive profits. On the other hand, the people who acquired the system have a net saving in their electric expense of around 10% every two months.⁵²

The enterprise has also provided the product to isolated communities. For example, when it was hired as part of the Universal Electric Service Fund

⁵² Taken from the public version of the project proposal presented to INADEM.

(FSUE, acronym in Spanish) that belongs to the Ministry of Energy in Mexico. The main purpose of this fund is the electrification of indigenous and marginalised areas of the country (Valentini, 2018).

Sun Core was created in 2012 by the interviewee, who knows the relevance of generating sustainable energy. In the last few years, this company has considerably grown. The office of *Sun Core* is located in Mexico City in which 28 permanent employees operate. By the number of permanent employees, this enterprise is still considered as a small enterprise in Mexico.⁵³

Sun Core, as a joint stock corporation, has a capital interest and generates profit-as-a-purpose. The capital interest orientation of this enterprise is explained by the fact that the decision-making process of this company is capitalist (i.e., the decisions are made only by the four shareholders) and the distribution of profit is based on the shares that each partner holds. The enterprise has profit-as-a-purpose because its mission is to keep growing and maximising its profit.

Moreover, this enterprise has as a general interest because it promotes the usage of renewable energy.⁵⁴ This characteristic moves this enterprise from being a regular joint stock corporation to have the tint of social enterprise.

6.3.9. Case 9: Development of socio-emotional skills

Out of the countries that belong to the Organisation for Economic Co-operation and Development (OECD), Mexico ranks among the highest in rates of bullying. On the one hand, the Programme for International Student Assessment (PISA) shows that Mexico is above the average of the *percentage of frequently bullied students*⁵⁵ (OECD, 2017). This assessment is based on reports from the students' perspective. Students were asked if they have suffered any kind of physical, relational and/or verbal abuse by other students. On the other hand, from the principals' perspective, the Teaching And

⁵³ On the other hand, SUNCORE has 157 temporary employees. Considering this number and that they can be classified in the commerce or service sector, the size of this enterprise is big. This, according to the stratification established in the Law for the Development of Competitiveness of Micro, Small and Medium Enterprise.

⁵⁴ As mentioned in section 6.2., the Mexican legal framework actually helps to maintain this general interest through the deduction of taxes.

⁵⁵ PISA considers students between 15 years and three months old and 16 years and two months old at the time of the assessment.

Learning International Survey (OECD, 2014) shows that Mexico ranks in the first place in *physical injury caused by violence* among students. In addition, Mexico is in the top of *intimidation or verbal abuse among students*⁵⁶. Finally, TALIS also shows that Mexico has one of the highest percentages in the use or possession of drugs and/or alcohol.

Grupo Innovador para el Desarrollo Tecnológico S.A.P.I. de C.V., which trade name is *Visionaria Games*, designs software programmes to develop socio-emotional and cognitive skills for basic and secondary education. The purpose of these programmes is to use them as a tool to prevent bullying and the use or possession of drugs. The socio-emotional and cognitive skills stimulated by these programmes are: decision making, creative thinking, problem solving, resistance to social pressure, anger control, expression of emotions, self-knowledge, future planning, and empathy. In regard to the educational programmes, these include non-digital activities (group activities between students and teacher) and digital activities (such as videos or video games).

Regarding the ways of making income, *Visionaria Games* sells the software licenses with individual codes to secondary schools. Using those codes, students access to a platform and teachers control the interactive class. Educators can monitor students' performance through the platform. The programmes last six months. They start with an initial evaluation and finish with a final assessment to generate a comparative report.

According to the interviewee, public schools with scarce resources can, in comparison with private schools, get a big discount on the programmes or some funding entities might invest and the enterprise covers the rest. She emphasised that, in general terms, the company promotes education and that these programmes have been thought for the benefit of the users, in this case, the children.

It is important to consider that *Visionaria Games* was founded since 2009 by a person who is now its CEO and today it can still be considered as a small enterprise since it employs only 14 individuals. Its office is located in Mexico City and it has a very explicative website in which the description of the programmes is deployed.

⁵⁶ TALIS considers students that belong to lower secondary education.

With their products, *Visionaria Games* aims at preventing bullying or addictions among the students of secondary school. Moreover, in such endeavour, the enterprise would like to cover all secondary schools in the whole country. Actually, the enterprise also finds alternatives to help schools that cannot afford the programme to become clients so their students can benefit from its software.

In *Visionaria Games* there is an Administrative Board composed of three members: the president and two external counsellors. They make the main decisions regarding the products that are to be developed. In case of controversy, the president has the ultimate decision. The enterprise has also a General Manager who makes decisions within the company on daily basis.⁵⁷

Regarding the distribution of profit, *Visionaria Games* is a young company, therefore it does not have profits yet. In fact, according to the interviewee, the enterprise has needed extra investments from the shareholders, reinvestment of sales revenue as well as money from some grants for the development of their products. Nevertheless, the interviewee emphasised that when the time comes to share profits, it would be done according to the laws [The General Law of Commercial Companies and the Law of Income Tax].

In short, *Visionaria Games* operates as an enterprise with capital interest and profit-as-a-purpose. The distribution of profit and the decision-making process work as any other regular enterprise. In addition, this company has a general interest because it has a social mission, which consists of fostering socio-emotional and cognitive skills, at a national level. It also has a non-profit orientation because it finds ways to provide its product to customers that cannot afford it. For these reasons, this enterprise is considered a social enterprise.

6.3.10. Case 10: Provision of information to migrants

Trevicy Service Group S.A.P.I. de C.V. was one of the projects that were supported by INADEM in 2017, but it is not operating yet because the company is working on the development of software that needs to be done before it can start operations in Mexico. Unlike the other cases, this enterprise is in a very young stage.

⁵⁷ The managing director reports directly to the president of the enterprise. The managing director was the interviewee about this case.

To start, it is worth to explain the idea behind *Trevicy Service Group S.A.P.I. de C.V.* The idea of this enterprise is to adopt the operating model of *SABEResPODER* (in English: KNOWLEDGEisPOWER), which is oriented to support Spanish-speaking migrant communities, in order to integrate them into their new society easily. The interviewee along with his partner, created *SABEResPODER* in 2005, in the United States. In this case, the interviewee was introduced as the team leader of TREVICY SERVICE GROUP when this project was presented to apply for the grant in Mexico.

The main office of *SABEResPODER* is located in Los Angeles, California, in the United States. The main services are the provision of information regarding finance, health, education and technology; so the migrants can make the best decisions. The migrants can also ask any questions and they will get a response in less than 24 hours.

SABEResPODER is legally a C-corporation but it is also certified as a B-Corporation by B-Lab. Being a C-corporation in the United States of America means that is “taxed on its earnings, and then the shareholder is taxed when earnings are distributed as dividends” (IRS, 2018). Being certified as a B-Corporation means that the business balances profit and purpose and that the business is being used as “*a force for good*” (B-Lab, 2019). The certification is given by ‘B-Lab’, a non-profit organisation that awards for-profits organisations for impacting positively the workers, the community, the environment and customers (B-Lab, 2019).

An important thing to know is that *SABEResPODER* does not have a sustainable business model yet; therefore, investment funds and social investors play a key role in its operations. It has 14 full-time employees, 10 part-time employees and 20 people working in Guadalajara, Mexico, where the enterprise hired the young people who have been deported.

In regard to *Trevicy Service Group S.A.P.I. de C.V.*, it is interesting to know how this enterprise will develop in the Mexican context. Since it is a replication of *SABEResPODER*, there are unique characteristics that should be considered, such as the absence of clear earned-income activities. Moreover, the working relation with colleagues from another country, that can turn the decision-making process into a more complex one. In any case, it is something that would be require further analysis when the operation starts.

Although *Trevicy Service Group* is not yet operating, its interest orientation is towards a general interest. That is, its social mission is oriented to support vulnerable people, in this case, migrants. At the same time, it has a non-profit orientation because all of their activities are actually non-profit activities. Therefore, this enterprise is considered a social enterprise. It is noteworthy to mention that this enterprise does not have a capital interest and profit-as-a-purpose, unlike the regular joint stock corporations.

6.4. Mapping and Prioritisation of the Cases using PRIME

To answer the driving question of this chapter, the description of the cases will be used to map them in PRIME (of chapter 2). Afterwards, the prioritisation of these enterprises will be discussed.

To start, the description of the cases is summarised in **Table 16**. The summary shows the general interest, the mutual interest or capital interest when it applies, along with the profit orientations of the enterprises. The cases are ordered by the year in which they were given the grant by INADEM.

Table 16. Cases supported by INADEM per year, their interest orientations and profit orientations

No.	Social Enterprises	Year	General interest & non-profit activities	Mutual interest & profit-as-a-means	Capital interest & profit-as-a-purpose
1	Elaboration of craft beer	2015	<u>General interest:</u> N/A <u>Non-profit activities:</u> N/A	<u>Mutual interest:</u> N/A <u>Profit-as-a-means:</u> N/A	<u>Capital interest:</u> To produce and to sell craft beer. The decision-making process is capitalist. The distribution of profit is according to shares. <u>Profit-as-a-purpose:</u> The priority is maximising profit.
2	Provision of catering service	2015	<u>General interest:</u> To promote a healthful diet. <u>Non-profit activities:</u> Workshops have been carried out.	<u>Mutual interest:</u> N/A <u>Profit-as-a-means:</u> N/A	<u>Capital interest:</u> Catering service in political events and the sales of meals at schools. The founder makes most decisions. Profits are distributed among shareholders based on the amount of meals that each of them sells. <u>Profit-as-a-purpose:</u> The interest is about

					increasing the number of clients.
3	Production of eco-friendly products	2015	<u>General interest:</u> Promotion of responsible consumption. Prevention of pollution and waste management. <u>Non-profit activities:</u> N/A	<u>Mutual interest:</u> N/A <u>Profit-as-a-means:</u> N/A	<u>Capital interest:</u> The decision-making process is capitalist. The distribution of profit is based on shares. <u>Profit-as-a-purpose:</u> The interest is on increasing the sales of the products.
4	Promotion of sustainable tourism	2015	<u>General interest:</u> Promotion of sustainable tourism. Concern about the environmental degradation and loss of local identity. <u>Non-profit activities:</u> Training to the cooperatives so they are able to offer service of high quality.	<u>Mutual interest:</u> Democratic decision-making process <u>Profit-as-a-means:</u> Part of their income goes to sustain part of its mission.	<u>Capital interest:</u> It sells touristic packages. <u>Profit-as-a-purpose:</u> Increase sales and keep tendency of growth.
5	Provision of a courier service	2015	<u>General interest:</u> N/A <u>Non-profit activities:</u> N/A	<u>Mutual interest:</u> N/A <u>Profit-as-a-means:</u> N/A	<u>Capital interest:</u> Development of platforms and mobile phone applications for companies. Decision-making process among shareholders. Distribution of profit based on percentages of shares. <u>Profit-as-a-purpose:</u> a company looking into diversifying its products and maximising profit.
6	Production of a falls' detector of the elderly	2015 & 2016	<u>General interest:</u> Try to avoid great financial cost for the family and public health institutions with a bracelet for the detection of falls of elderly people. <u>Non-profit activities:</u> N/A	<u>Mutual interest:</u> N/A <u>Profit-as-a-means:</u> Profit used to develop the bracelet for the detection of falls.	<u>Capital interest:</u> Develop websites. Capitalist decision-making process and distribution of profit based on shares. <u>Profit-as-a-purpose:</u> Develop more projects to increase its profits.
7	Production of salt	2016	<u>General interest:</u> Involvement of small producers. Diffusion of Mexican culture. <u>Non-profit activities:</u> N/A	<u>Mutual interest:</u> N/A <u>Profit-as-a-means:</u> N/A	<u>Capital interest:</u> To sell a product. Capitalist decision-making process. Distribution of profit according to shares. <u>Profit-as-a-purpose:</u> Try to position the product at a national and at an international level.

8	Installation of photovoltaic systems	2016	<u>General interest:</u> Promotion of sustainable energy. <u>Non-profit activities:</u> N/A	<u>Mutual interest:</u> N/A <u>Profit-as-a-means:</u> N/A	<u>Capital interest:</u> Capitalist decision-making process. Distribution of profit based on shares. <u>Profit-as-a-purpose:</u> A great growth of their company in a few years.
9	Development of socio-emotional skills	2017	<u>General interest:</u> Prevention of bullying and addictions. <u>Non-profit activities:</u> Involvement of all secondary schools no matter the financial status.	<u>Mutual interest:</u> N/A <u>Profit-as-a-means:</u> N/A	<u>Capital interest:</u> Capitalist decision making process and distribution of profit based on shares. <u>Profit-as-a-purpose:</u> Concern about position the software and increase the number of clients.
10	Provision of information to migrants	2017	<u>General interest:</u> To support migrants. <u>Non-profit activities:</u> It provides useful information to migrants for free.	<u>Mutual interest:</u> N/A <u>Profit-as-a-means:</u> All the income that they can receive is spent on supporting migrants.	<u>Capital interest:</u> N/A <u>Profit-as-a-purpose:</u> N/A

Based on this, the cases can be located in PRIME considering if their interest orientations and their profit orientations belong to one, two or three angles of the triangle. In this sense, the cases are located as follows:

- Cases that belong to one angle:
 1. *Case 1. Elaboration of craft beer and Case 5. Provision of a courier service* are located in the bottom right angle where all joint stock corporations with CPp are.
- Cases that combine elements of two angles of the triangle:
 1. *Case 2. Provision of catering service and Case 9. Development of socio-emotional skills* are enterprises located in the letter x of PRIME, that is where all enterprises with CPp and GNp are.
 2. *Case 3. Production of eco-friendly products, Case 7. Production of salt, and Case 8. Installation of photovoltaic systems* are enterprises located in the letter v of PRIME, because they combine a CPp with G.
 3. *Case 10. Provision of information to migrants* is located in the number 5 of PRIME for having GNp with Pm.
- Cases that combine elements of three angles of the triangle:

1. *Case 4. Promotion of sustainable tourism* fits in the letter x (from the belt CPp-GNp), in letter C (from the belt MPm-CPp) and in the number 3 of PRIME (from the belt MPm-GNp). To identify its location a cross reference is needed.
2. *Case 6. Production of a falls´ detector of the elderly people* fits in letter v (from the belt CPp-GNp) and in the letter E (from the belt MPm-CPp). It combines elements from the three angles but only fits in two belts. To identify its location a link between the two positions is needed.

Figure 23 shows the distribution of the cases within the PRIME triangle.

Figure 23. Distribution of joint stock corporations supported by INADEM, within PRIME.

Based on their location, the cases can be prioritised for an ideal selection. That is, assuming that the resources are limited, it would be desirable to support those joint stock corporations that promise to be successful as social enterprises. Chapter 2 explains that the enterprise in the centroid should be the first option to be selected, followed by those that are close to the centroid of PRIME and so on. The prioritisation should be as follows:

1. *Case 4. Promotion of sustainable tourism* is a joint stock corporation that finds a balance between interest orientations and profit orientations. It is a social enterprise and should be considered as the first priority when supporting social enterprises.
2. *Case 2. Provision of catering service* and *Case 9. Development of socio-emotional skills* are joint stock corporations that should come after *case 4*. They can be considered social enterprises that combine a capital interest with profit-as-a-purpose, but at the same time they have a general interest and perform some non-profit activities.
3. *Case 6. Production of a falls' detector* is a joint stock corporation with a capital interest with profit-as-a-purpose. Its first mission can be considered as a general interest and generating some profit-as-means in trying to accomplish its general interest. It is considered a social enterprise that should come after *cases 2* and *9* in the order of prioritisation.
4. *Case 3. Production of eco-friendly products*, *Case 7. Production of salt*, and *Case 8. Installation of photovoltaic systems* are joint stock corporations with a capital interest and profit-as-a-purpose but with a general interest. These combinations make them social enterprises that should follow *case 6* in the order of prioritisation.
5. *Case 10. Provision of information to migrants* is a particular joint stock corporation in the Mexican context, with a primary general interest, trying to generate profit-as-a-means. Although it is constituted as joint stock corporation it does not perform as such. Strictly speaking, based on the criteria here proposed is at the same level than the previous social enterprises. It is up to the stakeholder willing to support to decide what pure form is given priority when there are no special legal forms (i.e., CPp, GNp or MPm).

6. *Case 1. Elaboration of craft beer* and *Case 5. Provision of a courier service* are considered as regular joint stock corporations with great potential of growth without being categorised as social enterprises. Therefore, talking about supporting social enterprises, these enterprises are out of place.

This exercise of mapping and prioritising the cases with PRIME, served as an example of an ideal selection, under the assumption of having limited resources. The following section summarises this chapter and discusses the importance of this exercise for this dissertation.

6.5. Conclusion

The question that was addressed in this chapter is: *what are the characteristics of the selected social enterprises and what implications do they have for their ideal-type selection, based on a prioritisation?* In this case, the question is applied to the 10 micro and small joint stock corporations supported and selected by INADEM. Just as the previous chapter did for the cooperatives, this chapter identified the interest orientations and profit orientations of the enterprises to next map them within PRIME and proposed an order of prioritisation.

The analysis presented in this chapter showed that nine out of the 10 joint stock corporations reviewed are characterised for their traditional interest orientation and profit orientation. That is, they have a capital interest and profit-as-a-purpose. The remaining one (case 10), has a general interest with non-profit activities and profit-as-a-means.

Seven out of the nine joint stock corporations that are characterised for their traditional interest orientation and profit orientation, are considered social enterprises because they also have a general interest. Four out of the seven social enterprises have, at least, an additional profit orientation. It is noteworthy to mention that one joint stock corporation is a social enterprise (case 4) in a position that balances the three interest orientations and profit orientations, which makes it an ideal social enterprise.

Based on the characteristics identified, a prioritisation of those social enterprises can be performed. Firstly, assuming that there are scarce

resources and only some of them can be financially supported, the social enterprise (case 4) located in the centroid of the PRIME triangle (see **Figure 23**) should be the first one in the prioritisation ranking. The social enterprises that follow are those that are closer to the centroid (i.e., cases 2 and 9), that is, the enterprises that combine their traditional interest and profit orientation with a general interest and non-profit activities. Consecutively, the enterprise (case 6) that only adds a different profit orientation should follow and finally, those with the general interest component only (i.e., cases 3, 7 and 8).

The two enterprises that have only a capital interest and profit-as-a-purpose should actually not be supported (case 1 and case 5). Nor the one that has a general interest with profit-as-a-means (case 10), if the intention is to support joint stock corporations with capital interest and profit-as-a-purpose.

Therefore, if a government today would want to support enterprises, but only those with the characteristics of a social enterprise, the suggestion is to respect that prioritisation, leaving out those last cases.

As an assessment tool, PRIME confirms that INADEM supported social enterprises between 2015 and 2017. However, there were two cases which mission varied between what they presented in the project's proposal and the actual way they manage the enterprise.

CHAPTER 7. MEXICAN POLICY INSTRUMENTS SUPPORTING SOCIAL ENTERPRISES: AN ANALYSIS OF THE FACTORS THAT INFLUENCE THEIR IMPLEMENTATION

7.1. Introduction

Chapter 3 describes how governments use policy instruments to affect the behaviour of certain target groups. There can be a wide variety of policy instruments and each of them with given characteristics, depending on which is the desired effect on the target group. It also explains that the characteristics of a policy network are influential when selecting policy instruments. Bressers and O'Toole (1998) suggested a relation between the features of the policy networks (i.e., cohesion and interconnectedness) and the characteristics that the policy instruments (e.g., normative appeal or proportionality) might possess, given those policy network features. In turn, chapter 4 presents two different Mexican governmental entities: INAES and INADEM. Both have supported social enterprises by allocating grants.

Based on the theory presented in chapter 3, such social enterprises are the target group and the public grants are the policy instruments that have been used by these two public entities. The policy instruments of INAES and INADEM have the same characteristics, namely, weak proportionality, provision of resources, freedom to opt in or out, and an implementation by policy makers or intermediary organisations. Taking into account the description of the public grants given by INAES and INADEM, and as it will be confirmed in this chapter, their characteristics are in accordance with the strong cohesion and weak interconnectedness that characterises the Mexican policy network. In other words, the public grants in Mexico are oriented to support the target groups (i.e., social enterprises), but the governmental entities that provide them have actually little contact with the target groups.

In addition, chapter 3 also explains that governmental entities as well as social enterprises are considered as organisations that can be affected by

their institutional environments, which in turn can affect the implementation of a policy instrument. Within the institutional environment, there are *regulative, normative and cultural-cognitive* elements. Additionally, in each organisation (either governmental entities or social enterprises), individuals play an important role in the success or failure of the implementation of a policy instrument because the individuals have *motivations, cognitions and resources* that also have to be considered. Finally, chapter 3 mentions that instruments do often not operate in isolation, but in a context where also other instruments are available or operating, and in which both governmental agencies and target groups have more network relationships than just with one another. While this chapter is aware of these further contexts, it will not separately analyse them but just mention such aspects in the analysis when they seem to have had a relevant influence on the application of the policy instruments.

This chapter will focus on exploring the factors that can affect the implementation, and ultimately, the effectiveness of these public grants. Thus this chapter will address the fifth sub-question: *what are the experiences with the implementation of the two Mexican support programmes and how do these relate to the factors that can influence the implementation of the tools used by these support programmes?* To answer this question, the 17 social enterprises (constituted as Joint Stock Corporations and Cooperatives Societies) presented in the previous chapters will be used as examples for the analysis of the *institutional environment* of both the governmental entities (when applicable) and the social enterprises, and the *individual characteristics* of their members.

The structure of this chapter is as follows. First, the *institutional environment elements* of both the governmental entities and the social enterprises are presented. Second, the *individual characteristics* of the social enterprises are presented. As a conclusion, some similarities and differences between the institutional environment and the individual's characteristics will be compiled in **Table 17**.

7.2. Institutional Environment Elements

As mentioned in chapter 3, this dissertation considers that the institutional environment of any organisation is composed of *regulative*, *normative* and *cultural-cognitive elements*, and that these elements can guide the behaviour of the organisations (Scott, 2003, 2014). This section presents how the governmental entities (INAES and INADEM) and the social enterprises (constituted either as cooperatives or joint stock corporations) relate with their institutional environment, that is, how they relate with the *regulative*, *normative* and *cultural-cognitive* elements. This section is organised according to these three institutional environment elements but, before analysing them, it is noteworthy to recall what the institutional environment elements imply.

Firstly, the *regulative* element refers to the rules, laws and sanctions that organisations should consider in their daily activities. In this sense, the Mexican governmental entities follow laws that set the boundaries to grant the support to social enterprises. The social enterprises follow laws that correspond with their type of legal form adopted, but also follow the regulations issued by INAES or INADEM.

Secondly, the *normative* element is based on the question “given this situation, and my role within it, what is the appropriate behaviour for me to carry out?” (Scott, 2014, p. 65). This could be translated into what is socially expected from the governmental entities and from the social enterprises. The normative elements of the public organisations will be succinctly described, relating to the appropriate behaviour that they should follow when supporting social enterprises. This description will also include the observable behaviour of the social enterprises.

Thirdly, the *cultural-cognitive* element refers to those beliefs and shared logic of actions that can create certainty, but also confusion. Although it is desirable to know the complete institutional environment of the two organisations (governmental entities and social enterprises), the *cultural-cognitive* elements of the governmental entities cannot be described. In the case of INAES, this is due to the fact that the programme has been executed in a decentralised way and the individuals involved are located in different states of Mexico, which made it difficult to reach them. In the case of INADEM, although it was a centralised programme and the authorities were approached, these were reluctant to share information.

7.2.1. Regulative element

This section reviews the regulative element of the governmental entities: a) INAES and b) INADEM; and, consecutively, the regulative element of the social enterprises constituted as: c) cooperatives and d) joint stock corporations. Finally, it also presents a conclusion.

- ***Regulative element of the governmental entities:***

- a) **INAES**

INAES is regulated by the *Law on Social and Solidarity Economy* (LESS, acronym in Spanish). This law set the attributions and obligation of INAES. For example, based on this law, INAES is in charge of managing the *Programme to Promote the Social Economy*, which has as main objective to provide the means to the organisations of the Social Sector of the Economy which have productive initiatives (Poder Ejecutivo Federal, 2015). From this law, specifically in the article 46, also derives that annually, INAES has to issue the *Rules of Operation*. This is a document that describes the operation of the *Programme to Promote the Social Economy* and, more importantly, the mechanism that will be followed by INAES itself and the applicants to allocate and obtain the grant, correspondingly.

- b) **INADEM**

In turn, INADEM was created by a presidential decree issued in 2013 (Poder Ejecutivo Federal, 2013a). Immediately after this presidential decree, an agreement that regulates the organisation and internal functioning of the National Institute of the Entrepreneur was issued (Secretaría de Economía, 2013). Additionally, INADEM, according to the *Law of Budget and Tax Liability*, was obliged to issue *Rules of Operation*. In this regard, the programme called *National Entrepreneur Fund* (FNE) was regulated through *Rules of Operation* that established the mechanism that the entrepreneurs should follow to apply for the grant and the mechanism that INADEM was going to follow as well.

- ***Regulative element of social enterprises:***

- c) **Social enterprises constituted as cooperatives**

Social enterprises constituted as cooperatives in Mexico are regulated by the *General Law of Cooperative Societies*. This law is complemented with the

General Law of Commercial Companies, because, in the end, cooperatives are a type of commercial company. Based on these laws, the main difference between a cooperative and the other types of commercial companies is that a cooperative must be composed of at least five members, all members must have the same rights and obligations and, it is allowed to carry out commercial activities based on democratic decisions.

Additionally, social enterprises constituted as cooperatives must also stick to the annual *Rules of Operation* issued by INAES when they apply for a grant. As part of the *Rules of Operation*, INAES had to publish an annual call. This call would establish specific activities for both, the social enterprises and INAES, the requirements for the enterprises, important submission dates and the mechanism of evaluation. Based on the interviews conducted with social enterprises, the following paragraphs present some experiences of the social enterprises following these rules, the dynamics of getting feedback and the process of proving the execution of the resources.

To start, according to the *Rules of Operation*, the annual call was published. Some social enterprises constituted as cooperatives learned about the call through their local government, social networks or through another organisation. Nevertheless, *Case 7: Reproduction of olive trees* and *Case 3: Promotion of eco-touristic activities (Yucatan)* are peculiar in the way they found out about the call. The interviewee of *Case 7* met the General Director of INAES at the federal level, in an event in which the entrepreneurs were showing their products. It was the General Director who suggested the cooperative to apply for the grant. Something similar happened to *Case 3*, which in turn, met the Director of INAES from the state of Yucatan, because he visited the eco-touristic centre. He guided them to apply for the grant. These examples show that there can be informal channels to learn about the call.

The *Rules of Operation* [of 2015, 2016 and 2017] also stated that the applicants could hire external consultants. The following three examples show that the social enterprises actually made use of this option.

1) The legal representative of *Case 7: Reproduction of olive trees* paid for technical support. That is, he hired one person who has experience integrating projects oriented to apply for a grant. Therefore, the legal representative of this cooperative and the expert were involved in the application for the grant.

2) It happened more or less the same with *Case 1: Production of coffee*. The interviewee of this case mentioned that he hired a technician who charged a percentage of the grant as his payment when the resource was given by INAES. He added that the technician had both contacts in the government and experience in applying for grants. Moreover, all members were involved in the process, but basically just gathering documents, given the fact that the hired expert would write and order all the documentation.

3) In *Case 2: Production of organic products* all the 12 individuals who were members at the time of the application were involved. Additionally, they hired a technician and an accountant. The members of the cooperative just issued the papers that were required by the call, and the technician and the accountant wrote the whole project because they had previous experiences applying for grants for other cooperatives.

The *Rules of Operation* also established three types of evaluation. One of them is the *field validation*, which was carried out to check the existence of the people who applied for the grant and the congruence between the initiative and the application. It was established that the *field validation* could be done before, during or after the *normative validation* and the *technical evaluation*. In this sense, some of the cases were visited in their location to corroborate that they actually needed what they reported in the application for the grant. The following cases show that indeed, the field validation was an unexpected visit to the social enterprises and it was done at any time.

The interviewee of *Case 1: Production of coffee* stated that people from INAES went three times to check on the enterprise. They talked with the producers and made a socio-economic evaluation to corroborate the information presented in the application form. Likewise, the interviewee of *Case 7: Reproduction of olive trees* also mentioned by people from INAES. In his perspective, the evaluators did not know anything about the reproduction of olive trees, which made pointless the visit. For him, the field validation is worthy when the visitors are experts or knowledgeable about the field in which the requirement was made for.

Case 2: Production of organic products and *Case 4: Promotion of eco-touristic activities [Chiapas]* were visited by people from INAES after the cooperatives received the grant. The interviewee of *Case 2* mentioned that the members of the cooperative were asked about the contribution of the

money they received for the growing of the enterprise and were also informed about the chance of applying for a credit if they wish. The interviewee of *Case 4* mentioned that people from INAES went to the location of the cooperative to supervise the construction work and took some pictures as evidence.

There is also an example that shows that after the evaluation procedure of the proposed project and the corresponding notification of the beneficiaries, the period to get the grant was long. The interviewee of *Case 1: Production of coffee* shared in the interview that, after the visit of the people from INAES, the members of the cooperative waited one more year to get the actual grant. After that, they heard nothing from this public organisation again. Regarding the waiting time, the call established that the enterprise had to wait up to 80 working days to know the resolution of INAES. Once that social enterprises were notified about the resolution, they had a period of 10 working days to formalise the delivery of the resource with the corresponding delegation of INAES.

d) Social enterprises constituted as joint stock corporations

As joint stock corporations, the social enterprises responded to *the General Law of Commercial Companies*. As mentioned in chapter 6, this law establishes the requirements and procedures to become a commercial legal entity. There are several types of commercial companies, and joint stock corporations are one of them.

When social enterprises, all constituted as joint stock corporations in this case, applied for a grant to INADEM must also followed the *Rules of Operation* issued by this organisation. As part of the *Rules of Operation*, INADEM had to publish a call with the requirements and the important dates of submission. The following paragraphs show how the entrepreneurs experienced the interaction with the rules established in the call, just as it was showed for the social enterprises constituted as cooperatives.

Unlike the social enterprises constituted as cooperatives that showed informal channels to learn about the call, the joint stock corporation cases seem to have followed only the formal ways (official website of INADEM), or through another entrepreneur or business incubators.

The requirements stated in the call and in the *Rules of Operation* implied a large collection and production of information. In contrast to the call oriented

to social enterprises constituted as cooperatives, this call did not mention explicitly, but also did not forbid, the hiring of external consultants. Therefore, there were cases that face the task of applying for the grant with their own means without hiring anyone external and others that did hire a consultant.

The applicants of *Case 9: Development of socio-emotional skills*, *Case 8: Installation of photovoltaic systems*, *Case 6: Production of a falls´ detector* and *Case 5: Provision of a courier service*, all formed a team to work on the application form that was submitted for selection. This team was composed either of some of the partners of the enterprises, or of other members of the organisation with experience in the topic of the enterprise or in administrative and financial matters. The rest of the cases, besides using the collaborative work by the partners and/or members of the enterprise, hired a consultant or used the experience of an acquaintance, who would normally have also applied for the same grant, to go through the process. For example, the partners of *Case 7: Production of salt* hired a consultant to write the financial part of the project, which was the most difficult requirement, according to the interviewee.

Consultants were usually people with experience in applying for a grant from INADEM. Their main task consisted in advising about the content of the application and the order of the documents. The consultant would have knowledge about why INADEM would reject a project proposal and what additional information would be necessary to complete the application. Some consultants offered their service for a fee while others offered it for free (as a favour for a friend).

After submitting the corresponding information, the entrepreneurs should be ready to reply to the feedback from the evaluators and, in some cases, to complement the delivered information. In this regard, the applicants agreed that the quality of the feedback was very poor and that the interaction with the organisation (INADEM) was merely through the digital platform. The following examples are in relation to the feedback that INADEM, according to the call, was obliged to provide.

Case 1: Elaboration of craft beer, *Case 2: Provision of catering service* and *Case 9: Development of socio-emotional skills* did not receive any feedback during the process of evaluation. Although the partners were informed about

the grades obtained in each category of the evaluation or received an email informing about the deposit.

The partners of *Case 5: Provision of a courier service* commented that the scores and the comments of the evaluators were displayed on the digital platform, but they noticed that there was a very short period to reply to the comments or disagree with the results: only three days. They also pointed out the discrepancy of the evaluators. One evaluator would give very positive comments while the others would give negative comments, which was very confusing. Something very similar happened to the applicant of *Case 3: Production of eco-friendly products for babies*. She got the grades of her application and the comments of the evaluators but she also noticed a disparity between the comments, which in her perspective makes the evaluations very subjective.

The interviewee of *Case 6: Production of a falls ´ detector* mentioned that it was more common to get feedback if the project proposed was not going to be supported. He mentioned this because his project was awarded with the grant in 2015 and 2016 and for these two years he received no feedback, just an email at the end of the process of evaluation saying they won the grant.⁵⁸ However, when they were not awarded with the grant they received the grade with brief feedback. The interviewee of *Case 8: Installation of photovoltaic systems*, supported in 2016, said that the first year he got nothing, no feedback; the second year there were two evaluators, one told him something, the other one nothing; the third year there were three evaluators, two told him why they graded the way they did and the third one said nothing, but anyway, they won the grant that year. And the interviewee of *Case 7: Production of salt*, supported in 2016, mentioned how the grade of the evaluation was displayed on the system along with some opinions of the evaluators. Apparently, the fact of providing feedback or not was something that depended on the evaluator.

Finally, the *Rules of Operation* mentioned that some governmental authority related to INADEM (e.g., a state delegation) could supervise and monitor the execution of the project, without mentioning time or procedure to do it (Secretaría de Economía, 2016; Secretaría de Economía, 2014a, 2015).

⁵⁸ Up to that point there was no restriction to participate twice in a row.

The *Case 4: Promotion of sustainable tourism* had an audit one year later by staff from INADEM to check how the resources had been applied. The interviewee of this *Case* said that the staff from INADEM even congratulated them. Moreover, according to the call, the enterprises were obliged to prove the execution of resources through reports or financial statements. In this regard, most of the cases interviewed just reported that they had to upload evidence to the system to show how they were using the grant. *Case 6: Production of a falls´ detector* uploaded the required evidence but without getting an immediate response.

- **Concluding remarks**

In principle, both the governmental entities and the social enterprises were bounded by law and regulations that guided their behaviours. However, they showed that their regulations were not perfect, that they had some loopholes causing the actors involved to ignore the stipulations or the authorities to poorly execute the actions. For example, the field validation held by INAES did not consider the wide variety of topics and therefore the required expertise of the evaluators. Another example is the fact that the entrepreneurs that applied for a grant to INADEM faced a pretty heterogeneous process of getting feedback. Moreover, some enterprises, either cooperatives or joint stock corporations, had a visit and others not, so that the most important phase of providing a public grant to an enterprise (i.e., monitoring results) was overlooked.

7.2.2. Normative element

This section reviews the normative element of the governmental entities: a) INAES and b) INADEM; and, consecutively, the normative element related to: c) cooperatives and d) joint stock corporations. Finally, it also presents a conclusion.

- ***Normative element of the governmental entities:***

- a) INAES**

Regarding the normative element, it is expected from INAES to support social enterprises following what is established in the annual *Rules of Operation* and the call. However, there are some cases that show that authorities from INAES went beyond to what was stipulated in the regulations.

For example, the people involved in the provisioning of support to *Case 3: Promotion of eco-touristic activities (Yucatan)*, came back asking for favours, like gathering people for political events. In a similar context, the member of *Case 1: Production of coffee* experienced the same; the interviewee of this cooperative said that once they got the grant they were asked to support certain authorities in every political event. The interviewee of *Case 6: Production of hibiscus flowers* said that they had to organise big political events for the person that helped the cooperative to obtain the grant (he was an ex-governor of the state).

b) INADEM

Likewise, INADEM was expected to allocate the financial resources to the best graded projects, complying to what it was established in the regulations. Unlike INAES, the authorities from INADEM had minimum contact with the applicants, because the rules did not stipulate otherwise. Moreover, it was difficult to assess the extent to which INADEM supported the best projects because the criteria of evaluation were considered confidential and the authorities seemed reluctant to share additional information than the one already published online.

- ***Normative element of social enterprises:***

c) Social enterprises constituted as cooperatives

Two things are expected from a social enterprise constituted as a cooperative. On the one hand, it is supposed to look after their own members and carry out activities in order to sustain them. Additionally, as social enterprises, they are supposed to have a greater impact in the whole society. Chapter 5 illustrates that, indeed, most of the cases reviewed comply with the just mentioned characteristics. However, there were two cases that did not fulfil them because their principal interest responded to a capital interest instead of a mutual interest.

On the other hand, when a cooperative applies for a grant, it is expected that they follow the rules established in the *Rules of Operation*, that they collect all the requirements and that they respect the decisions made by the authorities. However, as consequence of the behaviour of some of the authorities of INAES, the entrepreneurs were more concerned about complying with their extraordinary requests (e.g., organising political events)

than complying with the formal requirements stipulated in the *Rules of Operation* or in the call.

d) Social enterprises constituted as joint stock corporations

It is expected that social enterprises constituted as joint stock corporations generate profit, but at the same time, some kind of impact (social or environmental) to the society. In chapter 6, it was confirmed that most of the cases complied with those characteristics. However, there were two cases that showed only capital interest.

It is also expected that when they apply for a grant, they should stick to the *Rules of Operation* and based on the reviewed cases, they did. However, it seems relevant to point out the disparity between the project proposals presented by the entrepreneurs and the reality. Given the fact that one of the requirements was to justify the social/environmental impact, some of the cases would put a lot of emphasis on this point in the documents delivered, when in practice this requirement is not fulfilled. For example, *Case 1: Elaboration of craft beer*, in the delivered project's proposal, mentioned that in its project the pollution is avoided and that small producers are helped. However, based on the interview, the first cannot be avoided and the second is not a priority. Therefore, there is an *ad hoc* behaviour before and after applying for the grant.

• **Concluding remarks**

In short, the analysis of the governmental entities and the social enterprises show how their actions can diverge from the normative element and provoke undesirable scenarios. An example of this is the case of INAES authorities, who would demand political favours from the social enterprises to provide access to the grant. As a consequence, social enterprises would pay more attention to informal requirements than to the formal ones. Another example is the social enterprises that, in practice, put aside the social dimension, which can happen because the laws and regulations allow to do so.

7.2.3. Cultural-cognitive element

This section discusses the last institutional environment element, the cultural-cognitive element, of the social enterprises constituted as: a) cooperatives and b) joint stock corporations. The cultural-cognitive element of

the governmental entities will not be tackled because it was not possible to collect the data that would allow to make this analysis.⁵⁹ Finally, it also presents a brief conclusion.

- ***Cultural-cognitive element of social enterprises:***

- a) **Social enterprises constituted as cooperatives**

The interviewee of *Case 6: Production of hibiscus flower* and the interviewee of *Case 7: Reproduction of olive trees*, both believe that applying for a grant is all about having the right contact, preferably, someone from the government willing to help, maybe in return of something. In this sense, the process is just a formality without importance. The feedback, for example, is meaningless considering that the key is in finding the right person to get the grant. The interviewee of *Case 6* considers the feedback irrelevant because he is convinced that the process is linked with political parties and political preferences. The interviewee of *Case 1: Production of coffee* also said something similar. He said that, sometimes, if everything works fine in the municipality but the people from the municipality do not get along with the people from the state, the project will not pass the filter.

The seven cases (i.e., social enterprises constituted as cooperatives) converge in the idea that the difficulties are related to politics, to marginalisation and to bureaucratic inertia. Therefore, these enterprises, far from finding the process itself difficult, they had to deal with those type of problems that are, to some extent, accepted as common and they just have learnt how to deal with them.

- b) **Social enterprises constituted as join stock corporations**

For most entrepreneurs, the process to apply for a grant was cumbersome, time-consuming and confusing. The interviewee of *Case 9: Development of socio-emotional skills* mentioned how tedious and, sometimes, confusing the process was. According to her, there were too many requirements to comply with. She said that the process to get the grant was

⁵⁹ In the case of INADEM, some of its authorities were reached out. At first, the authorities were reluctant to share all the requested information. In the end, they did not respond to the enquiries anymore and no more information could be obtained. In the case of INAES, it is a decentralised programme, which results in a large number of authorities involved. For this reason, it was not possible to reach them all out.

not difficult but too long, it was also tedious to organise the information and upload it to the system. The interviewee of *Case 7: Production of salt* claimed a lack of clarity. For her, there were a lot of ambiguous details that, in case you miss them, could make a difference in the result of the application. She also thought that it was a very time-consuming process, but more tedious than difficult.

In contrast, the interviewee of *Case 10: Supporting migrants* described the process as 'exhausting', especially when he compared it to the application process of other calls in the United States.⁶⁰ He considered that the requirements were a lot (i.e., certificates, diplomas, curriculums, links with the entrepreneur's ecosystem, letters of recommendation, video, etc.), although, he believes that it might be appropriate since the grant came from a public entity.

In general, the perception of some of the entrepreneurs is that the process was very time-consuming, taking in average two months to complete the application form. For example, the applicant of *Case 9: Development of socio-emotional skills* spent one month completing the application, the applicant of *Case 7: Production of salt* and the applicant of *Case 2: Provision of catering service* spent three months. Moreover, the interviewee of *Case 6: Production of a falls' detector* commented that if people do not understand legal terms, the requirements of the call can be very confusing. Therefore, for him the process was not only long but also difficult to understand. However, the interviewee of *Case 1: Elaboration of craft beer* considered the process easy, since for him it was just a matter of filling in information that they already had.

- **Concluding remarks**

In the case of the social enterprises constituted as cooperatives there is a negative taken-for-granted-assumption. These social enterprises are convinced that the process is related to politics and that the contact with a key political or public authority actor is what matters the most.

In contrast, social enterprises constituted as joint stock corporations seem to have completely different barriers to get access to the public grant.

⁶⁰ In chapter 6, it was explained that the applicant of this case lives in the United States and wanted to replicate his same enterprise in Mexico.

These social enterprises, supported in different years, created a shared conception regarding the process of applying for a grant to INADEM. Based on these, any future applicant could have expected a cumbersome, long and ambiguous process.

7.3. Individual Characteristics

In chapter 3, **Figure 12** illustrates certain intrinsic characteristics of individuals that can influence their behaviour. These characteristics are *motivation*, *cognition* and *resources* (Bressers, 2009; Bressers & Lulofs, 2010).

In the first place, *motivation* refers to those internal or external forces that can lead an individual to act in certain way. In the second, *cognition* is the interpretation of reality, that is the perception that people adopt to interpret specific situations. And in the third place, *resources* are legal rights, money, skills, time or any other source that places an actor in an advantage position to pursue an objective.

In this section, the purpose is to analyse and describe the individual characteristics of the social entrepreneurs (i.e., their *motivations*, *cognitions* and *resources*) that can influence to some extent the implementation and effectiveness of the policy instrument. Ideally, the characteristics of the authorities that belong to the governmental entities should also be described. Unfortunately, it was not possible to collect the data that would allow to make this analysis.⁶¹

It is important to note that some examples presented can actually be associated to more than one actor characteristic (*cognition*, *motivation* or *resources*). In the end, they are not mutually exclusive because they are actually supposed to influence one another.

⁶¹ See footnote 59.

7.3.1. Motivations

This section discusses the first individual characteristic, that is, the motivations of the social entrepreneurs that are part of: a) a cooperative and b) a joint stock corporation. Afterwards, it gives a brief conclusion.

- ***Motivation of social entrepreneurs:***

- a) Social entrepreneurs that are part of a cooperative**

This section considers, in the first place, the motivations of the entrepreneurs to apply for a grant. In that sense, all cases converged in the same motivation, that is, they only counted with the contributions of the members (who are most of the time in very disadvantage conditions) and the access to bank loans was very difficult for them. Therefore, government support became the main source of funding.

In the second place, this section considers the motivations of the entrepreneurs to constitute a cooperative. For example: 1) The entrepreneurs that belong to *Case 1: Production of coffee*, *Case 2: Production of organic products*, *Case 3: Promotion of eco-touristic activities* and *Case 6: Production of hibiscus flower*, were mainly motivated by the fact of being self-employed and to support their families. 2) The entrepreneurs of *Case 7: Reproduction of olive trees* saw a business opportunity in the production of table olives and, at the same time, found in this activity a way to create positive impact in their community, for instance, through sharing their knowledge about the reproduction of olives trees. 3) The entrepreneur of *Case 4: Promotion of eco-touristic activities (Chiapas)* had as motivation the opportunity to set a business. A similar motivation can be found in *Case 5: Production of lamb meat*, whose members recognise in the sale of lamb a business opportunity.

- b) Social entrepreneurs that are part of a joint stock corporation**

In a similar analysis but with the social entrepreneurs that belong to a joint stock corporation, it was found that, in principle, just as the cooperatives, they had a lack of funding and it was very difficult to obtain a bank loan when the enterprise is still considered of micro or small size.

Regarding the motivations to create the enterprises, most of the entrepreneurs were moved by a capital interest but also by an interest in having a positive impact in the society or the environment. It is important to

note, that the enterprises can be composed of several members and not all of them will have the same motivation. For example, *Cases 5: Provision of a courier service* is composed of five members (four of them were interviewed), and they try to balance the general (i.e., social) interest of some of their members with the capital interest of the others.

- **Concluding remarks**

In the cases reviewed, social entrepreneurs had two types of motivations: 1) the interests (maybe financial, social or both) that took the entrepreneurs to create the enterprise in the first place and, 2) the concerns and needs to boost their projects that took the entrepreneurs to seek for financial resources.

7.3.2. Cognitions

This section discusses the cognitions of the social entrepreneurs that are part of: a) a cooperative and b) a joint stock corporation. It also gives a brief conclusion regarding the cognitions, as an individual characteristic of the social entrepreneurs.

- ***Cognition of social entrepreneurs:***

- a) **Social entrepreneurs that are part of a cooperative**

In this dissertation, cognition is interpreted as the perception that an actor has towards a situation or a problem to solve. Chapter 3 briefly mentions, as an example, that the cognition of the governmental entity and the cognition of the social enterprises can be very diverse regarding the requirements. *Case 4: Promotion of eco-touristic activities (Chiapas)* can illustrate this idea. The entrepreneur of the *Case 4* found the process to apply for a grant a bit difficult because her enterprise is located in a very marginalised area. To process some documents was very complicated for her. For instance, she needed an environmental impact study, but it was very difficult and expensive to get it. The assumption is, since there was no information on the side of the governmental entity, that the authorities did not consider the lack of access to services that most marginalised communities face in Mexico. Perhaps, this does not show a different perception, but it shows unfamiliarity with the conditions of some applicants. Building on this idea, another example comes from *Case 2: Production of organic products*. In that

case, the member found some difficulties with the very short period given to meet all the requirements of the call made by INAES. She also had trouble collecting some documents, like invoices of products acquired by the enterprise to perform its operations. She explained that INAES asked to specify the items on which the enterprise will spend the money. For this, the invoices from previous purchases were useful and also requested for corroboration by the Institute. However, by the moment of applying for the grant, those documents were missing because the payment to the suppliers was incomplete. The suppliers usually issue the corresponding invoices once the payment is completed. Once again, the authorities show a lack of knowledge regarding the different processes that entrepreneurs have to face.

The following last example allows to suggest the cognition of the social enterprise influenced by its interaction with public authorities, but also allows to infer the cognition of the governmental entity from the perspective of the entrepreneur. This example refers to *Case 3: Promotion of eco-touristic activities (Yucatan)*.

The situation of this case was that the General Director of INAES, from the state of Yucatan, identified this cooperative as possible candidate for the grant. First, the General Director sent an employee to discuss the needs of the centre and the possible ways of support with the legal representative of this cooperative. Eventually, a proper road to enter to the eco-touristic centre was made sponsored by the public organisation (just to mention an example of the actions taken). Later on, when the annual calls of INAES at national level were opened, a third person was put in contact with the interviewee and this person helped the interviewee, along with other members of the cooperative, to go through all the documentation requested in the call made by INAES.

According to the information obtained from the interviewee, the cooperative was provided with the service of this third person without any condition (i.e., he was the consultant that helped in application to the public grant). However, the interviewee added that once the cooperative received the grant, the legal representative transferred a certain amount of money to the constructor company that constructed the road mentioned in the above paragraph. On the one hand, the members of this cooperative considered themselves fortunate. The legal representative of this cooperative was convinced that they were approached by the right person, in the right moment.

On the other hand, the sequence of events leads to the idea that the support provided was not entirely unconditional. The authorities saw advantages to be gained through the social enterprise.

b) Social entrepreneurs that are part of a joint stock corporation

The following cases show how the social entrepreneurs perceive some statements or requirements of the call. Based on their experience as entrepreneurs, and based on their interaction in the social entrepreneurship environment, the entrepreneurs showed a disagreement with some stipulations of the calls or *Rules of Operation* issued by INADEM.

It is important to notice that the *Rules of Operation* of the National Entrepreneur Fund (FNE, acronym in Spanish) were adjusted every year, during the entire operation of INADEM. One of the adjustments to those *Rules of Operation* was the definition of the term “high impact”. At the beginning of operations of INADEM, this term was ambiguous. One of the consequences of this ambiguity is that some projects were evaluated differently, depending on the year. For example, *Case 8: Installation of photovoltaic systems* clearly intends to have an “environmental impact” promoting the use of solar panels. The entrepreneur of this *Case*, who applied for the grant three years in a row, experienced the consequences of this lack of understanding about the difference between the “high impact” and “environmental impact” terms given in the call. He and his partners participated with the same business case for three years and for each year they got very different grades. In a scale from one to 10, the first year their proposal was graded with 6.5, the second year with 8.5 and the third year, when the programme finally differentiated the terms “high” and “environmental impact”, the grade was 9.3.

There are other examples that show how INADEM, just as INAES, had a lack of knowledge regarding the consequences of their requirements or stipulations. For example, the interviewee of *Case 8: Installation of photovoltaic systems*, supported in 2016, mentioned that, at some point, INADEM asked for a letter signed by one of the “listed incubators”, saying that the project was considered as a high impact venture. From the interviewee’s perspective, the request of these letters caused a “black market” because, as he explained, the incubators charged a percentage of the funds that would be obtained by the

enterprise, to issue the letter. Second, the interviewee of *Case 4: Promotion of sustainable tourism*, supported in 2015, explained that there was a part in the call where one of the requirements was to present manuals of the organisation. From the interviewee's perspective, manuals are theoretical procedures that, when implemented, have to be adjusted to the situation, therefore, in her perspective, the elaboration of these manuals was a waste of time. And third, the interviewee of *Case 6: Production of a falls' detector* found illogical that one of the requirements was to present the number of sales in a year when many of the enterprises did not have any sales at the moment of the application.

- **Concluding remarks**

The examples above show that the governmental entities, both INAES and INADEM, had a lack of knowledge regarding the real situation of the entrepreneurs. They did not know how the entrepreneurs face the requirements or their day to day work as entrepreneurs. This shows how the cognitions are different between the authorities and the social entrepreneurs. This brings difficulties and some of them could have prevented social entrepreneurs to get the grant. This could definitely be improved if there would be more channels that allow the authorities and the entrepreneurs to interact between each other.

Paradoxically, different cognitions can also lead to good results. In the case of the social entrepreneurs that were approached by an INAES authority, it seems that the different perceptions led the entrepreneurs to obtain financial resources that otherwise they would not have gotten.

7.3.3. Resources

This section discusses the third and last individual characteristic of the social entrepreneurs, that is the resources of the social entrepreneurs that are part of: a) a cooperative and b) a joint stock corporation. It also gives a brief conclusion regarding the resources of the social entrepreneurs.

- ***Resources of social entrepreneurs:***

- a) Social entrepreneurs that are part of a cooperative**

The following examples show that the entrepreneurs that belong to a cooperative had three different resources. These resources are: experience,

personal connections and the support of consultants, that, according to the entrepreneurs were fundamental to get the grant.

The entrepreneur from *Case 5: Production of lamb meat* assures that succeeding in obtaining a grant is just about experience and being familiarised with the terms and the procedure. The interviewee of this case remembers that his application was rejected the first time, but once he and his partners learned the process, the second time was easier and they were supported by INAES. He is convinced that his and the skills of the members of the cooperative facilitated the acquisition of the grant.

Another example is *Case 7: Reproduction of olive trees* whose legal representative stated that the relationship that they built with the General Director at the federal level was key for them in the acquisition of the grant. In the interview, the legal representative of this cooperative repeatedly mentioned that the general director saw a potential in their product. She helped the cooperative because she was interested about the project.

The entrepreneur of *Case 3: Promotion of eco-tourist activities (Yucatan)* said that the process of applying for the grant was a matter of giving the required documents to an external person, a consultant assigned by the General Director of INAES from the state of Yucatan. The interviewee himself, the secretary and the treasury of the cooperative, along with this external person reviewed the *Rules of Operation* of the call made by INAES and together were checking what was missing. The interviewee acknowledged that without the support of this person, some requirements would have been almost impossible to meet, like getting the technical and financial feasibility document.

b) Social entrepreneurs that are part of a joint stock corporation

For the entrepreneurs that belong to a joint stock corporation, the context, contact, and experience were fundamental to get the grant. Regarding the context, *Case 1: Elaboration of craft beer*, repeatedly mentioned that the fact of having the enterprise in the state of Michoacán, a region with the lowest Human Development Index, was key to get the grant.

For *Case 5: Provision of a courier service* and for *Case 6: Production of a falls´ detector* it was useful that they belonged to a business incubator, they claimed to get a lot of insights and guidance from the incubator. Other cases

claimed that having a consultant that participated before in applying for the grant was very useful. Finally, the entrepreneur of *Case 8: Installation of photovoltaic systems* claimed that the key to get the grant was the experience obtained after applying several times for the same grant.

- **Concluding remarks**

In general, the entrepreneurs that belong to cooperatives and joint stock corporations coincide in the fact that the experience and consultants were a great resource to obtain the grant. Additionally, for the entrepreneurs that belong to cooperatives the personal connections established with key stakeholder was also fundamental. For the entrepreneurs that belong to joint stock corporations, the context in which the enterprise performs and the belonging to an incubator were also great resources.

7.4. Conclusion

The leading question of this chapter was: *what are the experiences with the implementation of the two Mexican support programmes and how do these relate to the factors that can influence the implementation of the tools used by these support programmes?* To answer this, the experiences of the governmental entities (INAES and INADEM) and the target group (social enterprises) were framed within the elements of the institutional environment and their individual characteristics.

This chapter illustrated that individuals that belonged to governmental entities and social enterprises were influenced by their motivations, cognition and resources in their actions. Additionally, it showed that the governmental entities and the social enterprises as organisations also faced regulative, normative and cultural-cognitive institutional environment elements that could affect their behaviour. Overall, both the individual characteristics and the institutional environmental elements influenced, to some extent, the implementation and effectiveness of the policy instrument.

Table 17 compiles some institutional environment elements and individual characteristics of both, the two Mexican governmental entities that allocated public grants to social enterprises and the social enterprises supported. It shows how the elements of the institutional environment and the

individual characteristics are linked. A correct alignment between them is fundamental to assure a proper implementation of the policy instrument.

Additionally, a proper alignment between the elements analysed might guarantee the success in the implementation of the policy instrument and to some extent its effectiveness. However, it cannot guarantee the success of social enterprises and their projects. For example, the interviewee from Case 6: *Production of hibiscus flower* stated that they still need new vehicles to transport their products from the rural to the urban areas; the representative of Case 7: *Reproduction of olive trees* stated that they need more machinery for the production of table olives; the interviewee of Case 2: *Production of organic products* mentioned that the enterprise needs more publicity for their products.

Table 17 also shows some weaknesses that were discovered in the institutional environment and in the individual characteristics. Among these, some points to highlight within the institutional environment are the following. There are some loopholes in the regulative element in the regulations issue by both INAES and INADEM. Negative behaviour was identified, especially from authorities towards social enterprises constituted as cooperatives. The cultural-cognitive element of a social entrepreneur operating within a cooperative is different from a social entrepreneur that belongs to a joint stock corporation, their contexts are different as they have faced different situations, at least in the process of applying for a grant.

Table 17. Institutional environment elements and individual characteristics of the Mexican cases

Schemes	Governmental Entities			Social enterprises		Key observations
	INAES/ authorities	INADEM/ authorities		Cooperatives	Joint Stock Corporation	
Institutional Environment Elements	Regulative	Law	Presidential Decree and Law	Laws, Rules of Operation and calls	Laws Rules of Operation and calls	Loophole that cause irregularities.
	Normative	Some authorities conditioned the distribution of public grants.	N/A	Concern about complying with informal requirements.	There could be different behaviours before and after applying for a grant.	The behaviours are opposite to what is socially expected. Appropriate regulations and monitoring could avoid negative behaviours.
	Cultural- cognitive	N/A	N/A	A key authority is fundamental.	A shared conception about the process.	The concerns and context of the social enterprises constituted as cooperatives are different from those constituted as joint stock corporations.
Individual Characteristics	Motivation	N/A	N/A	General and Mutual Interest to constitute the enterprise.	Capital and General Interest to constitute the enterprise.	Both cases ask for a grant due to lack of resources. There were cases which motivations not correspond with a social entrepreneur.
	Cognition	N/A	N/A	Government has lack of knowledge about entrepreneurs' problems.		Their cognition could be aligned by implementing channel of interaction between the governmental entities and the social enterprises.
	Resources	N/A	N/A	Skills, experience, consultants, right contact	Context, consultants, experience and money	It seems that experience and the right help of a consultant are fundamental to get the grant.

Within the individual characteristics, the motivations to ask for a grant were the same for all the interviewed entrepreneurs, that is, the lack of different sources to get funding. The cognitions of the interviewed

entrepreneurs and the governmental entities are not in tune. Finally, the experience of the entrepreneurs and the right help from a consultant turned out to be fundamental to get access to a grant.

Moreover, it has also to be considered that policy instruments operate alongside others (Bressers & O'Toole Jr, 2005). There were other public programmes with the same target group, although the type of support and the procedure to obtain such support were different.

The cooperatives were candidates for being supported by other government entities, because they belonged to the primary sector or to some indigenous group. For example, *Case 3: Promotion of Eco-touristic activities (Yucatan)* was supported by the Commission for the Development of Indigenous Peoples (CDI, acronym in Spanish) and also by the programme called "Temporary Employment" that belongs to the Ministry for the Environment and Natural Resources (SEMARNAT, acronym in Spanish). This cooperative also benefited from the National Forestry Commission (CONAFOR, acronym in Spanish). Another example is shown in *Case 5: Production of lamb meat*. This enterprise was once supported by the Ministry of Agriculture and Rural Development (SAGARPA). It obtained 50% of the total amount of money required to buy essential tools for the functioning of the ranch (e.g., a mincer to cut the meat).

In the case of joint stock corporations, at the municipality level, there is a programme called Reto Zapopan (from the municipality of Zapopan, Jalisco, Mexico) that is oriented to support entrepreneurs with innovative and valuable ideas. At the state level, the members of *Case 1: Development of socio-emotional skills* had some experience with the Ministry of Education of the State of Mexico and Veracruz. This case also applied for a grant in a programme called Technological Innovation Fund (FIT, acronym in Spanish) that belongs to the National Council for Science and Technology (CONACyT, acronym in Spanish), at the federal level. However, it seems that the presence of these other policy instruments did not matter for the grants offered by INAES and INADEM.

In conclusion, the institutional environment elements and the individual characteristics are elements that deserve (more) monitoring in order to correct or adjust the design of the policy instrument used by the governmental entities in question.

CHAPTER 8. GENERAL CONCLUSIONS

8.1. Introduction

The main objective of this dissertation was to contribute to the body of knowledge regarding Mexican governmental programmes that have supported young social enterprises and to understand the degree to which they have been fulfilling their mission. The following research question was proposed to address this objective: *to what extent does the Mexican government effectively support social enterprises, especially ones that are new or recently created?* This work also covers five proposed research sub-questions. This chapter summarises the answers to these research sub-questions and, based on this, gives an answer to the main research question and discuss limitations. Finally, this chapter offers some policy recommendations and future research in the light of the whole analysis of this dissertation.

8.2. Summary of the analysis

Chapter 2 addressed the first research sub-question: *what are the ideal-type social enterprises and how can they be prioritised for selection?* The objective of this question was to identify the theoretically-essential characteristics of social enterprises to set the basis for a model that can help governments to prioritise them. This was important given the fuzziness of the social enterprises' concept. Once that the concept was clarified, it was important to build a theoretical model for a prioritisation of social enterprises.

In that sense, chapter 2 defined social enterprise and underlined its main elements to circumscribe a social enterprise as an organisation that, regardless of the legal form and the business model adopted, offers a product or a service to create, not only economic value, but also social value, at different levels. It also emphasised governments as key supporters of social enterprises. In such a role, they could use public resources more efficiently by using proper tools of selection. The problem was that the stated definition of

social enterprises was insufficient to suggest a proper tool for the selection of young social enterprises. The Prioritisation Model for [Social] Enterprises (PRIME) was suggested as a tool for such selection. PRIME is a triangle that illustrates in each of its angles a traditional form of organisation with a corresponding interest orientation (i.e., general, mutual or capital) and a profit orientation (i.e., profit-as-a-purpose, profit-as-a-mean or non-profit). Therefore, social enterprises can be mapped and prioritised within the PRIME in respect of their interest orientations and their profit orientations.

Chapter 2 responded to the first research sub-question claiming that an ideal-type of a social enterprise would be able to combine all interest orientations and all profit orientations. Thus, an ideal social enterprise would be in the centroid of PRIME, and the enterprises could be prioritised taking this centroid as the reference point.

Chapter 3 addressed the second research sub-question: *what tools can governments use to support social enterprises and what supports or restricts the implementation of these tools?* The objective was to identify theoretically those tools that could support social enterprises and those factors that could influence their implementation and effectiveness.

Chapter 3 explained that governments can use a wide variety of policy instruments to support social enterprises. The point was that the implementation of any policy instrument could be affected by their institutional environment elements (i.e., regulative element, normative element and cultural-cognitive element) and by the individual characteristics of the actors involved in the process (i.e., motivation, cognition and resources). When the institutional environment elements and the individual characteristics are positively aligned, the implementation of a policy instrument should be smooth.

Chapter 3 introduced INAES and INADEM, as two Mexican public organisations that, between 2015 and 2017, managed two governmental programmes that used grants as policy instruments to support a target group identified as social enterprises. The description of these two Mexican support programmes and the selection of likely social enterprises supported by the Mexican government was the purpose of chapter 4, which addressed the third research sub-question: *which of the enterprises (MSMEs) and cooperatives that were supported by the two Mexican support programmes show features of social enterprises?* This chapter explained that, in Mexico, social

enterprises can be associated with two traditional forms of organisations: i.e., in cooperatives and in MSMEs. The programmes that INAES and INADEM managed were supposed to support social enterprises that had adopted those types of traditional forms of organisations. The chapter described the criteria used to select the cooperatives and MSMEs that, according to the theory and when applied, would identify those that could be more strictly considered to be social enterprises.

As a result of the selection criteria applied, 20 cooperatives supported by INAES showed characteristics of social enterprises. That is, they performed activities that protected the environment, they were composed of more than 10 members, and/or they were located in an area with a high/very high degree of marginalisation. Some selection criteria were also based on the idea that selecting contactable enterprises, would probably mean that the companies in the resulting sample, on average, would be better organised than those that could not be contacted. This selection effect was even stronger because of the 20 enterprises that showed characteristics of social enterprises and that were supposed to be contactable, only seven could actually be reached out. The remaining enterprises were not reachable because, either their phone number was out of order, or the emails sent to them were never answered.

Regarding the MSMEs supported by INADEM, 15 showed characteristics of social enterprises. That is, they helped vulnerable people, protected the environment or contributed to politics or culture. As for the cooperatives, some criteria were about selecting contactable enterprises, which would be, on average, better organised than those that cannot be contacted. All enterprises were reachable and five were not available [three of them did not reply to emails or phone calls and two of them declined the invitation for an interview due to their busy agendas]. This meant that 10 out of the 15 enterprises selected collaborated with this research.

Chapter 5 and chapter 6 addressed the fourth research sub-question: *what are the characteristics of the selected social enterprises and what implications do they have for their ideal-type selection, based on a prioritisation?* The objective was to identify the characteristics of the seven cooperatives and 10 joint stock corporations selected in the previous chapter in terms of their interest orientation and profit orientation with the criteria

from chapter 2 and prioritise them by their location within PRIME. Based on this, an 'ideal' selection was performed (under the assumption of having limited resources). This exercise, using PRIME as a sort of an assessment tool, allowed to confirm that INAES and INADEM supported social enterprises and their 'social' degree.

Chapter 5 showed that most of the cooperatives are characterised by their traditional interest orientation and profit orientation as they have a mutual interest and profit-as-a-means. In this exercise of selecting the enterprises, based on their prioritisation, the first selection option would be the cooperative that managed to combine all interest orientations and all profit orientations, which was considered as an ideal social enterprise. This cooperative would be followed by others that moved from their original angle in PRIME (i.e., mutual interest with profit-as-a-means) towards a general interest, also considered as social enterprises. Two cooperatives were left out of the selection (one for not being considered a social enterprise and the other for having interest and profit orientations that do not correspond to its cooperative nature).

Chapter 6 showed that most of the joint stock corporations reviewed were characterised by their traditional interest orientation and profit orientation as they had a capital interest and profit-as-a-purpose. The ideal selection would be the social enterprise that was located in the centroid position of PRIME; followed by those that combined their traditional interest and profit orientation with a general interest and non-profit activities; then, by that one with traditional interest and profit orientation that only added a different profit orientation; and finally, those that jumped into the social enterprise landscape by having the general interest component. Three joint stock corporations would be left out of the selection as a result.

Chapter 7 addressed the fifth research sub-question: *what are the experiences with the implementation of the two Mexican support programmes and how do these relate to the factors that can influence the implementation of the tools used by these support programmes?* It analysed the seven cooperatives and 10 joint stock corporations to explore the factors discussed in chapter 3 that affect the implementation and, ultimately, the effectiveness of the public grants. This considered the experience of governmental entities and social entrepreneurs with the implementation of

the Mexican support programmes. It illustrated, using the experiences of the entrepreneurs applying for a grant, the institutional environment elements and individual characteristics. The chapter concluded that, within the institutional environment, there are loopholes in the regulations issued by both INAES and INADEM. Negative behaviour was identified, especially from authorities towards social enterprises constituted as cooperatives. The cultural-cognitive element of a social entrepreneur operating within a cooperative is different from a social entrepreneur that belongs to a joint stock corporation. Their contexts are different, as they have faced different situations, at least in the process of applying for a grant.

Within the individual characteristics, the *motivation* to ask for a grant was the same for all the interviewed entrepreneurs: the lack of a source to obtain funding. The *cognitions* of the interviewed entrepreneurs and the governmental entities were not in tune. Finally, the experience of the entrepreneurs and the right help from a consultant turned out to be fundamental *resources* to getting access to a grant.

8.3. Answer to the main research question and some reflections

The question for the analysis done throughout this dissertation was: *to what extent does the Mexican government effectively support social enterprises, especially ones that are new or recently created?* This research question was stated in a context where the social enterprise term was fuzzy and where an effective support could not be taken for granted. In addition, the field of social entrepreneurship, when viewed from a public policy perspective, makes the implementation of any instrument supporting social enterprises a process where the actors and their corresponding environments play a role in assuring its effectiveness.

Although the Mexican government greatly supported social enterprises between 2015 and 2017, PRIME identified enterprises that did not correspond to the target group, according to the theoretical elements reviewed in this dissertation. One of the most important reasons could be that different conceptions of social enterprises prevailed when applying for a grant; or the fact that the regulations, applicable at the time of support,

contemplated characteristics that did not favour the nature of social enterprises.

Furthermore, the analysis of the institutional environment elements and the individual characteristics revealed obstacles that prevented a proper process of implementation. For example, a lack of adequate interaction between the government and the target group, or the fact that applicants were more concerned to meet informal, rather than the formal requirements. These factors prevented the focus on the needs of social enterprises and the oversights have resulted in social enterprises that have struggled to fulfil their social mission or have deviated from it.

Unfortunately, this conclusion is limited by two main factors: the total number of social enterprises assessed and the lack of interviewed authorities. The first one refers to the limited number of social enterprises assessed using PRIME. This could be explained by: 1) the fact that there were enterprises that were not traceable, neither online nor by phone; and 2) the reluctance of some social entrepreneurs to share information about their experience when applying for or obtaining a public grant. These two situations affected the results presented in the first phase of this dissertation, meaning that the results might not be representative of all supported enterprises. However, these limitations also resulted in the fact that the sample analysed was composed of enterprises with more mature characteristics, such as more developed external communications, and likely more developed in other respects when compared to those that were not traceable. Therefore, while this research might not be representative of all the supported enterprises, it is representative of those deemed as more developed.

The second limitation was the lack of data regarding the cognition, motivation and resources of the authorities. As explained, INAES had a decentralised way to operate, and to contact all authorities was nearly impossible. With respect to INADEM, it was unexpected that despite the knowledge of this dissertation's author of the respondents' language (i.e., Spanish) and of the way Mexican public administration operates, it was highly difficult to establish (proper) contact with the authorities. This, unfortunately, constrained the analysis of the actors involved in the implementation of the policy instrument.

In spite of the above limitations, the research can still effectively contribute to both the social enterprise discourse and to the public policy analysis discourse. In the first place, PRIME was offered as an accessible model that uses qualitative data as input. To design PRIME, a comprehensive definition of social enterprises was established that is, regardless of the context, a useful tool to enable the identification of a social enterprise within this broad definition. Moreover, when applying the model, governments or any other stakeholder willing to support social enterprises could identify types and nuances among social enterprises. This innovative approach brings a new and relevant element to the academic discourse.

The main contribution of this dissertation to the public policy analysis discourse is the theoretical framework that combines two sets of aspects that can affect the behaviour of an actor: the individual characteristics and the institutional environment elements. This framework analyses the implementation of a policy instrument in an innovative way that considers the interactions of the actors, emphasizing the actors themselves and the context in which they operate. In practice, only the institutional environment elements are considered, while the individual characteristics are usually neglected, due to research limitations explained in the above.

8.4. Policy recommendations and future research.

Based on the analysis performed throughout this dissertation, the following *policy recommendations* are made:

- 1) When evaluating the rules of operation of the programmes under study, it was found that the project supervision and monitoring were not mandatory after receiving support. Therefore, it is recommended to adjust these rules to make these activities mandatory.
- 2) When studying the enterprises supported by INADEM, some of the selection criteria used by the public institution were confidential. For the sake of improving policy-accountability and learning, there should be greater openness and transparency about these criteria and about the decision-making process for the selection of applications.

- 3) Most of the interviewees reported a lack of interaction with the authorities. Therefore, there should be an improvement in the interaction between government and target groups. For example, the implementation process should involve interviews face-to-face, compulsory feedback or focus groups to allow the real needs and general situation of the applicants to be better known.
- 4) During this research, it was found that the social entrepreneurship ecosystem in Mexico is almost non-existent. Therefore, in addition to grants, the Mexican government should consider expanding its support for social enterprises. Three examples can be put forward: providing support for incubators focused on boosting social enterprises; providing training for entrepreneurs before giving them any type of financial support; and providing support in the first year of operation of social enterprises. That is, to promote a social entrepreneurship eco-system instead of only giving grants.
- 5) Finally, legislators should consider creating an appropriate legal form for social enterprises in Mexico. This research shows that joint stock corporations do not create much space to promote social enterprises (for example, by having a hierarchical decision-making process or by distributing profits according to shares). Cases that adopted this legal form were considered as social enterprises because they focused on a social mission. In contrast, the research confirmed that cooperatives were the most appropriate legal form to develop social enterprises.

While this dissertation has focused on offering an innovative model to prioritise social enterprises, as well as on the factors that can affect the implementation of policy instruments oriented to support social enterprises, there were several questions that arose along the way, but that could not be addressed. For this reason, this dissertation closes with numerous proposals for *future research*.

- A. In Mexico, it is legally required that a cooperative is composed of at least five members. In this research, one cooperative with only five members had capital interest as its main interest, rather than a mutual interest, which is the interest that is supposed to prevail in all

cooperatives. There are studies that affirm that the number of members affects the spirit of a cooperative (mutuality). It would be worth studying how this number influences the quest for a social mission.

- B. Legally, the decision-making process of a cooperative is 'democratic', given that the General Assembly makes the final decisions. In this research, there were some cooperatives with a decision-making process considered 'democratic'. However, it was common for a group or a person to adopt the role of leader. It would be worth studying how that role affects the 'democratic' process.
- C. Legally, the distribution of profits is made according to the work contributed by each member during the year. The cooperatives in this study showed an equal distribution of profits. In line with this legal statement, the members of those cooperatives would have an equal work contribution. However, in one case, the legal representative was the only one to receive profits, since the rest of the members did not work in the cooperative. It would be worth studying whether this legal feature helps to avoid injustices or suggests that cooperatives, like this one, can easily act as a joint stock corporation.
- D. More studies should be carried out to establish the priority characteristics of a social enterprise in a given context. For example, given two social enterprises in the same position within PRIME, which one would be more important?
- E. The effectiveness of PRIME could be further validated selecting a set of social enterprises to be supported, but having also a control group, which would be selected with a different tool.
- F. It would be interesting to make a comparison between countries and different regions, using PRIME for the selection of young social enterprises. A comparison that also considers the analysis of the cognitions, motivations and resources as well as the institutional environments elements of the stakeholder willing to support and the entrepreneurs.
- G. Finally, beyond the research of this dissertation, research looking into the effectiveness of the policy instruments identified in this dissertation would be an important next step.

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APPENDICES

Appendix A. Legal environment commonly associated to social enterprises

Figure A1. Legal Environment for Social Entrepreneurship in Europe. *Source:* own elaboration based on López-Cózar Navarro et al. [2015]

Figure A2. Legal Environment for Social Entrepreneurship in America. *Source:* Own elaboration based on López-Cózar Navarro et al. (2015)

Appendix B. Questionnaire used in the interviews

The following questions are divided into sections. The sections A to D in **Table B.1** were largely based on the *International Comparative Social Enterprise Models (ICSEM) project*.⁶² Behind these questions rely the hypothesis that their social mission, their type of economic model and their governance structure are three dimensions that would show the diversity of Social Enterprises.

The section E in **Table B.1** are questions based on the theoretical framework of this project, presented in chapter 3. The core idea of these questions is to identify the types of institutions that trace the path of social entrepreneurs when searching and asking for a grant.

The entrepreneurs were explained by e-mail or by phone what was the research about before they consent to be interviewed.

Table B1. Questionnaire

A. General identity	
1.	Full name of the enterprise
2.	Address
3.	Website
4.	Year of creation
5.	Who actually took the initiative of launching the enterprise?
6.	Does the enterprise have any other establishment?
7.	How many men and woman compose the enterprise's paid workforce?
8.	How many volunteers are there in the enterprise?
B. Social mission	
1.	How can you summarise the social mission of your enterprise?
2.	What are the goods produced by the enterprise?
3.	What is the type of customers?
4.	Having in mind the social mission, who is the final beneficiary of the product that you produce?
5.	Having in mind the social mission, what is the profile of the beneficiary group?
6.	Is the good available to customers at a market price covering all or most production cost?
7.	Is there any kind of innovation? What have been the drivers of this innovation?

⁶² For more information about this project, see: <https://emes.net/research-projects/social-enterprise/icsem-project/>

C. Taking decisions (governance)
1. Which body holds the ultimate decision-making power?
2. How many are they?
3. How is the voting power distributed?
D. Financial status
1. Is there any trend in the evolution of the net income?
2. According to the law or bylaw, how is the distribution of the net income?
3. What was the actual practice regarding distribution of the net income?
4. If a shareholder wants to leave the enterprise, how can his/her shares be reimbursed?
5. If the enterprise terminates its activity, how are the net assets (if any) allocated?
6. How is the social enterprise's resource mix composed? (percentages)
7. What is the ideal composition of the resource mix of the enterprise?
8. What are the barriers to achieve this ideal?
9. Do you have any kind of non- monetary resource/in-kind support?
10. Do you benefit from some type of exemption?
E. Experience applying for a grant
1. How did you find out that public organisations (such as INADEM or INAES) give financial support to enterprises like yours?
2. How difficult and clear was to comply with the requirements stated in the call/announcement?
3. Why did you choose to apply for a grant in this programme?
4. What was the most difficult/easy requirement to comply with?
5. Did you know how was your project graded in each category of evaluation?
6. How was the feedback?
7. Which category of evaluation do you think should've had more priority?
8. Besides yourself, who else was involved in the process of applying for the grant?
9. What is the profile of the people involved?
10. What are the experiences of these people applying for grants?
11. What would you recommend and/or avoid to do when applying for a grant?
12. Have your enterprise applied for a grant, before or after this, in a different organisation?
13. Were you rejected? For which reasons?
14. What are the main differences with INADEM (or INAES)?
Other relevant information

Summary

Social enterprises are gaining relevance in a world where alternative and innovative solutions are needed to tackle social problems. Social enterprises can be understood as organisations, that regardless of the legal form and business model adopted, offer a product or a service to create, not only economic but also social value, at different levels.

Governments play a key role in the promotion and development of social enterprises, but to what extent are governments effectively fulfilling that role? This research focuses on the Mexican government organisations that have supported social enterprises between 2015 and 2017. In this line, the leading research question reads as follows: to what extent does the Mexican government effectively support social enterprises, especially ones that are new or recently created? To answer this question, this dissertation is organised as follows.

Chapter 2 identifies the theoretically essential characteristics of social enterprises to set the basis for a model that can prioritise these enterprises and, in a given case, could help governments in making a selection. This model is called the Prioritisation Model for [Social] Enterprises (PRIME). PRIME is a model in the form of a triangle that illustrates in each of its angles a traditional form of organisation with a corresponding interest orientation (i.e., general, mutual or capital) and a profit orientation (i.e., profit-as-a-purpose, profit-as-a-mean or non-profit). An ideal social enterprise would be located at the centroid of PRIME, and the enterprises could be prioritised taking this centroid as the reference point.

Chapter 3 identifies the tools that governments can use to support social enterprises and what supports or restricts their implementation. These tools are referred as policy instruments and governments can use a wide variety of them to support social enterprises. The emphasis of the chapter is on the implementation of policy instruments, which could be affected by institutional environment elements (i.e., the regulative element, the normative element and the cultural-cognitive element) and by individual characteristics of actors involved in the process (i.e., motivation, cognition and resources).

Chapter 4 explains that, in Mexico, social enterprises can be associated with two traditional forms of organisations: cooperatives and MSMEs, which

have been supported by two Mexican organisations [INAES and INADEM]. Afterwards, the chapter describes the criteria used to select the cooperatives and MSMEs that are used for analysis in the following chapters. These selection criteria are based on theory and when applied, identify the cooperatives and MSMEs that could be more strictly considered social enterprises.

Chapter 5 and chapter 6 assess the cases selected in chapter 4, using PRIME. Based on the information obtained through interviews, the enterprises are mapped within PRIME, considering their interest orientation and profit orientation. This exercise allows to determine whether the Mexican government rightfully supported them as social enterprises or not. The results show that some of them should not be considered as social enterprises and, if they were selected today they should be left out of the selection. The exercise also shows the 'social' degree of those social enterprises. Chapter 5 focuses on the cases that are cooperatives and chapter 6 on the MSMEs constituted as joint stock corporations.

Chapter 7 analyses the institutional environment elements and the individual characteristics of the actors involved in the provision of grants to social entrepreneurs. Based on the information obtained through interviews and through the analysis of official documentation, the chapter concludes that, within the institutional environment, there are loopholes in the regulations issued by both INAES and INADEM. Negative behaviour was identified, especially from authorities towards social enterprises constituted as cooperatives. The cultural-cognitive context of a social entrepreneur operating within a cooperative is different from a social entrepreneur that belongs to a joint stock corporation. Their contexts are different, as they have faced different situations, at least in the process of applying for a grant. Within the individual characteristics, the motivation to ask for a grant was the same for all the interviewed entrepreneurs: the lack of a source to obtain funding. The cognitions of the interviewed entrepreneurs and the governmental entities were not in tune. Finally, the experience of the entrepreneurs and the right help from a consultant turned out to be fundamental resources to getting access to a grant.

Chapter 8 concludes with a more detailed summary, which serves as a preamble to answer the main research question. This answer states that,

although the Mexican government greatly supported social enterprises between 2015 and 2017, PRIME identified enterprises that should not be considered as social enterprises and, yet, they were supported by the Mexican government. This chapter also presents some reflections regarding the difficulties encountered during the research, the contributions to the academic discourse and practice and some policy recommendations. Finally, a number of suggestions are made for future research.

Samenvatting

Sociale ondernemingen worden steeds relevanter in een wereld waar alternatieve en innovatieve oplossingen nodig zijn om sociale problemen aan te pakken. Sociale ondernemingen kunnen worden opgevat als organisaties die, ongeacht de rechtsvorm en het gekozen bedrijfsmodel, een product of dienst aanbieden om op verschillende niveaus niet alleen economische maar ook sociale waarde te creëren.

Overheden spelen een sleutelrol in de bevordering en ontwikkeling van sociale ondernemingen, maar in hoeverre vervullen regeringen die rol effectief? Dit onderzoek richt zich op de Mexicaanse overheidsorganisaties die tussen 2015 en 2017 sociale ondernemingen hebben ondersteund. Vanuit dit perspectief luidt de leidende onderzoeksvraag: in hoeverre ondersteunt de Mexicaanse overheid effectief sociale ondernemingen, met name die welke nieuw zijn of recentelijk zijn opgericht? Om deze vraag te beantwoorden is dit proefschrift als volgt georganiseerd.

In hoofdstuk 2 worden de theoretisch essentiële kenmerken van sociale ondernemingen geïdentificeerd om de basis te leggen voor een model dat in staat is om deze ondernemingen te prioriteren en dus, de overheden te helpen bij een selectie. Dit model wordt het Prioriteringsmodel voor [Sociale] Ondernemingen (PRIME) genoemd, dat bestaat uit een driehoek waarbij elk van zijn invalshoeken een illustratie vormt van een traditionele organisatievorm met een overeenkomstige belangenoriëntatie (d.w.z. algemeen, wederkerig of kapitaal) en een winstoriëntatie (d.w.z. profit-as-a-purpose, profit-as-a-means of non-profit). Een ideale sociale onderneming zou in het middelpunt van de PRIME staan, en ondernemingen zouden voorrang kunnen krijgen naarmate ze dichterbij dit middelpunt staan.

In hoofdstuk 3 wordt aangegeven welke instrumenten overheden kunnen gebruiken om sociale ondernemingen te ondersteunen en wat de uitvoering ervan ondersteunt of beperkt. Deze instrumenten worden geïdentificeerd als beleidsinstrumenten en overheden kunnen een groot aantal ervan gebruiken om sociale ondernemingen te ondersteunen. De nadruk in dit hoofdstuk ligt op de implementatie van beleidsinstrumenten, die kunnen worden beïnvloed door institutionele omgevingselementen (d.w.z. regelgevend element, normatief element en cultureel-cognitief element) en door individuele kenmerken van de

actoren die bij het proces betrokken zijn (d.w.z. motivatie, cognitie en hulpmiddelen).

In hoofdstuk 4 wordt uitgelegd dat sociale ondernemingen in Mexico kunnen worden geassocieerd met twee traditionele vormen van organisatie, namelijk coöperaties en MSME's, die respectievelijk door INAES en INADEM worden gesteund. Vervolgens worden in het hoofdstuk de criteria beschreven die worden gebruikt voor de selectie van de coöperaties en de MSME's die voor de analyse in de volgende hoofdstukken worden gebruikt. Deze selectiecriteria zijn gebaseerd op de theorie en wanneer ze worden toegepast geven ze aan welke coöperaties en MSME's, strikt genomen als sociale ondernemingen kunnen worden beschouwd.

Hoofdstuk 5 en hoofdstuk 6 beoordelen de in hoofdstuk 4 geselecteerde gevallen met behulp van PRIME. Op basis van de informatie verkregen via interviews worden de ondernemingen binnen PRIME in kaart gebracht, rekening houdend met hun interesse- en winstgerichtheid. Deze oefening maakt het mogelijk om te bepalen of de Mexicaanse overheid sociale ondernemingen al dan niet terecht heeft gesteund. Uit de resultaten blijkt dat sommige van deze ondernemingen niet als sociale ondernemingen moeten worden beschouwd en dat ze, vanuit het perspectief van PRIME, buiten de selectie hadden moeten blijven. De exercitie toont ook de mate waarin de ondernemingen als 'sociaal' kunnen worden beschouwd. Hoofdstuk 5 richt zich op de ondernemingen die coöperaties zijn en hoofdstuk 6 op de MSME's die als naamloze vennootschap zijn opgericht.

Hoofdstuk 7 analyseert de institutionele omgevingselementen en de individuele kenmerken van de actoren die betrokken zijn bij het verstrekken van subsidies aan sociale ondernemers. Op basis van de informatie die wordt verkregen door middel van interviews en de analyse van officiële documentatie, concludeert het hoofdstuk dat er binnen de institutionele omgeving lacunes zijn in de regelgevingen die zowel door INAES als INADEM worden uitgevaardigd. Er werd negatief gedrag vastgesteld, met name van overheden ten opzichte van sociale ondernemingen die als coöperatie zijn opgericht. De cultureel-cognitieve context van een sociaal ondernemer die binnen een coöperatie opereert is anders dan van een sociaal ondernemer die deel uitmaakt van een naamloze vennootschap. Hun context is anders, aangezien zij, althans bij de aanvraag van een subsidie, met verschillende situaties te

maken hebben gehad. Binnen de individuele kenmerken was de motivatie om subsidie aan te vragen voor alle geïnterviewde ondernemers dezelfde: het ontbreken van een bron om financiering te verkrijgen. De cognities van de geïnterviewde ondernemers en de overheid waren niet op elkaar afgestemd. Tot slot bleken de ervaring van de ondernemers en de juiste hulp van een consultant fundamentele hulpmiddelen te zijn om toegang te krijgen tot een subsidie.

Hoofdstuk 8 sluit af met een meer gedetailleerde samenvatting om daarna een antwoord te geven op de belangrijkste onderzoeksvraag. Dit antwoord houdt in dat, hoewel de Mexicaanse overheid tussen 2015 en 2017 veel steun heeft gegeven aan sociale ondernemingen, de toepassing van PRIME soms ondernemingen heeft geïdentificeerd die niet als sociale ondernemingen moeten worden beschouwd en terwijl zij toch door de Mexicaanse overheid zijn gesteund. In dit hoofdstuk worden ook enkele beschouwingen gegeven over de moeilijkheden die tijdens het onderzoek zijn ondervonden, de bijdragen aan het academische discours en de praktijk en enkele beleidsaanbevelingen. Tot slot wordt er een aantal suggesties gedaan voor toekomstig onderzoek.

About the author

Karen was born in San Francisco de Campeche, Campeche, Mexico. There, she obtained her bachelor degree in Political Sciences and Public Administration. Moved by her passion about the public affairs, she immediately started to work for the public administration at the state level, where she gained great knowledge about social participation.

In 2011, she moved to Mexico City to study her master degree in Administration and Public Policies. During her studies, she developed an increasing interest in accountability and social participation. After her graduation, she had the opportunity to apply her knowledge at the national Ministry of Social Development, where she gained experience in the management of social programmes and in the diagnosis, design and re-design of public policies. While working at this Ministry, she also had a first approach to the topic of social enterprises, since this Ministry has supported this type of enterprises for already a couple of years.

Driven by her increasing desire to contribute in some way to the worldwide social development, in 2016 she moved to Enschede, the Netherlands, to start with her PhD at the Department of Governance and Technology for Sustainability in the University of Twente, where she found in the field of social entrepreneurship a potential tool to fulfil such desire.