

EFESEIIS Survey

EFESEIIS THEMATIC FOCUS #8

STAKEHOLDERS
ENGAGEMENT PRACTICES



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



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FOREWORD

What you will find

The EFESEIIS project ([Enabling the Flourishing and Evolution Of Social Entrepreneurship for Innovative and Inclusive Societies](#)) endeavours to provide a better understanding of social enterprises (SEs) using thorough analysis of data collected in eleven European countries.

In line with the EFESEIIS project's objectives, a sample of 1,100 SEs have been sampled, from national lists of SEs in Albania, Austria, England, France, Germany, Italy, Poland, Scotland, Serbia, Sweden, The Netherlands. In countries where no official lists of social entrepreneurs were available, snowballing techniques involving different stakeholders were used instead of random sampling. The survey has been designed in order to provide insights into the features and background of SEs, as well as the enabling and constraining factors they face.

The final sample consists of 837 valid questionnaires. Questionnaires are considered valid if organisations replied to at least question n° [C10](#) . The response rates vary for each question. Henceforth, all reports present results drawing on data from a different number of respondents.

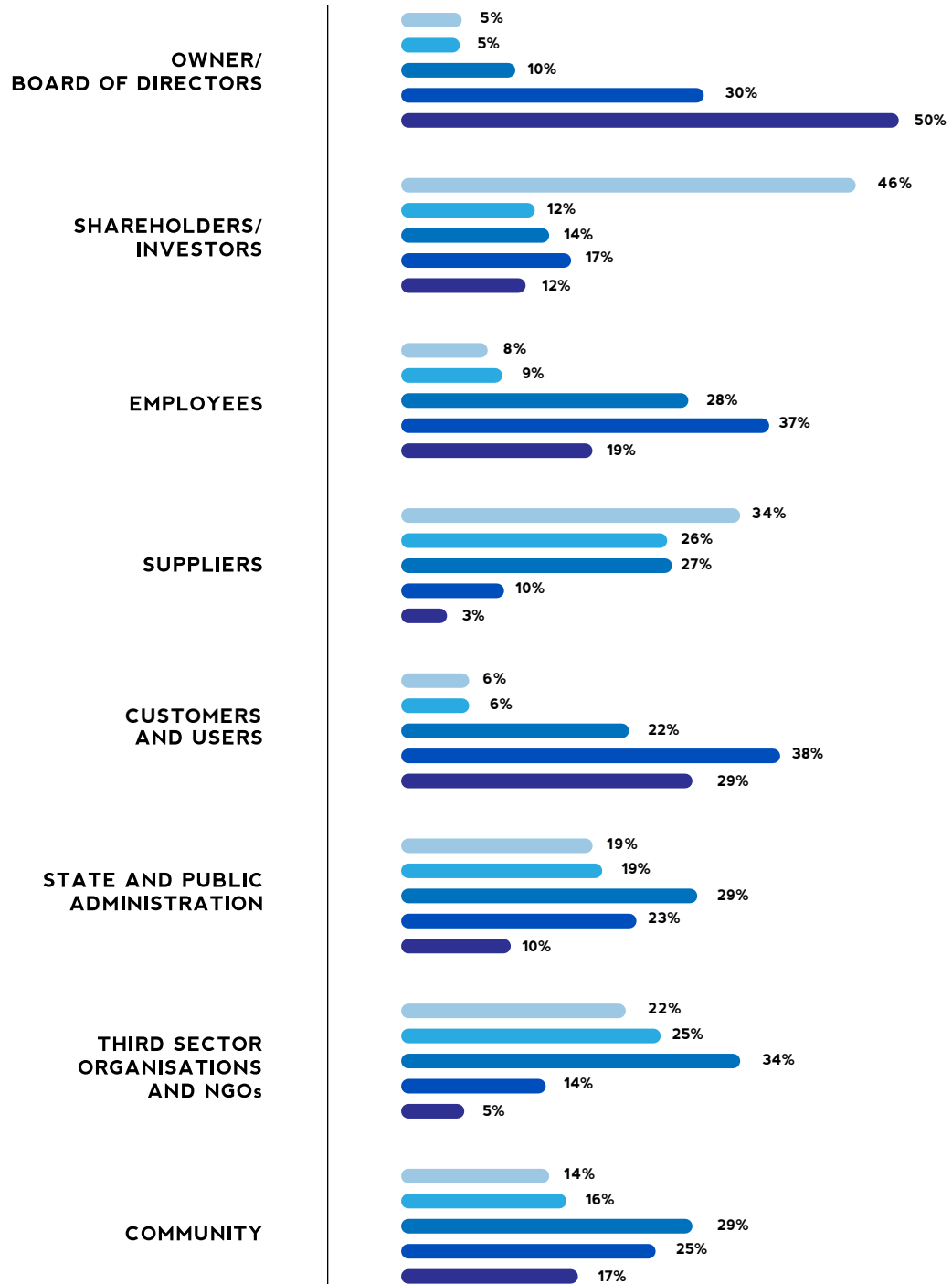
Focus #8 portrays the forms of stakeholder engagement adopted by organizations in our sample.

The results may not be fully representative of national SEs. Consequently, any generalization to a context broader than the sample could be misleading.

STAKEHOLDERS' DEGREE OF INFLUENCE

Please describe the degree to which the following stakeholder's influence the decision making of your organisation

- NOT AT ALL INFLUENTIAL
- SLIGHTLY INFLUENTIAL
- SOMEWHAT INFLUENTIAL
- VERY INFLUENTIAL
- EXTREMELY INFLUENTIAL

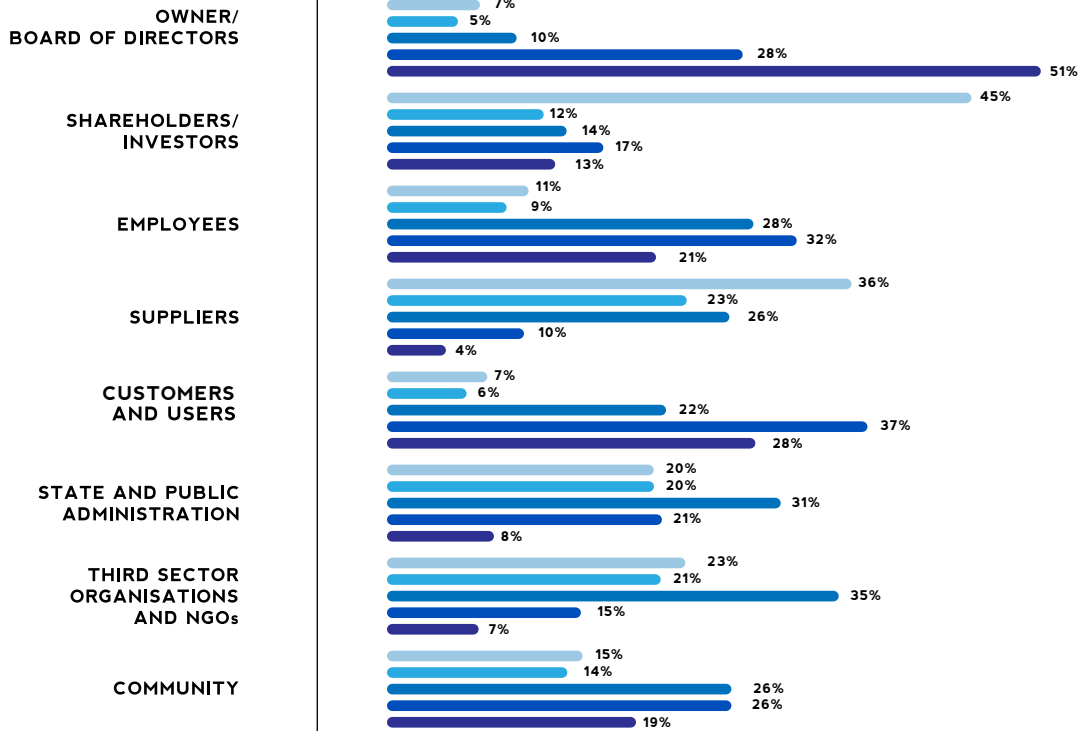


STAKEHOLDERS' DEGREE OF INFLUENCE | BY SIZE

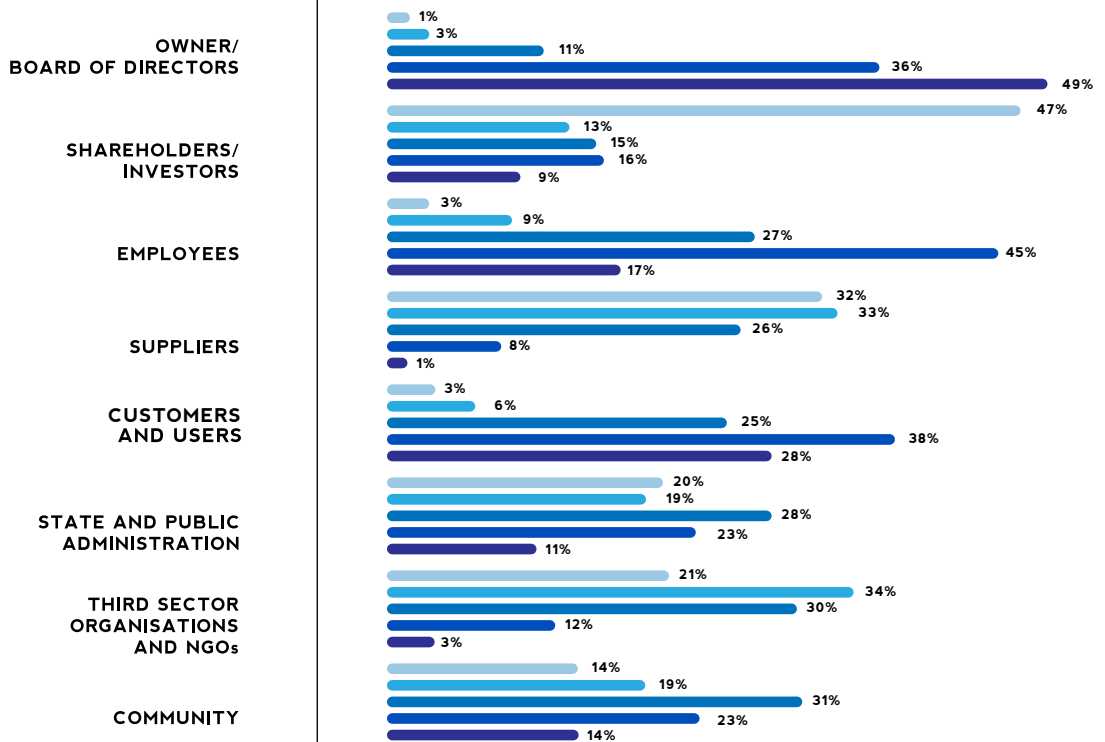
- NOT AT ALL INFLUENTIAL
- SLIGHTLY INFLUENTIAL
- SOMEWHAT INFLUENTIAL
- VERY INFLUENTIAL
- EXTREMELY INFLUENTIAL

Micro & Small SEs

MICRO



SMALL

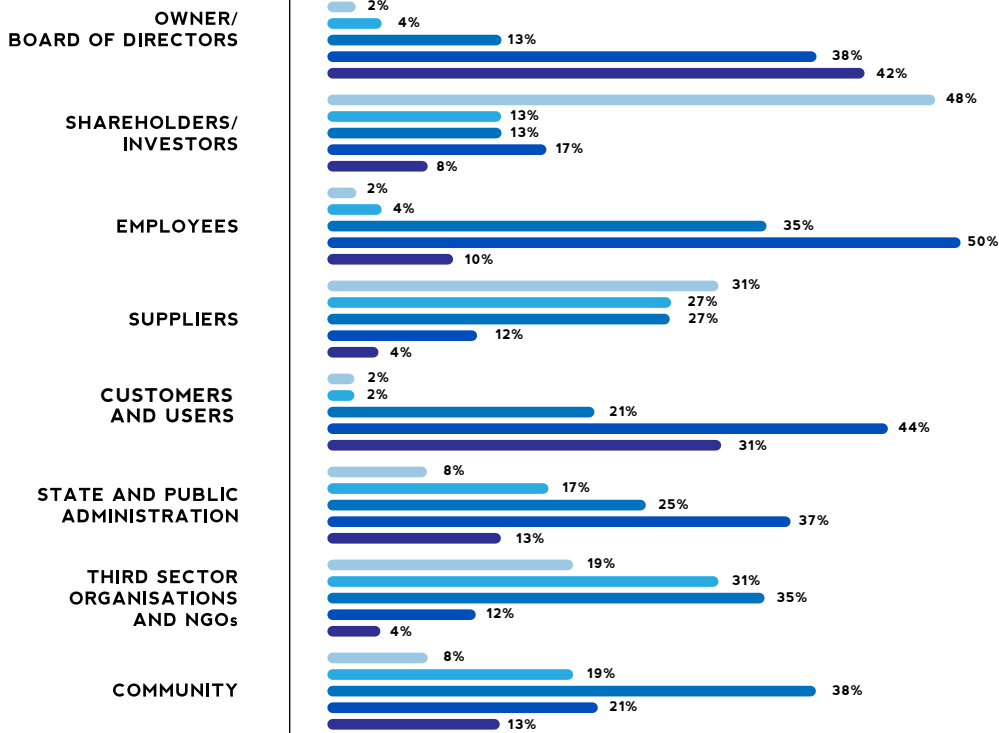


STAKEHOLDERS' DEGREE OF INFLUENCE | BY SIZE

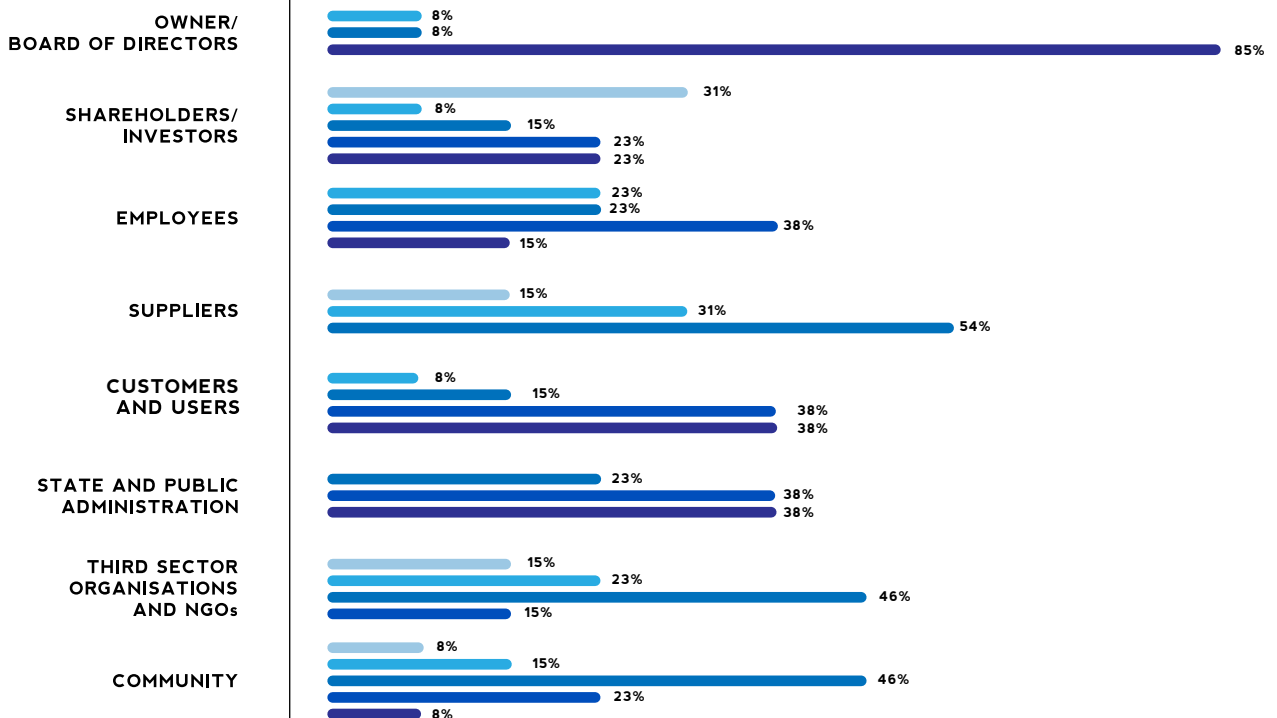
- NOT AT ALL INFLUENTIAL
- SLIGHTLY INFLUENTIAL
- SOMEWHAT INFLUENTIAL
- VERY INFLUENTIAL
- EXTREMELY INFLUENTIAL

Medium & Large SEs

MEDIUM

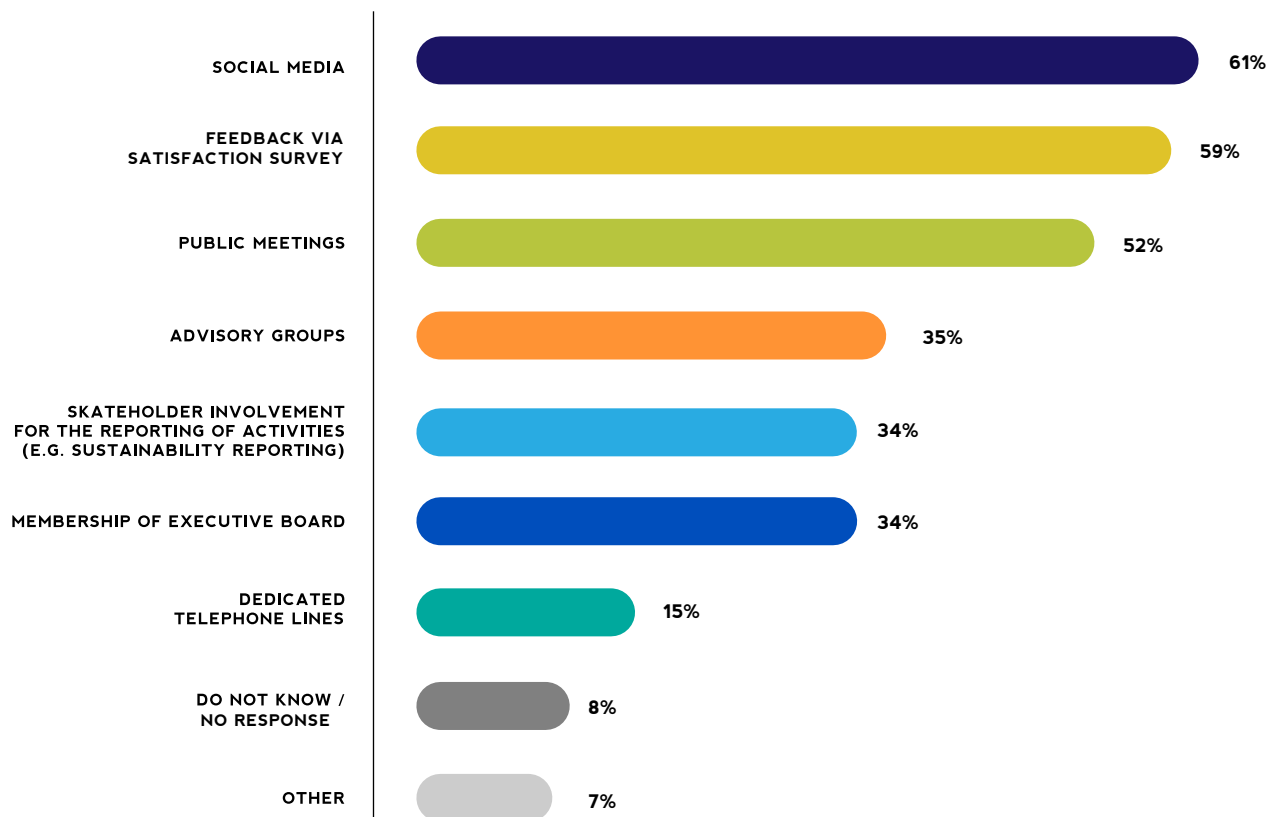


LARGE



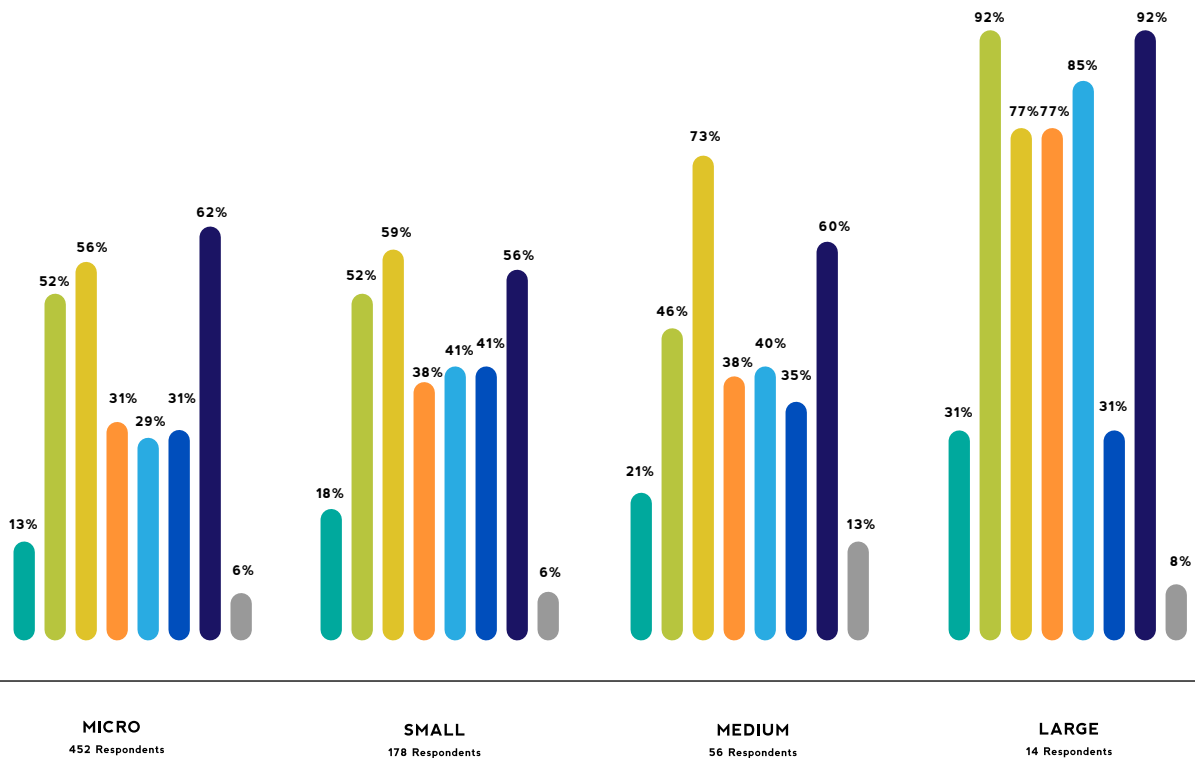
STAKEHOLDER ENGAGEMENT PRACTICES

General sample



STAKEHOLDER ENGAGEMENT PRACTICES | BY SIZE

General sample



- DEDICATED TELEPHONE LINES
- MEMBERSHIP OF EXECUTIVE BOARD
- PUBLIC MEETINGS
- SOCIAL MEDIA
- FEEDBACK VIA SATISFACTION SURVEY
- OTHER
- ADVISORY GROUPS
- DO NOT KNOW/ NO RESPONSE
- STAKEHOLDER INVOLVEMENT FOR THE REPORTING OF ACTIVITIES (E.G. SUSTAINABILITY REPORTING)

HIGHLIGHTS



This *Focus* provides the reader with an overview of the stakeholder engagement practices of SEs, as well as an initial analysis of the influence of stakeholders. What follows, is an overview of the findings from the general sample. For further details on each national context the reader should consult the country reports.

Following R. Edward Freeman's definition of a stakeholder (any individual or group who can affect or is affected by the organization's goals and achievements), the EFESIIS questionnaire mapped a broad range of stakeholders. They included owners and board of directors, shareholders and investors, employees, suppliers, customers and end-users, state and public administrators, third sector organizations and NGOs, and the general community.

Traditionally, the owners and the board of directors together with the shareholders, are the main stakeholders who define the long run objectives and development strategy of an enterprise. They usually have the greatest influence on the organization's affairs, and they are usually co-opted in the governance structure. Their membership on the executive board and their attendance at general meeting allows them to decide on the main business affairs.

Our survey shows that owners and members of the board of directors are considered "very influential" or "extremely influential" by 80 percent of SEs. Conversely, shareholders and investors are perceived as far less influential – in fact 46 percent of respondents described them as "not at all influential" and more than half thought they had very little influence in the decision making of SEs.

The stakeholders' degree of influence and involvement in SEs often contrasts with that of for-profit business. SEs are generally not owned by their investors and they are established through a

process that involves a heterogeneous group of actors, each of whom have a “stake” in the achievement of one or more of the SE’s objectives. Moreover, SEs usually opt for legal forms that call for broader governance structures that give voice to all actors with whom the SE interacts. For example, the majority of SEs in our sample are cooperatives implying that ownership is in the hands of stakeholders who are not only investors but also consumers or workers. In non-profit organizations (which are about one third of the sample), involving stakeholders may be the *raison d’être* for the organization, the channel through which organization’s mission is pursued and realized.

Among primary stakeholders (those who engage in economic transactions with the business), employees, customers and users have critical power within the organization, while suppliers seem to be less influential. This conforms with the very nature of SEs which are, by definition, economic organizations with explicit social aims. Social objectives are usually achieved through the fruits of their production (provision of welfare services, health care, and education, etc.) or through the production process itself (fair trade, integration of disadvantaged workers, environmental concerns, etc.). On the one hand, the economic goals of SEs make customer and user satisfaction essential to ensure market competitiveness. On the other hand, the SE activities result in benefits that surpass the market system. Employees are extremely relevant not only for strategic reasons but also because enhancing their well being may be one of the SE’s objectives.

The fact that the social benefits of SEs exceed the direct consumption of their goods or services implies that other secondary stakeholders (who are not engaged in direct economic transaction with the SE) may be influential. Data from Our survey indicates that this does seem to be the case. NGOs and third sector organizations, together with communities are recognized as “somewhat influential”, “very influential” or “extremely influential” by the vast majority of respondents (just over four-fifths). Their importance may be attributed to either the SE’s legitimacy-seeking activities (garnering public support to achieve specific social aims) or the SE’s need for resources. Since SEs depend on a multitude of resources (other than market revenues), potential resource providers such as individual philanthropists (donators, volunteers, etc) and the state (via public funding or ad hoc regulation), hold

some influence and power with regard to the decision making processes of SEs. In fact, the state and public administrations were perceived as “somewhat influential” or “very influential” by almost 40 percent of respondents.

Generally, no significant differences can be detected if the sample is broken down by business size. Third sector organizations and NGOs, together with the community seem to be slightly more influential with regard to microenterprises (organization’s with less than 10 employees). This may be due to higher dependency on external non-market resources both in terms of economic sustainability and social impact. Our survey results also show that state and public administration has more influence over medium and large enterprises (organization’s with staff numbers between 50 and 250 employees, and more than 250 employees respectively). Government action (or inaction) could represent either an opportunity or challenge, especially for larger enterprises that can mobilize wider resources and achieve significant impacts.

Finally, SEs employ a range of involvement practices in an effort to give voice to their stakeholders. The respondents in our survey mostly rely on the social media and stakeholder feedback through questionnaire and satisfaction surveys as well as from public meetings. Dedicated telephone lines are less common. In addition to these rather passive strategies, more active mechanisms are used by about one-third of the SEs sampled. These strategies include advisory groups and the direct involvement of stakeholders for the reporting of activities. In total 34 percent of the sample reported that stakeholders’ enjoyed membership of executive boards. The cooptation strategy may reflect the SE’s legal form involving, for example, the recognition of stakeholders other than shareholders, the right to take part in the governance structure, or the objective of gaining support from potential resource providers.

As observed with regard to the influence stakeholders, involvement practices do not seem to change with respect to business size. Nonetheless, it is interesting to point out that large businesses show a more heterogeneous involvement profile. Greater resources, capacity and expertise, as well as the strategic importance of communicating SE’s transparency and accountability, may encourage them to invest more in these practices.

DO YOU WANT TO KNOW MORE
ABOUT SOCIAL CAPITAL OF OUR
SURVEY SEs? PLEASE CHECK
FOCUS #9



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