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CIRIEC-España, Revista de Economía Pública, Social y Cooperativa, n. 73, Special Issue, October 2011, p. 33-60

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CIRIEC-España, revista de economía pública, social y cooperativa
ISSN printed edition: 0213-8093. ISSN online edition: 1989-6816.

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ABSTRACT

The regeneration of the current economic system demands a new kind of innovation whose patterns and participants differ from the purely technological paradigm. Thus has social innovation arisen from different political and academic spheres as a phenomenon connected in a myriad of ways to the positions postulated in the organizational and business models that form the social economy. The aim of this paper is to explain these connections and potentials by defining a new protagonist in the socioeconomic sphere, the so-called "fourth sector". This is a new group of organizations and business models that is growing and adapting at an intersection between the public, private and social sectors, and that is being called upon to lead the new processes of social innovation. Their practices cross traditional sector boundaries and create new social relationships among stakeholders in order to develop innovative activities to meet social and / or environmental needs.

KEY WORDS: Fourth sector, third sector, social economy, social innovation, social enterprises, community foundations, peer to peer charities, e-social banking.

ECONLIT DESCRIPTORS: L200, L300, P130.

Reference: JIMÉNEZ, J. & MORALES, A.C. (2011): "Social economy and the fourth sector, base and protagonist of social innovation", *CIRIEC-España, Revista de Economía Pública, Social y Cooperativa*, no. 73, Special Issue, p. 33-60.

Economía social y cuarto sector, sustrato y protagonista de la innovación social

RESUMEN: La regeneración del sistema económico actual reclama un nuevo tipo de innovación cuyos patrones y actores son diferentes al paradigma puramente tecnológico. De esta forma surge, desde diversos ámbitos políticos y académicos, la innovación social como un fenómeno con múltiples conexiones con los planteamientos que se postulan desde los modelos organizativos y empresariales que constituyen la economía social. El objetivo de este trabajo consiste en explicitar estas conexiones y potencialidades considerando la delimitación de un nuevo protagonista en el ámbito socioeconómico: el denominado "cuarto sector". Se trataría de un nuevo grupo de organizaciones y modelos de negocio que proliferan e hibridan en la intersección entre el sector público, privado y social y que está llamado a liderar los nuevos procesos de innovación social. Sus prácticas traspasan las fronteras sectoriales tradicionales y crean nuevas relaciones sociales entre agentes para desarrollar actividades innovadoras en la satisfacción de necesidades sociales y/o ambientales.

PALABRAS CLAVE: Cuarto sector, tercer sector, economía social, innovación social, empresas sociales, fundaciones comunitarias, peer to peer benéficas, sociales e-banca.

Économie sociale et quatrième secteur, base et acteur de l'innovation sociale

RESUME: La régénération du système économique actuel exige une innovation d'un nouveau genre dont les modèles et les acteurs s'éloignent du paradigme strictement technologique. De cette manière, une innovation sociale a émergé de diverses sphères politiques et académiques comme un phénomène largement lié aux approches posées comme postulat dans les modèles organisationnels et commerciaux qui constituent l'économie sociale. L'objectif de ce travail est donc d'expliquer ces rapports et ces potentiels, en définissant un nouvel acteur dans le secteur socioéconomique ainsi dénommé le « quatrième secteur ». Il s'agit d'un nouveau groupe d'organisations et de modèles commerciaux qui se développe et s'adapte au carrefour des secteurs public, privé et social. Ce groupe est appelé à être à la tête des nouveaux processus d'innovation sociale. Ses pratiques dépassent les frontières traditionnelles des secteurs et créent de nouvelles relations sociales entre les parties prenantes, de façon à développer des activités innovantes afin de satisfaire des besoins sociaux et/ou environnementaux.

MOTS CLÉ: Quatrième secteur, tiers secteur, économie sociale, innovation sociale, entreprises sociales, fondations communautaires, organismes de bienfaisance, e-banking sociale.

1.- Introduction

The century that has just begun has brought to light two very significant phenomena. The first is networking, communications and the meetings between people of very diverse ethnicities, religions and cultural worlds, which has been motivated as much by the phenomenon of immigration (facilitated by modern means of transportation), as by the global intercommunication of Internet and new Information Technologies and Communication Technologies (ICT). The second very influential phenomenon is the acceleration of “historical tempo”, both in the generation and proliferation of events and actions of various kinds as well as in the development and transmission of information and knowledge. No doubt XXI century societies are more dynamic, open, pluralistic and interdependent than those of only a few years ago, and this plurality, openness, and interdependence mean complexity, a lot of complexity, which must be properly managed to meet society’s needs.

This context of social complexity requires more and more social innovation to afford original and creative solutions for the needs and demands that are constantly emerging in today’s rapidly changing societies. This paper shows how the social economy and the emerging fourth sector consolidating from many entities emerging from the social economy, such as integration enterprises, foundations, or cooperatives, are called upon to play a leading role in the generation of social innovation phenomena.

First of all, section 2 and 3 will examine a series of events contributing to the generation of a specific social space where these different entities intersect, and even though they come from a variety of social public, business and solidarity areas, yet they are similar in terms of the objectives they pursue and their behaviour (section 4.1). In section 4.2 we will focus on studying the need for models of social governance and social innovation proposals to solve the problems that arise on a continual basis in contemporary societies. Then, section 4.3 analyses the characteristics shown by the organisations that operate in this new social space (the fourth sector), which make them particularly suited for collaborating in both the implementation of governance models as well as in social innovation. A specific study of some of the organizations that comprise this fourth sector (section 5) helps to highlight, on the one hand, the uniqueness of the organisational design of these entities, which is already in itself a phenomenon of social innovation, and, on the other hand, to show their ability to respond creatively and in an original way to the needs of society (product and service social innovation). Finally we will identify some of the challenges that have to be met so that this emerging fourth sector can continue to grow and become consolidated (section 6). We end with some conclusions that discuss the most relevant aspects of the entire analysis.

2.- Social complexity and the lack of public sector adaptation

The profound transformations of recent decades are shaking the foundations of the Welfare State in the European Union, generating a certain crisis in confidence with respect to the ability of traditional system institutions to come up with an adequate response to many existing economic and social challenges. Neoliberal options emphasise a more prominent role for the market than for the state; more social options, on the other hand, emphasize the protective role of the public sector. Both continue formulating their proposals in a delicate balance between efficacy (good services) and efficiency (what the ideal size of the state should be and how much is needed to support it). However, it is above all the existence of increasingly multicultural, multi-religious and multi-ethnic societies, with growing cross-bred phenomena at all levels, increasing global interdependence, and finally, the acceleration of "historical tempo" which all contribute to a significant erosion in the capacity of public authorities to address the problems arising in Western societies today. One should be aware that public authorities' difficulties in responding to new social challenges are due to causes of a structural nature:

1) The way they act implies a certain inadequacy in procedures (need for response, rate of change). Public authorities approach problem-solving from the logic typical of the law, which is only natural since on the legal stage, a person is first and foremost a citizen (García Roca, 1996). This legal rationale generates a very formal and bureaucratic reality: enforceable rights and duties, with procedures articulated for this purpose. All these allow for little flexibility (Jimenez and Morales, 2008) and very slow progress in proceeding when agility and speed are essential to respond to today's very dynamic and constantly changing social reality.

2) The way in which social reality is dealt with and confronted implies certain lacks of integrating perspectives with respect to diversity. Public authorities also have difficulties responding to new social challenges for lack of diversity-integrating considerations that would permit the gathering and coordination of human realities, which is oftentimes and for various reasons beyond the functional and organizational logic of the administrative legal system: illegal immigrants, people who are in situations of social exclusion, etc. Many see this integration as the ideal way to address problems at their source rather than treating them based on only one specific aspect; the problems are multidisciplinary- and therefore interdepartmental- but their focus is from a specialized and one-dimensional logic that is not broad enough to tackle their causes.

3) The boundaries of sovereignty and issues of regulatory nature (local-global). Finally, there are *difficulties encountered in the normative regulation of social facts* because the logic of the law presupposes the concept of sovereignty, which allows the exercise of a certain amount of power and control over the reality that is to be regulated. However, globalization implies an international dimension in cultural and social phenomena, today more than ever, that impedes normative regulation from apprehending these facets that nearly always have a transnational slant and significance.

3.- New trends in the business model and in the third sector

3.1. Changes in the business model

The survival of companies in many sectors, especially hypercompetitive ones (computers, appliances, automotive...), is linked to innovation in both products (as in the generation of new ways to meet needs) as well as in processes (as in the lowering of costs). This innovation in processes is not limited only to what is internal (improvement in the production systems themselves) but requires new organizational strategies, like outsourcing and networking, that start out by characterising successful business models, such as Toyota, Nike and Inditex, and later go on to become an indispensable prerequisite for competitiveness in industry. Likewise, these organizational innovations also extend to ways of innovating products towards more open paradigms: “to conquer, it is neither necessary to invent the most nor the best new technology. Instead, you win by making the best use of internal and external knowledge in a timely manner, combining that knowledge creatively in new and different products and services” (Chesbrough, 2009:154).

But it is not only areas that are strictly productive that need transformation and require business entities to make adjustments. Whether for legitimate needs (the harm that private interests have inflicted on society), or due to social or fashion demand (imitating what others do), companies of all kinds are beginning to consider in their performance not only the economic impact of their actions, but also their responsibility to the society they form part of. When this approach is put into action, the need arises to do something that is not only social, but also effective and different.

The crisis has shown how many social corporate initiatives often limit themselves to available resources so as not to jeopardize their viability. However, some authors note that companies that give their social activities strategic priority in the company (Mutis and Ricart, 2008) could develop a new business model that addresses low-income markets effectively and profitably and even increases competitiveness. In short, more dedication to these “socially oriented” business models can give rise to sources of innovation that involve how these models benefit their customers in the so-called BOP (base of the pyramid, Prahalad and Hart, 2002) and how much their value increases in the process of serving them, based on co-creation (collaborative generation) and strategic networking. Again, collaboration and networking are essential to design and implement business initiatives that can produce a greater number of profitable businesses at the BOP, cooperate meaningfully in poverty reduction, be environmentally responsible, and even increase competitiveness.

3.2. Changes in the third sector

Organized civil society has taken on more and more prominence in this multidimensional game of causalities. Social mistrust of the state and business has derived into a different corporate universe that is more independent of partisan options and economic interests, and closer to the problems of the needy. Organized civil society, the third sector, has been acquiring more relevance as new actors and new spheres of action appear on the scene, or expand their capacity. In fact, certain think tanks on public policy in the European context (Grefe, 2003) generally admit precisely this novel contribution, the innovation, at the systemic level of the third sector by permitting the development of a *new social matrix*, based on the implementation of basic principles of economic organization such as the market, redistribution and reciprocity (CIRIEC, 2000). Its catalytic effect is also a valued contribution to public sector efficiency and, therefore, a possible contribution toward the design of a new system of public administration (Grefe, 2003).

If the state has to be more efficient and public funds are not unlimited and forthcoming, potentially competitive agents offer alternative ways of addressing social causes, then there could be different possible consequences: either collaboration between entities or, on the other hand, a certain competitive environment fraught with hostility¹. Moreover, donors have more and more options to satisfy their social and solidarity concerns; and private funding, big donors, are very selective when opting to work with third sector institutions².

Following the famous Toffler parallel (1981), if today it is possible that we are witnessing transparency as the *second wave* of regeneration of social institutions, innovation would surely be the third. In fact, innovation as a strategic operational hub of social organizations could revolutionise and regenerate (to the extent to which it creates value for key stakeholders), not only externally (in new services), but also internally by generating new capabilities. But the third sector is not only a service function: it has a revendicating role. However, this protest would have to sometimes confront one of its major "donors" (the State), moving the dilemma to an internal level³.

1.- "The acquisition of behaviors and ways of acting typical of purely private entities, for the sake of maximum efficacy and due to the existence of a limited market and ever limited-funding - if we rely on fundraising, or pressure, if we refer to the elements of power that will be susceptible to pressure, for example-- all this will unleash extreme competition between the entities in the third sector themselves, and they will have to operate in increasingly meager spheres " (Pérez Bueno, 2009).

2.- "We institutions will have to choose a more and more associative format where the differentiating factor is the ability to mobilize volunteers, and the creation of social nets that provide added value and proximity to what we do, or create highly specialized responses that make us attractive to the interests of the government "(Bruel, 2009).

3.- Pérez Bueno (2009) notes that "on the one hand, there is the visible inclination today toward professional management combined with a weakening in the volunteer character of these organizations". At the same time, the vocation of protest, denouncement of unacceptable situations and demands for social transformation arising in many third-sector organizations will yield to the vocation for administration, management and service delivery that will be imposed slowly but surely. This will create, and is already creating, tensions within the social institutions themselves that will turn into sometimes sterile debates favoring one vocation or the other".

4.- Toward a fourth sector

4.1. Points of convergence between the public sector, the business sector and the third sector

The organizational system of the Government has been incorporating new management techniques typical of the business world to adapt to new social changes; it has been influencing the assessment of public policies, and is beginning to open up to innovation. However there is a lack of research about the issue of this source of competitive advantage when applied to an agent with the special characteristics and specific roles of both the public sector (Osborne and Brown, 2005) and the third sector (Zimmermann, 1999) , McDonald, 2007). But an effective response to citizens cannot be limited to public sector restructuring because this would not suffice.

Structural deficiencies in public bodies with respect to meeting new social challenges will increasingly lead these to operate in partnership with other entities in order to achieve the goals they are called on to fulfil. This is compounded by the growing problem of funding that we know the public sector is experiencing in the societies where a Welfare State has been implanted. How can a sustainable deficit deal with growing demands? It seems that the “thinning-out” of governmental structure and the seeking of synergies with business sector entities or social economy and third sector ones sharing common aims will probably tend to become the road most travelled.

On the other hand, a more social orientation is opening up in companies through the focus on corporate social responsibility⁴. This social orientation in the business world is also present, to some extent, in the strategies directed at the base of the pyramid, and is quite evident in those companies that are created with purely social objectives, while maintaining an organization and management of corporate resources to maximize their impact. However, in all cases, the immediate question is how to be both profitable and socially responsible. In addition to all the above, the new organizational strategies of outsourcing and networking are being implemented in the business world. These new objectives of a more social nature and these forms of action will encourage cooperation between companies and public and third sector entities. Collaboration will be required to provide an applied and practical approach to corporate social responsibility, not a merely cosmetic or image-based one, and cooperation will also be needed for companies to address the base of the pyramid. The main objective of this cooperation is the creation of synergies between entities that will converge on goals and practices.

4.- In the words of Pérez Bueno (2009): "The company is no longer a single decision area, related to property or to management, and is becoming a multifocal center, where interest groups are revealed to be counterparts and find themselves becoming partners. So-called Corporate Social Responsibility will be an enabling environment for the expansion of social organizations, which will encourage new forms of relationship and intervention, whose real extent will depend on the focus given to this emerging space."

Finally, the entities of social economy and of the third sector are approaching a structure that is becoming increasingly similar to that of private companies, in search of potential on a greater scale, the measurement of business results or the power of finance. This is intended, among other things, to answer the following question: how can a non-profit institution get funding when access to public and private funds is becoming more and more restricted and competitive? Moreover, the perception is that the dividing line between private companies and non-profit organizations is beginning to fade because many of the innovations created in the private sector can be applied to resolving social challenges that are typically the task of the organizations mentioned. Given the increasing difficulty in obtaining funds, as pointed out by Bruel and mentioned above (2009), third-sector entities have to choose a more associated format that allows them to create associative social networks to provide added value.

All these trends are helping to create a social space where public bodies converge from the business world, from social economy and from the third sector. These entities have common interests (the social approach, a concern for collective and general interest) and cooperative and networking forms of action. In all likelihood this social space will tend to develop and flourish since the increasing complexity of social reality will increasingly require institutions to be capable of social innovation and articulating social governance systems.

4.2. Common challenges of a complex society: governance and social innovation

a) The challenge of “plural” governance (multi-stakeholders)

In European societies, there is a certain perception that public authorities are the ones primarily responsible for all matters related to the interests of the community (general interest) and the actions necessary to satisfy them. This has resulted, more often than would be desirable, in a dereliction of duties and numbness with respect to civic responsibility that is “delegated, through the exercise of voting rights, to the political class and the administration (who seem to be the only ones in the service of general interest!). The contribution of the citizen to general interest, aside from the social fruits derived from his professional work, is limited to a patrimonial contribution made through tax payments. Working within the professional context and the payment of taxes, many individuals often feel they have “fulfilled their collective obligations by carrying out their responsibility as citizens.” The result has been social apathy, and a lack of checks and balances to political and administrative action. This is, however, and for the reasons previously outlined, not always the appropriate attitude for identifying and addressing the ever-changing problems plaguing complex contemporary societies. Furthermore, it is not always in the public interest, but more often than not motivated by some other objective, especially one of an electoral ilk⁵.

5- *The never-ending citizen opinion polls on political parties and leaders are a patent example of the preoccupation of the government for electoral ends.*

Therefore, social complexity increasingly requires governance models that capture and address this complexity, instead of coordinated systems where the responsibility falls almost exclusively or excessively heavily on public authorities or private interests (Anshell and Gash, 2008). Governance is above all a process aimed at managing complexity, which contradicts the logic of assigning the responsibility for this task to a single stakeholder (political). It appeals to the need, on the one hand, for establishing balance in power relationships in the public sphere, and on the other, for a fair distribution of responsibilities in the public sphere. (Zurbano, 2008, De la Cruz Ayuso, 2010). Governance becomes, from a procedural point of view, “a general theory on social dynamics” that attributes “any coordination of actions by individuals and organizations ...to be... understood as primary ways of building social order” (Prats, 2001, 1119). However, this governance approach contrasts with the European reality of recent decades.

Europe lacks a more developed citizen movement, articulated in diverse organizational ways, to contribute to the structuring of society in a cross-sectional way. This requires looking at society more globally (not only to solve concrete and specific problems), and acting from dynamics of collaboration and cooperation, not competition (either with companies or other third sector organizations) or subordination (limited to collaboration in the implementation of partial social policies designed, coordinated and financed by public authorities). It is, ultimately, a question of moving along the path of the welfare society which, on overtaking the welfare state, is confident that the solution to the problems of complex societies in our times requires a cooperative form of action involving public entities funded through coercive solidarity networks that are articulated through tax and budget systems; business entities that manage to capture enough resources from the market; and private non-profit organizations whose human and material resources are thanks to the voluntary solidarity of citizens.

Today's most difficult and important social problems cannot be understood, and much less resolved, without the participation of the three sectors. It is at these intersections where exchanges of ideas and values, changes in roles and relationships, and the mixture of public, private and philanthropic resources can generate new and better approaches for social innovation (Phills et al, 2008)⁶.

b) The challenge of social innovation

In business, innovation is a key competitive factor given the new socioeconomic context characterized by the globalization of the learning-at-enterprise-level economy (Baumol et al, 2007) and also of territories (Lundvall and Borrás, 1998; Archibugi and Lundvall, 2001). In fact, economists estimate that between 50% and 80% of economic growth comes from innovation and new sources of knowledge⁷. Although there are no reliable indicators, it seems clear that business innovation plays just as crucial a role in social progress.

6.- In a similar way, Leabeater (2007) states that: “Social innovation – like many other forms of innovation – is a process of collective innovation involving many players: social, enterprises, companies, service users, regulators, funders, politicians”.

7.- <http://www.fourthsector.net/learn/fourth-sector>

Given the growing challenges facing the world due to the aging of the population and environmental degradation, social innovation is needed to obtain solutions that are, above all, sustainable and long-lasting. The capacity to innovate must be applied to projects that ensure the future of humanity and that guarantee appropriate conditions for equal progress in society as a whole. Yesterday's answers are not good enough for the problems of today and tomorrow. Social innovation is needed, meaning actions that result in the creation of original solutions that benefit society as a whole, contributing to its sustainable development, either in social or environmental terms (Chambon et al 1982; Mulgan et al, 2007; Morales Gutiérrez, 2008, 2009a, 2010). In addition, social innovation is fundamental to promote economic growth. Past advances in medicine and the spread of new technologies like the car, electricity or the Internet depend as much on social innovation as on innovations in technology or business (Skoll World Forum, 2009).

These innovations may be in new organizational models, i.e. in regard to how to provide organizations with a mission (purpose), or a structure or more appropriate and relevant processes to solve new problems. But innovation can also be in regard to new products, services or behaviours like micro-credits (Morales Gutiérrez, 2004, Gutiérrez-Nieto, 2006, García Rodríguez y Díaz Perdomo, 2011)⁸, participatory budgeting (Novy and Leubolt, 2005) or civic banking (Carnero et al 2010). In any case, so that innovation can be catalogued as being social, the novel solution to any social problems raised have to primarily benefit society as a whole rather than particular individuals (Phills et al, 2008, Morales Gutiérrez 2010).

In social innovation, improvements in organizational design, products or processes have to be available for all and any parties interested in their use or application. That is, these innovations must be for general use and therefore available to any group or entity for the purpose of resolving or addressing social problems, and not solely be meant for the benefit of their creators or inventors. This is what distinguishes social innovation from business innovation; the latter also demonstrates creativity, originality and new responses to the needs and problems of customers and consumers, but in this case improvements (in products or processes) are protected by the company (through trade secret, patent, the duty of employees with respect to confidentiality, etc.) in order to ensure the company's exclusive use of it to improve its positioning, brand image, and, ultimately, its competitive position with respect to other companies.

Therefore social innovation often requires the values of generosity and solidarity on the part of creators or inventors (whether individuals or organizations) of new products, services and organizational models to not avail themselves of these but instead donate them to the service of society in general, and serve simply as inspiring role models for other partakers (supply function) willing to face

8.- Phills et al (2008) highlight that: "A social innovation can be a product, production process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them. Indeed, many of the best recognized social innovations, such as microfinance, are combinations of a number of these elements".

identical or similar realities, issues or social needs. This implies that it is precisely in the field of social economy⁹ and the third sector, in which the value of solidarity (the logic of the gift) occupies a privileged space, where it is possible to find more phenomena of social innovation.

Social innovation also implies solidarity, taking the recipient into consideration (function of demand), because in most cases it is a question of resolving citizens' problems while motivated by unselfish concern (the logic of the gift), and what it is not is an attempt to discover business opportunities (logic of exchange); this would normally be linked instead to the existence of solvent demand. The generosity of those who innovate by developing society, either through the supply function (facilitating the use of innovation to other entities wishing to do the same) or the demand function (the beneficiaries), is what transforms innovation into social innovation, and what distinguishes it from business innovation. And it is social because it multiplies the beneficial effects of innovation (by allowing everyone to make use of it) or because it reaches parts of the population that are beyond the logic of the market which operates in conjunction with the existence of solvent demand.

4.3. The emergence of a fourth sector

Who are the agents responsible for leading the difficult balance between economic sustainability in social approach, governance and social innovation in an environment marked by more and more complex challenges?

Each of the traditional sectors has been pursuing specific purposes and has carried out important social contributions. The private sector has extensive experience in resource management: creating and distributing goods and services that improve the quality of life, promote growth and generate prosperity. It encourages innovation, rewards entrepreneurial effort, provides a return on investment and improves its performance by adapting to market dynamics. Second, the social sector seeks to protect human beings by meeting their basic needs and ensuring opportunities for physical, mental and spiritual development. It also guards the environment and ensures that individuals and organizations do likewise, or, at least minimize the harm caused. They also show, as already noted, a great ability for innovating socially. Finally, meanwhile, the public sector protects the interests of communities by establishing an area of opportunity within a legal framework. Also, the public and social sectors jointly control distribution and communication channels to enable social assistance to be delivered where needed.

Until recently there was a relatively clear distinction between public and private activity or between a profit-based company and a non-profit organization. However, the common ground on goals and

9.- It must be pointed out that in Spain a Law of Social Economy has recently been passed (Law 5/2011, March 29, BOE March 30, 2011). It is the first country where a law of this type regulates the concept, guiding principles and entities of Social Economy. Article 4, when establishing the guiding principles of social economy, alludes to the "promotion of internal solidarity with society that favors commitment to local development, equality of opportunities between men and women, social cohesion, insertion of people in risk of social exclusion, the generation of stable quality employment, the reconciliation of private, family and work life and sustainability".

paths of action between public sector, business, social economy and third sector entities is leading to the existence of a new scenario where “organizational models” are becoming common in the fight to resolve social challenges by combining attributes and strategies from all sectors. These are entities that show a special ability to occupy that social space that is a crossroads between the public, business and social worlds. Thus are created hybrid organizations that transcend traditional sector boundaries and resist easy classification within the three traditional sectors (private, public and social) (Four Sector Network, 2008). These are entities that do not identify with those traditional organizational designs that have prevailed in each of the social spaces: the administrative, that of business and that of the third sector. These new entities seek to reconcile efforts in favour of the general interest and economic stability, and are characterized by how they regard society as a whole and use participatory and collaborative action strategies to help detect and analyze new problems which they do not hesitate to address and resolve swiftly and effectively. They give rise to original hybrid organizational models that are themselves a social innovation. This new organizational architecture (in terms of objectives, structure, processes and organizational culture) makes them especially suitable to offer creative and innovative solutions for social problems. The entities displaying these characteristics constitute the fourth sector. This emerging sector draws the best from each of the traditional sectors, and is able and wants to use a new approach to deal with those great challenges that have become difficult to ignore and even harder to manage, and whose common goal is achieving sustainable social action.

The institutions that make up this new sector also arise in a context that demands more collaboration between social agents: cooperation to implement initiatives, correlation between processes, compatibility in the tools used, and the common development of new financing methods. They are born in an environment that requires systems of social governance that are both able to capture the growing complexity of social dynamics and also to generate innovative solutions to social problems. Fourth sector entities, since they materialise at the crossroads between traditional sectors and are characterized by cooperative and networking actions, have much to contribute in this respect. They are “genetically” capable of doing so.

“Globally, harmonization and interoperability will reduce redundancy, increase competition to find the best tools and solutions, increase market demand for infrastructure services and align individual efforts” (Fourth Sector Network, 2008, Miles et al 2005, 2006). This process of hybridization – new social alliances - between agents, as indicated by Nelson, J. and Zadek, S. (2001), affects a wide range of issues: improving operational efficiency (reducing costs, increasing process efficiency and improving product distribution and services), innovation of products and services as a result of shared ideas and models, organizational innovation (new and creative operational modes emerge in organizations to resolve complex challenges and take advantage of all opportunities), human capital development (the creation of new volunteer opportunities and awareness), better access to information (sharing valuable information, which improves risk management), improved reputation and credibility (increase in the quality of the relationship with key stakeholders) and the creation of a stable society (the final and common goal for all agents involved). If fourth sector entities continue to contribute to the achievement of results like the ones outlined, these entities will tend to proliferate and grow, consolidating what is now a new emerging sector.

5.- Some components of the fourth sector

The components of this fourth sector come from both the social sector of the market as well as the third sector and reflect different degrees of formality. Their distinguishing features include: social purpose, business method, inclusive property, stakeholder governance, fair compensation, reasonable returns on investment, social and environmental responsibility, transparency and protection of assets (Aspen, 2009). Some studies have already identified certain cases that fit these characteristics (Iturbe-Ormaetxe et al, 2010). In our case we will describe some significant generic protagonists in this emerging fourth sector: social enterprises - a hybrid of business and NGOs; community foundations - a hybrid between foundations and associations; and virtual solidarity networks - an alternative grid to traditional NGOs with a very basic organizational format.

5.1. Social enterprise and social entrepreneurs

The social entrepreneur is a person¹⁰ or group that develops and implements innovative solutions to create positive social impact, combining business discipline and innovative perspectives, and all of this for social purposes (Dees, 2001; Drayton, 2006; Gentile, 2002; Peredo and Mclean, 2006, Mair and Marti, 2006, Dees et al, 2007, Chell, 2007). The entrepreneur leads this change by complying with the principle of the triple bottom line (economic, social and environmental responsibility) and is able not only to make efficient use of available resources, but also to multiply the effectiveness of limited funds (Fundación Bankinter, 2010). Social entrepreneurs are agents that respond to market failures with innovations that are transformational and financially sustainable, and they are in a unique position to help the Government to address the toughest social problems (Wolk, 2008).

Academic interest in social enterprise goes back to the decade of the nineties when Harvard University launched the Social Enterprise Initiative programme in 1993. From that time on, many initiatives have emerged under the auspices of universities and private foundations to support training and the strategic consulting of managers, including those of non-profit groups. In Europe there has also

10.- As Bornstein indicates (2004) in the case of microcredits: "The most famous social entrepreneur could be Muhammad Yunus, the founder of the Grameen Bank. Like Jobs, Yunus took a product –"the credit" – which was something exclusive at the beginning (like the first PCs) and took it to a massive audience. In this way, the bank helped make the access to capital more democratic the same way that Apple Computer made the access to information more democratic. The effect is similar: more possibilities to choose and this free choice in the hands of people all over the world". Other well known cases are Michael Young (Open University), el Abbé Pierre (Traperos de Emaús), Vicente Ferrer (Fundación Vicente Ferrer) or Anita Roddick (The Body Shop) (Morales Gutiérrez, 2007).

been a process of emerging social enterprise (Quintão, 2007) - particularly in countries like Italy¹¹, the United Kingdom¹² and Spain- characterized by some of the following features: shortcomings in the provision of certain social services and a remarkable development of the “social economy”.

In Spain, social enterprises developed in the mid-nineties under the formula of integration enterprises (García Maynar and Esteve Arnal, 2007)¹³. The fundamental orientation of these entities has been that of transition firms¹⁴; they dedicate a significant percentage of their jobs to candidates in the process of integration who complete their training and gain enough employability to enter the labour market¹⁵. They are, therefore, genuine formation and vocational training centres oriented towards obtaining the full recovery of employability for workers characterised by permanent reduced labor productivity.

Those aspiring to be social entrepreneurs must have exactly the same qualities and skills as any other entrepreneur: a great idea; the ability to execute that idea; practical business skills, i.e. the ability to operate a business effectively and make money with this idea; passion - the determination to do whatever it takes to succeed; and the belief that nothing is impossible. Nonetheless, the level of social entrepreneurship in Spain is low compared to other countries (GEM, 2009)¹⁶.

11.- The absence of the State as a provider of basic social services, the political influence of large Italian cooperative federations and the attention on the part of scholars in that country toward social enterprises explain, to a great extent, the relevance of a special type of social firms: social cooperatives in Italy. The Law of 1991, that protects the status of the social solidarity cooperative (cooperativa di solidarietà sociale, divided into type A, social services cooperatives, or of type B, social cooperatives of integration), opened the door to social entrepreneurship imbued with the desire to contribute to the well-being of its members and of society as a whole. Thus, in late 2003, there were 6159 social cooperatives which in turn created approximately 190,000 jobs (with approximately 20,000 jobs in the cooperative insertion of type B) and mobilized 32,000 volunteers. Interestingly, 70% of the human base is female. Further legal recognition would arrive in the law passed in 2006 specifically for the social enterprise.

12.- In the United Kingdom, the evolution of the social enterprise followed a different logic. Patricia Hewitt, Trade and Industry Minister of England, published in 2002 the document “Social Enterprise: a Strategy for Success” which undoubtedly hastened its spread and led to the English government’s contribution of a series of tools to help promote the implementation of this institutional format (Social Enterprise Unit, Training Programs, Social Enterprise Coalition, etcétera.) Thus in 2000 there were about 15,000 social enterprises as companies with limited guarantee or as industrial and provident societies representing some 475,000 jobs and 300,000 volunteers. Considering that for 88% of social enterprises, over 50% of the funds come from the sale of goods and services, the market orientation of the social enterprise in this country is clear.

13.- In 2002 there were 147 integration enterprises that employed a total of 3,550 workers, of whom 2201, 62%, were insertion workers and the remaining percentage were specialized workers in their corresponding trades, responsible for management tasks and social technicians of accompaniment. In a distribution by legal form, the insertion enterprises are divided, almost in half, between a typical formula of non-profit organizations –Associations and Foundations- and Limited Partnership: 46% of the total, in each case preferably adopting the rest a Cooperative format. In 2007 there were 189 integration enterprises (Veciana Bonet, 2007).

14.- Social enterprises can be classified as businesses in transition and finalists. Finalist Social enterprises are created to achieve the insertion of those who, due to special insurmountable difficulties, seek to develop their careers in these institutions by providing stable jobs for workers with reduced work productivity. Especially relevant is the case of social enterprises in groups of people with disabilities.

15.- Integration workers typically spend between 6 months and 3 years in the social integration enterprise, acquiring employability during this time to give them access to normal companies. The reason is simple: people being prepared for integration are not intended to remain indefinitely in these enterprises, but only the time required to get access to the mainstream labor market. However, this does not mean that indefinite contracts cannot exist.

16.- According to the Project GEM (Global Entrepreneurship Monitor), in Spain only 0.5% of the workforce is employed in social enterprise projects, compared with 2% in countries like USA, Finland and the UK. The profile is 64% of men compared to 36% of women. The most common age range is between 25 and 34 years. Most entrepreneurs, 65% - have a high school diploma or vocational training as opposed to other countries where it is the segment of population with higher education that comers such initiatives. In the GEM study, we also observe that in Spain there is a “high birth rate” of social enterprises, although very few survive beyond three months.

The eternal question is: is a person born to be a social entrepreneur or is it possible to create one? Proponents of the born social entrepreneur argue that qualities such as determination and non-aversion to risks, which are common features of this profile, are part of the DNA of these people. However, advocates of the idea that the social entrepreneur can be formed argue that you can train people to turn inspiration into a business concept through persistence and never settling for “no” as an answer until an impact has been made on society¹⁷.

5.2. Community Foundations

Community foundations are particularly suitable for articulating local governance networks and for innovating socially to generate novel responses for new social challenges, due to a number of idiosyncratic features found within these organizations’ main characteristics¹⁸, which are:

a) Their *independence* of the control and influence of other organizations, governments or donors;
b) Their *locally focused open mission*. This is a consequence of the fact that these entities are intended to improve the quality of life in a given geographical area (neighbourhood, city, district, province). This allows their mission to be tailored to the needs of the community where they operate at any given moment;

c) They present *dynamics of asset growth that rely on a multitude of agents*, which reinforces both the independence of the entities and their capacity to act. This idiosyncratic trait derives from the three characteristics that, according to Sacks (2000), are specific to community foundations:

- Their desire to establish permanent resources for the community, usually through the creation of funds from a wide range of donors that includes citizens, corporations and local governments and other non-profit organizations and businesses;

17.- So much so, that universities and business schools with exclusively designed programs have multiplied so that potential social entrepreneurs can direct their professional career toward social innovation. Most experts agree that the education system should be able to convey the difference between a good idea and a good opportunity. To this end, the curriculum includes everything from how to finance your idea, to how to assess market demand and implement business models, to ways to mitigate risk. Educators can, to a great degree, be those who infect others with their optimism and perseverance to carry out social projects.

18.- In the 2000 report prepared by Eleanor W. Sacks, on the formation of community foundations around the world, the main features present in community foundations are identified:

1. The aim to improve the quality of life in a given geographical area.
2. They are independent from control or influence of other organizations, governments or donors.
3. They are governed by a body of citizens who broadly reflect the communities they serve.
4. They provide grants to other non-profit groups to address a number emerging and changing needs in the community.
5. They seek to establish permanent resources for the community, usually through the creation of funds from a wide range of donors, including citizens, corporations and local governments and other nonprofit organizations and companies.
6. They provide services according to the interest and ability of donors have of contributing.
7. They help donors achieve their philanthropic and charitable goals.
8. They participate in a variety of association and community leadership activities and act as catalysts, conveners, collaborators and coordinators in order to solve problems and promote solutions for important community issues.
9. Their policies and practices are open and transparent with respect to all aspects of their business.
10. They respond to the community and report regularly to the general public about objectives, activities and their financial situation.

- They want to provide services tailored to the interests and contributing capacity of donors;
- and try to help them achieve their philanthropic and charitable goals. This interest of community foundations in creating permanent funds for the community through adapting itself to the possibilities and wishes of many altruistic collaborators endows them with the idiosyncratic trait mentioned.

d) They present a significant pyramidal structure of government. This is due to another feature of community foundations: being governed by a body of citizens who broadly reflect the communities they serve. This feature implies a *pyramidal structure of government*, since, as it is a foundation, the board is the highest governing body of the entity. *But* at the same time, as it is a Community foundation, it is a *significant* governance structure, since the board becomes a revealing and representative organ of the community where the foundation works because it is made up of citizens who reflect the community.

e) They present dynamics involving collaborative action. This idiosyncratic trait is derived from the following three characteristics of community foundations: a) providing grants to other non-profit groups, b) being involved in a range of associated activities and community leadership, acting as catalysts, conveners, collaborators and coordinators to solve problems and promote solutions, and c) their open and transparent policies and practices relating to all aspects of their activities.

In community foundations the governance structure (Board) has to be meaningful in the sense mentioned above, and processes must be participatory and cooperative, so that the foundation can meet its objectives (which are a feature of the set-up) to help others (cooperating economically with their projects) or to lead and coordinate local initiatives of various stakeholders (community leadership activities); all of these factors make up a type of foundation with elements characteristic of association formats. In this type of foundation, elements of a personal nature take on a great deal of importance, both in the governance structure and processes, based on certain participatory and cooperative practices typical of association models, thus acquiring a hybrid form of organization.

Community Foundations are a movement present on all continents. There are 1441 all over the world (DeCourcy Hero and Walkenhorst, 2009). The United States, where they were born, leads their development with 775 community foundations, followed by Germany with 190 and Canada with 163. Some operate with a few thousand euros, while others have budgets of billions. According to 2007 data provided by the Worldwide Initiatives for Grantmaker Support (WINGS)¹⁹, through their projects, community foundations managed a total of \$55,000 million, 98.1% for institutions based in the USA (\$54,000

19.- WINGS was formed in the fall of 1999 to merge a network of organizations supporting community foundations and the International Assembly of Donor Service Associations (International Meeting of Associations Serving Grantmakers. The acronym is IMAG). WINGS is an international network of associations and organizations of aid to donors, with a section formed by a special group of entities that support community foundations (WINGS-CF).

million) and hardly 1.3% (\$733 million) through European initiatives. Britain, at \$312 million, Italy at \$268 million and Germany at \$140 million²⁰ are the European countries which manage the largest budgets.

Community Foundations in Spain were not born with the awareness of being such, but were rather entities that encompassed a number of specific characteristics that have later caused them to be identified as Community Foundations mainly due to the momentum of the Bertelsmann Foundation²¹. At the present time, the five are: the Fundació Tot Raval in Barcelona, the Fundació Ciutat de Valls in Tarragona province, the Fundación Maimona in the province of Badajoz, the Novessendes Foundation in Betxi, in the province of Castellón, and the Fundació Horta Sud in Torrent, province of Valencia. These entities and other foundations form part of the Spanish Network of Community Foundations²².

5.3. Virtual solidarity platforms

Here we have presented a review of some of the most common social agents in the field of social innovation. However, what still has to be highlighted is the role of those participants who now find themselves in the spot light: all of us. Individuals using Internet are able to collaborate in generating ideas, and participate in discussions without limitations of time or space²³. In recent years, blogs have proliferated along with websites that offer multidisciplinary platforms where experts and laymen converge and pool solutions to problems that require an innovative approach. The great variety of contributions is based precisely on the degree of openness of the community and the diversity of the profiles of the participants. It is the Web 2.0 era, i.e. social networks and active participation on platforms of common interest, applied to social action and searching for alternatives for such concerns as health, security, climate change, or poverty.

20.- In 1996, the Bertelsmann Stiftung initiated the movement of civic foundations in Germany (in Germany community foundations are called civil foundations). With their constant support and encouragement, more than a hundred civic foundations have been created in cities large and small around the country. The Bertelsmann Stiftung has also been a major promoter of civic foundations across Europe, with the creation of a Transatlantic Network of Foundations in 1999.

21.- In 2006 the Bertelsmann Foundation also decided to take on the challenge of promoting the development of civic foundations in Spain (in Spain, as in Germany, community foundations are called civil foundations). Through its Competence Center for Civic Foundations, it provides strategic advice to institutions who want to become civic foundations, people who want to create them and even to the civic foundations that are already fully operational. The idea behind this center is to support their creation, professionalize the work of the existing foundations and foster the exchange of experiences and learning among Spanish institutions. This organization also provides the certification in Spain for the civic foundation: a process of analysis begins to clarify the institution's point of departure and evaluates what requirements are still needed to become a civic foundation. After this process, if the enterprise qualifies, it receives the civic foundation certificate.

22.- The network consists of certified community foundations, but also of foundations that, without having yet met the requirements to qualify as such, want to take the steps necessary to become one. In this situation are found the Foundation Ciudad Rodrigo 2006 (Salamanca), Equal Citizens Foundation (Cáceres) and the Foundation for a Sustainable Galicia.

23.- The best example of collaborative environment that is proactive and transversal is "collaborative social innovation" or crowdsourcing. This trend is related to the use of technology to promote the exchange of information and ideas among participating agents.

This context gives rise to solidarity platforms that establish a common ground for demand and supply (donors, borrowers, local entrepreneurs, etc) that come into play at the right time, with the necessary information and relevant communication channels. The network allows, as a necessary but not sufficient condition, anyone anywhere in the world where internet is available to make a contribution. The philosophy behind the so-called *long-tail economy* (Anderson, 2007) points out the possibility of finding viable initiatives to bring together people who can donate small amounts of money without having to be affiliated with an organization: on the one hand, a long queue of offers of solidarity in space and time which could total quite a significant sum (crowd funding) and, on the other hand, those needs and small projects that can prosper by gradually receiving small investments with a minimum of intermediation. The advantages of this new scenario offered by Web 2.0 for the world of solidarity are obvious. On the one hand, in the case of donors, the possibility of donation increases significantly in both size (from micro-giving to grant-giving) as well as in the choice of causes or types of beneficiaries: health, education, entrepreneurship, ... etc. In addition, the use of the resources donated does not require belonging to the membership as a partner of any organization. In addition, potential beneficiaries can show their need, predominantly at a local level, until reaching a worldwide dimension, while charitable institutions can find a source of private funds directly targeted at their projects. Subsidising options are multiple: non-refundable (micro-donors and grant-givers), 'altruistic' lenders and volunteers.

In the case of social platforms, mechanisms can also be devised to involve potential volunteers not only as donors of time but also of work, in both strategic and tactical tasks. In the first case, volunteers could dedicate themselves to efficiently controlling the application of funding received, or to developing internet platforms programmed with free software. In the second case of tactical or operational tasks, volunteering might consist of translating the website into other languages, of publicity promotion by embedding advertising in blogs, etc. Articulated social networks offer a privileged channel for the circulation, support and consolidation of these initiatives in that they inform all possible types of donors about these alternatives.

All these virtual platforms give rise to idiosyncratic and novel traits produced mainly by the creation of large networks supported on Internet, that without too much formalization are intended to resolve social problems, mainly by connecting financial or personal resources to projects aimed at solving these problems. The emergence of this type of initiative on internet provides a number of significant advantages over other traditional approaches to solidarity (even with respect to peer-to-peer charities): greater flexibility and freedom in donations, greater transparency in the process (applied to a direct target) and lower organizational costs are some of the most significant (Morales Gutiérrez, 2010). However, solidarity can be an end in itself or, for certain companies on internet, can become a possible support for self-promotion: a way to gain a reputation and also attract a special type of customer (Morales and Ariza, 2010). In this regard it is felt that a possible element that differentiates these platforms as third sector organizations from other types of initiatives, is that they transform themselves, through their essential axiological and vindicating essence (advocacy), into institutions committed to social change and demonstrating a certain critical and transformational slant (Jimenez and Morales, 2008).

5.3.1. Virtual NGOs

First of all, a type of virtual NGO or donor platform (peer-to-peer charities) has emerged since 2000, specialized in providing micro-donors with causes and projects, and thus achieving non-refundable resources for organizations and individuals. The first experiments of this type (GlobalGiving²⁴, Donorchoose²⁵ Firstgiving²⁶ were born in the United States. The initiatives are multiplying in number²⁷. At a national level (platforms in Spanish and / or promoted from Spain by social entrepreneurs) there are still young experiments like *Sponsor a project*²⁸, *La papaya*²⁹, *Earth United*³⁰ or *Mi Aportación*³¹.

Of the activity outlined in the experiences above, at least two different strategies can be differentiated: the *multi-cause* ones (with a strategy of global recruitment and who use funding proceeds) or *peer-to-peer* ones devoted to territorial level or one kind of cause - education or entrepreneurship. Although such initiatives are still at a very early stage of development and the most famous *peer-to-peer* ones are global, there is an observable tendency toward more specialized and differentiated

24.- Thus Dennis Whittle and Mari Kuraishi in 2000 set up GlobalGiving (www.globalgiving.org). More than 14 million dollars in donations, and funding for over 1,300 projects-ultimately of social needs- to date. All this has meant the management of more than 41,500 individual donors.

25.- Another similar case, but specialized in meeting educational needs, is Donorchoose (www.donorchoose.org) founded in 2000 by Charles Best, a Bronx high school teacher. In 2009, donors, primarily U.S. residents, had funded \$ 1,590,983 worth of resources for needy students. The projects have provided 1,357,560 hours of instruction and assignments. The resources provided were mainly used towards books (27%) and technology (20%).

26.- Firstgiving (www.firstgiving.com) was created in 2003 by the Lingard brothers and others. 1,526,245 people have helped raise 83,103,015 dollars for 20,672 nonprofit organizations.

27.- Microgiving (www.microgiving.com) was founded in 2007 by John Ferber; Change (www.change.org) was founded in 2006 by Ben Ratray and has a number of beneficiaries reaching 31000 members in 91 countries. Particularly interesting is the NGO. 2.0 Nuru (www.nuruinternational.org) developed by Stanford alumni Jake Harriman and John Hancox which, despite its recent creation, has directly influenced the lives of more than 2500 people in Kenya.

28.- Sponsor a project (www.apadrinaunproyecto.org) is dedicated to raising funds to finance cooperation projects for development with a similar concept to that developed by Firstgiving, for example.

29.- In another approach, The Papaya (<http://lapapaya.org/papaya.org>) is established as a social network where an initiative or something that has to be done is ear-marked. In exchange for the platform's helps to fulfill that dream, that proposer of the initiative must offer an exchange of service measured in hours of time. Once this has been completed, it is necessary to help three more people... This innovative experience is a blend of social networking and a time bank and solidarity projection. Founded by an association, which dedicates its funds to Solidarity Economy Research, 45% of the internal resources of the platform support the best-rated dreams which are evaluated by scores achieved through the network for helping other users.

30.- Earth United (<http://www.earthunited.info/>) is a website where donors and applicants can make virtual contact to share the generosity of some and the needs of others. Iiigo Rodríguez-Sastre, Luis Peinado and Alfonso Benavides, proponents of the project, wanted to develop a tool that would help poor people lacking resources anywhere in the world, ranging from a scholarship for underprivileged children to a bicycle or school supplies, even the payment of an annual fee for a gym for an unemployed woman, or creating a Curriculum Vitae, or searching for water in drought-stricken areas. The most novel feature is that you cannot offer money, but only goods and services. They thought that the most effective way to do this was eliminating intermediaries, in order to overcome the reluctance of many potential donors who are wary of traditional agencies and organizations. As indicated on the website: "As an applicant, you may need something that is beyond your means and could mean a fundamental change for you and / or your family and / or community. As a donor, you may have something you do not need, or have knowledge or skills and / or time to share them. You may be looking for ways to share what you have, but believe that it is difficult to find someone who really needs what you have or your knowledge. In earthunited.info we try to make it easier for you to find someone who can really appreciate what you have to offer or your knowledge."

31.- Another similar approach is that of My contribution (<http://www.miaportacion.org>). This experience raises a multitude of real needs (financial, volunteer, medical, legal, for masons, electricians, etc. ...) filtered by various associations and NGOs (Caritas, Intermon, ...) dedicated to the most needy. Manuel Roca - creator of the web of tourism opportunities "atrapalo.com" - is the founder of this website and knows firsthand who the protagonist of this type of platform is; he expresses it like this: "You're behind this project because we need your contribution to gradually change the world. Maybe you have great ideas in mind for improving the world, in which case we need you. But for most people like me, we can only do small things but many of them (hopefully). Go ahead and think about it every day: what can I do for others? "

approaches that require greater idiosyncratic knowledge. This type of organizational model requires balanced growth; it is not enough to obtain many resources; there must be attractive and reliable projects where the resources can be employed.

5.3.2. “Virtual” Social Banks

Another “new entity” model in the third sector is a kind of credit institution on the network with social goals that we call microcredit platforms (*person to person social lending or e-social banking*). They provide a way to use the advantages of web 2.0 to channel social innovation in the form of micro-credits, but on a global scale. In this case, NGO projects and projects of micro-financing entities that work in impoverished countries are offered to potential micro-lenders, i.e. where there is a commitment to return or re-use the loans in new micro-credits by the lender. The most famous case is that of *Kiva*³² that provides loans to 60,000 entrepreneurs in 45 developing countries with a repayment rate of over 95% during the first 3 years. Another case that differs both in method (the micro-lender has the option of offering an interest rate on the microcredit granted), as well as in location (it is devoted to African men or women entrepreneurs) is called the *MyC4*³³. Further cases, also specialized in a particular country but of less importance, are *51Give*³⁴ y *RangDe*³⁵.

32.- *Kiva* (www.kiva.org) was founded by Matt and Jessica Flanery –former workers of eBay. The figures achieved so far are impressive:

Total value of all loans made through *Kiva*: \$240,704,050

Number of *Kiva* Users: 985,376

Number of *Kiva* Users who have funded a loan: 622,374

Number of countries represented by *Kiva* Lenders: 216

Number of entrepreneurs that have received a loan through *Kiva*: 621,894

Number of loans that have been funded through *Kiva*: 317,819

Percentage of *Kiva* loans which have been made to women entrepreneurs: 81.04%

Number of *Kiva* Field Partners (microfinance institutions *Kiva* partners with): 138

Number of countries *Kiva* Field Partners are located in: 60

Current repayment rate (all partners): 98.84%

Source: <http://www.kiva.org/about/facts> (27/06/2010)

33.- This platform (www.myc4.com) was founded in Denmark in 2006 by Mads Kjaer (1961) and Tim Vang (1972). Up to the date of this study, it has managed 17391 investors from 100 countries, with a microcredit volume of over eleven million dollars dedicated to 5,827 male and female entrepreneurs in seven countries in Africa.

34.- *51give* (www.51give.com) was created in 2007 by Daniel Foa and Hiu Ng and is dedicated to obtaining funds – microcredits- for students and rural entrepreneurs in China.

35.- *Rande* (www.rande.org) was set up in 2008 by Smita Ramakrishna and Ramakrisna, and works in India; it has developed 281 projects and has the collaboration of 123 social investors.

6.- Some challenges for the consolidation of the fourth sector

Some of the realities that could constitute a fourth sector have undergone in recent years a substantial increase in terms of real development and political attention (and even media attention). However there are still some issues that claim the attention of the different participants involved in the development of this type of organization.

6.1. Market Development

The contact that takes place between businesses and social enterprises is determined by a number of factors. First, we will see how more companies are reaching out to social enterprises and traditional NGOs to facilitate the back-up, expansion and development of their own supply chains. Companies are designing and developing affordable and useful products for the poor, but do not really understand the functioning of poor communities and in some cases, lack flexible distribution channels (and the self confidence) to reach these communities effectively. NGOs and many social entrepreneurs, in contrast, have a deep knowledge of the markets that serve the poor, but lack infrastructure, resources and the management to deliver the products needed. Second, a change is being observed in the idiosyncrasies of the employees in large companies, which is why it is likely that more activity with respect to directly serving social entities or the poor will be seen at all levels on the part of employees in multinational firms (Novogratz, 2009). Therefore, a relationship between business and social enterprises can result in substantial synergies with benefits for both parties.

This convergence also occurs in companies that implement an approach to corporate social responsibility in a real and active way. Third sector entities can collaborate with these when implementing their social responsibility policies, and also in some cases, could certify the veracity and good execution of projects, either by simply having collaborated in those third sector entities that enjoy a reputation for independence and social compromise or because other social sector agencies, with technical competence and independence of action, perform auditing activities in the field of CSR.

The convergence between the business and the social sector is therefore a source of new opportunities. However, this convergence also involves serious risks and challenges for social enterprises and third sector entities in terms of sustainability and organizational culture. Social enterprises' access to diverse funding sources, the growing level of professionalization in third sector organizations, the opportunity to benefit from innovative forms of cooperation or technological advances - all require an investment that is not always possible for the participants themselves. There are new ways of transferring resources, along with traditional forms of public and private aid, in order to make the survival of

these organizations viable over time. However, the financial viability of social enterprises remains as one of the major challenges of the sector. When talking about the hybrid resources mobilized by these organizations, not only subsidies, donations or sales are to be considered. In fact, the number of financial instruments that are becoming available for social enterprises compounds the reduction in public aid or the difficulty citizens have in combining work and leisure (with the consequent impact on their possibility to dedicate time or donate money).

6.2. Support as a relevant social structuring agent and its institutional recognition

The development of a space where these new agents are active makes them need to be aware that they are in an emerging sector that has to gain visibility and social relevance. This will be necessary to solve some of the problems that they are quite likely to find. Not among the least of them will be the problem derived from their hybrid organizational nature which will hinder their typecasting in traditional business or third sector categories. This will be a major obstacle for maintaining a relationship with the Public Administration, as authorities prefer to subsidize or collaborate with entities possessing recognised legal and organizational profiles, well defined normatively. So the entities that form part of this emerging sector should lobby for their unique organizational reality to be recognized by the government. This involvement of different social agents must be not only at each state level but also in the whole of the European Union. It requires an articulation of the interests of these new participants to influence the decisions that affect them directly.

Institutional recognition will allow their identification as a specific reality, socially legitimised by the important functions they are called upon to develop; it will facilitate the creation of channels for intervention in order to collaborate in the design and implementation of public policies, and will provide them with access to promotional measures established by the States³⁶. Hence one of the objectives of this study has been to characterize the emerging reality of the fourth sector, pointing out the main features that appear in the entities that compose it, to try to make the stakeholders involved and society at large aware of its reality and potential.

Finally, the formation of such second-tier agents would allow the accumulation of know-how and the interchanging of undoubtedly interesting experiences for those involved. In a scenario that is involving more and more agents, interaction is needed and, more importantly, cooperation among them to create synergies and maximize all social innovation initiatives that can positively affect society. There is still much to be done, and technologies like Internet are the gateway to make it possible and strengthen ties.

36.- This has been one of the objectives with respect to social economy that Spain has in mind with the Law 5/2011, March 29, of Social Economy (BOE March 30, 2011).

7.- Conclusions

The social complexity characterising today's societies needs governance structures (made up of many agents) that have to be able to grasp this complexity and provide original solutions (social innovation) to the constant challenges facing today's ever-changing societies. Governance is feasible to the extent that these participants' objectives and patterns of action flow together and follow a common thread. In fact, social innovation, which is not the same as business innovation, will take place if there are entities in which the value of solidarity is significantly present.

The trends outlined in this paper with respect to public bodies, businesses and third sector organizations are encouraging the creation of a social sphere where entities come together from the three sectors that are aligned around common social objectives (concern for the public good and in the general interest, which involves a dimension of solidarity on the part of the entity in question) and certain forms of action (improvement of management and a cooperative and networking forms of action). This confluence of goals and methodology is facilitating the creation of a new social area (the fourth sector) where organizational designs of hybrid characteristics can be found that incorporate features, attributes and strategies from all sectors. These entities, which are not identified as the organizational structures that have prevailed in each of the traditional social spaces, show a special aptitude for filling this emerging new social space where public, business and social areas overlap.

These are entities with original organisational designs, which are in themselves a social innovation. It is precisely this new organizational architecture in terms of objectives, structure, processes and organizational culture, which gives them unique capabilities to offer creative and innovative solutions to social problems. Among these unique organizations we can find entities that originate in the business environment (social enterprises, which are entities of social economy and are a hybrid between business and NGOs) as well as entities that come from the third sector (community foundations, which are organizations of social economy because they develop economic activities, that are a hybrid between a foundation and an association). There are even entities with only a most basic format, such as virtual platforms for solidarity.

As well as the challenges involved for these entities in developing their own new organizational design (social organizational innovation) in the pursuit of creative solutions for social problems (social innovation in products and services), there are other major challenges as well. One is achieving economic sustainability in today's difficult times. Another is not losing their independence and pre-eminently social approach and solidarity, since there is the risk that these entities could be used by companies through their relationship of collaboration, whether in the context of social responsibility policies of the company or business strategies that target the so-called base of the pyramid. The institu-

tions themselves that belong to this emerging fourth sector need to be aware of their uniqueness and the common threads that characterize them so that they can support each other, share experiences and coordinate their plans to multiply the social effects of their actions. Finally, fourth sector organisations must make the government recognise them as entities that form part of a specific social reality with important social functions to perform. This can then lead to more intense collaboration with public entities and thus, through various incentives, growing support for these organizations that show profiles well-suited for addressing the never-ending problems characterising the complex societies of the XXI century.

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