

## Democratic Governance in social enterprise

Abidi hana, Slim Chokri

Assistante contractuelle et doctorante en Management à l'institut supérieur de comptabilité et d'administration des entreprises de Tunis.

Professeur en Science de gestion à l'institut supérieur de comptabilité et d'administration des entreprises de Tunis.

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**Abstract:** *The financial, economic and social crisis has helped to establish the fable of spontaneous self-regulation of markets and to show the limits of the governance model based on shareholder value. The crisis appears, from these different points of view, as a remarkable opportunity to re-examine the foundations of the system. Social enterprises also, considering their financial weight, importance and act, represent major players in contemporary society. Their governance issue generates an important stake for all their stakeholders. But the specificities of these companies lead to raise questions about the governance theoretical approach. In this Conceptual article, we focus on the governance of social enterprises to add to the body of literature on social enterprise, a field under- theorized compared to capitalist enterprises.*

*Our approach mobilizes five theories pertaining to this subject: the Shareholder Theory, the Managerial Hegemony Theory, the Resource Dependency Theory, Stewardship Theory, and Stakeholder Theory.*

**Key words:** *Governance, Social enterprise, Shareholder Theory, the Managerial Hegemony Theory, the Resource Dependency Theory, Stewardship Theory, and Stakeholder Theory.*

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### I. Introduction:

The governance issue has been the subject of numerous studies for several decades in the classical private sector, which has experienced a series of financial scandals (Enron, worldom, Parmalt, Batam, or Vivendi Universal). Research in this area has focused on issues such as how to reduce the incidence of fraudulent behavior by leaders (achievement, self-realization, etc.).

Indeed, governance plays an important role as one of the key determinants of entrepreneurial success (Berotti, Han, Netuveli, Sheridan and Ronton, 2014). Nevertheless, governance concepts that are based on the external interests of shareholders have been challenged by a number of authors who influence the social enterprise sector (Ellerman 1990; Cornforth, 1990; Turnbull, 2002; Rijpens, 2005; Ridley -Duff, 2008).

For social enterprises, governance is more critical compared to traditional firms because they have to reconcile economic and social objectives. Moreover, governance plays an indispensable role in social enterprises thanks to the stakeholders' multiplicity (such as beneficiaries, clients, volunteers, employees, etc.), which may involve complexity in the balance between Economic activity and social goals.

To date, the study of governance in social enterprises is rare (Chris Low, 2006). This rarity of academic work is legitimate since the governance dynamics in social enterprises have the potential to be very distinct from those in conventional companies.

Social enterprise can be considered as a form of enterprise that differs from the classical (private) and (equivalent to a non-profit) enterprise (Grieco, Micheline and Iasevoli, 2014; Huybrechts and Nicholls, 2013). Social enterprise is anchored in the third sector category where it carries out economic activities while pursuing a social objective. In spite of the fact that the third sector governance has common traits with classical enterprises, governance in social enterprises operates in a different way, taking into account the interests of the different stakeholders (Rijpens, 2005).

Indeed, governance in classical enterprises is focused on shareholders and in non-profit organizations (NGOs) and is based on the realization of the social mission. Social enterprises are focusing more on hybrid governance, as they aim to meet social objectives through economic activity on the one hand, and to include the various stakeholders in their decision-making process on the other.

Involving stakeholders into the decision-making process enables the company to engage in democratic governance practices. This new understanding of democratic governance in social enterprises has been a constant topic of discussion in recent years (Borzaga and Defourny 2001; Brown, 2006; Low, 2006; Spear, Cornforth and Aiken, 2007; Mason, 2009; Grieco, Micheline and Iasevoli, 2014; Huyberchts and Nicholls, 2013; Cornforth, 2003; Mason, 2009)

Some research considers the democratic governance model as a specific characteristic of social enterprises. However, the governance structure does not fit all social enterprises, it should be dynamic to meet the changing needs of the management team, the environment regulation and objectives set by the business. Social enterprises develop well-defined strategies to solve the most pressing problems in society. They often have to balance their funding to accomplish their mission. While it is true that social enterprises create a priori confidence in the production of certain goods and services because of their social purpose, they must nevertheless show transparency in management.

This issue, which has been going on for several years, appears to be inevitable in the management of social enterprises in order to maintain the fulfillment of its social vocation in a highly competitive environment, where changes take place at an unbridled pace, social enterprises are compelled to act quickly to ensure their survival.

This change and the specificities of these types of companies require appropriate governance models that can make them more effective in controlling their social performance. In classical enterprises, things are clear; Power and decision-making are held by the company shareholders. They set the main strategic axes where employees are not generally associated with the decision-making processes. Yet, social enterprises are centered on the principle of wage - earners and their participation in general assemblies on the basis of "one man = one vote" (Jerôme Blanc, 2008). Thus, stakeholders are involved in the company's decision -making and activity.

Governance, thus, rests on a balance that differs each time, depending on the nature of the projects, from the legal form adopted and the stakeholders involved (Barthélémy, Slitine 2011).

Despite the various complications, the importance of governance issues seems to give social economy enterprises a decisive competitive advantage in the market. This article is oriented to the relevant theoretical literature that is necessary to study the specificities of governance mode in social enterprises, in order to achieve this, we use a reference framework of the classical enterprise; We provide, from this framework, the keys of comparison with the social enterprise, then we highlight the specificities of governance in the light of current developments, challenges and avenues to be explored in order to set up an enterprises governance that meets their management needs while respecting their values. This article will therefore address the following question: How is governance in social enterprises different from governance in traditional enterprises?

### **1/ Social enterprise:**

The main interest for social enterprise as a potential contributor to the economy and society over the past decades may be related to the increasing number of social corporate risks throughout the world. Indeed, the term "social enterprise" covers various realities. They aim at combining two dimensions, the first of an economic nature and the second of a social nature. As economic players, they guarantee a share of their financing through the sale of goods and services. But their aim is social; It does not therefore consist in the maximization of profit. With the growing importance of the problem of exclusion, poverty, pollution ....

The social enterprise can, then, be considered as a form of organization that differs from the non-profit organization and the profit-making organization in terms of its main activity, objective, operation (Grieco, Michellini and Iasevoli, 2014; Hubrechts and Nicholls, 2013). Social enterprises differ from conventional enterprises in terms of the scope of activities, operations, funds and foundation. Social enterprises are anchored in the third sector category (Pearce, 2003; Dunn and Riley, 2004). Social enterprises rely on business dynamics and develop a continuous economic activity in the production of goods and / or services. They are also private organizations, autonomous in their management, despite sometimes close links with the public authorities. Finally, they often experience original governance practices, based on the principle of economic democracy and on a collective and participatory dynamic to involve more stakeholders in the enterprise project. The nature of social enterprises raised several questions about their real motivations and objectives of existence, and questions on how to evaluate the achievements of these goals. Social enterprise is distinguished from the capitalist enterprise logic, insofar as power is not based on the ownership of capital, but it develops trade (merchants). By its independence, the social enterprise is also differentiated from a traditional enterprise, although mostly benefiting from subsidies.

### **2/ the stakes of social enterprises governance:**

Social enterprises are often accused of focusing enormously on the needs of the target populations. They adopt strategic orientations that are strongly oriented towards a social project. Nevertheless, they have to cope with particular challenges in terms of governance. Indeed, social enterprises are under the influence of donors. By providing financial support, donors or sponsors can monitor and control the actions of a social enterprise.

Even though in some cases this control can help the company to guarantee its effectiveness, it can also be the source of certain drifts when the priorities of the donors do not correspond with the company mission. For example, donors can focus on the number of individuals assisted or on financial returns, thus pushing the

organization towards a service for the most accessible populations rather than the most vulnerable ones. It is therefore mandatory that the interests of donors and social enterprises converge.

On the other hand, the difficulty of choosing an appropriate governance model for social enterprises is explained by two major complications: the first is that social enterprise does not yet have its own legal status (although the social enterprise term is often heard of), this legal form does not exist in most countries where social entrepreneurship has developed. It has different legal statuses depending on the country, such as charities in the UK, associations in most countries influenced by the French model, non-profit enterprises in the USA and cooperatives in the largest parts of the western world.

The other complication is that social entrepreneurship does not necessarily require the establishment of a new social enterprise. Social entrepreneurship exploits all these resources to fulfill a social mission. As a result, governance problems need to be analyzed not from the point of the enterprise, but of the viewpoint of the initiative.

### **3/ The Governance and specificities of social enterprises**

Even though the social enterprise shares many common characteristics with the classical enterprises governance, social enterprises governance is shaped to identify different era. This article aims to identify the specificities of social enterprises governance through the practices of capitalist enterprises governance.

#### **3.1. Principles of social enterprises governance.**

The word governance is derived from the Latin word "gubern", which means to direct or govern. From the perspective of organization, governance is seen as a system and process to ensure the proper direction and supervision of an organization.

As a result, Mason, Kirkbride and Bryde (2007) presented governance as a set of relationships between the management of a company, its board of directors, its shareholders and other stakeholders. This corporate governance representation is part of the organizational efficiency paradigm and like all companies. Governance provides the structure by which the objectives of a company are defined, as well as the means to achieve its objectives and to monitor its performance. Although governance plays a primordial role as one of the key factors in the success of the company (Sheridan and Renton, 2014), Little attention has been paid to the issue of social enterprises governance.

Governance is very necessary for social enterprises and for other enterprises, since they face a great challenge to balance economic activity and social objectives. Indeed, Lamer and Mason (2014) defined governance as leadership at the strategic and operational board level that allows service users, managers, administrators and other stakeholders to create and maximize social benefits. The governance mechanism includes the board of directors, the monitoring system and a reporting mechanism such as reports or codes of conduct. There is a gap in the literature concerning some important aspects of governance in the board of directors of social enterprise. For example, there is a minimal debate on how the board manages its fiduciary responsibilities to promote accountability through transparency.

#### **3.2. Reconciling social mission and economic viability:**

In spite of the fact that social enterprises share the proposition of an economic project with the classical enterprises and the need to create surpluses to guarantee their survival, they are nevertheless distinct for their social mission, they are not intended to maximize profits but; The pursuit of profit is not an end in itself, but a means of accomplishing its social mission (Sybille Mertens, 2010).

In a situation of ever-increasing competition, social enterprises, whether determined by their status (cooperatives, mutual organizations, non-profit organizations, etc.) or by their activities (fair trade, microfinance, etc.), face a big challenge: How to maintain the social mission while guaranteeing economic viability?

In traditional enterprises, profitability and productivity are the two main indicators used for measuring their performance. On the other hand, social enterprises pursue several objectives, which lead to the difficulty of prioritization which can make the governance framework more complex. The multiplicity and diversity of the objectives of the social mission compel the social enterprise to find new control mechanisms. As for the actual achievements of social enterprises, they often have an intangible dimension that makes them less easily quantifiable than a performance based on profit.

This evaluation problem complicates the establishment of effective control mechanisms aimed at ensuring that the social enterprise pursues its objectives correctly, in so far as it involves in particular the risk that the decision-making bodies (board of directors, General assembly) take into account only those aspects of performance that are easier to assess in making their decisions.

Even if the complexity of the social mission represents an obstacle for the social enterprise, the heterogeneity of the objectives can be an asset for this type of enterprise. Indeed, these different objectives,

which are the rationale of the company, are not necessarily antinomic, but they can be complementary in the internal functioning of the organization (motivation between different members, innovation, etc.), as well as their impact on society or the environment (respect for the environment, creation of solidarity, social or sustainable products and services, inclusion of people with disabilities). Social enterprises can be seen in the economic context by reducing a priori the share of its capital (its additional expenses, the absence of dividends, etc.) while assuring its social mission.

Consequently, reconciliations between economic activity and social mission can constitute not only a comparative advantage but a fundamental condition of sustainability and growth (Bernard Bazillon and Eve Durquety, 2015).

### **3.3. Board of directors:**

The theoretical ground of social enterprise governance is diversified. Much research now focuses on how boards manage social enterprises. In a commercial context, recent scandals have demonstrated the importance of governance and highlighted the existing gaps in this area. As a result, the shareholder approach adopted to set up a governance model that focuses on agency problems between management, on the one hand, and shareholders or associates, on the other, the latter ones represent the main stakeholder.

They, therefore, strongly reinforced the interest in the issue of control. Boards of directors act as a fulcrum between the owners and controllers of a company. Practically, shareholders set up mechanisms to monitor behavior and performance to ensure that leaders and managers act in their best interests. This theory is not adequate, since the notion of control proves to be more complex for three main reasons (Rijpens, 2010): First, it is difficult to control the results of social enterprises, which often prove intangible.

Second, the Excessive control can impair the motivation and innovation capacity of leaders, with autonomy being recognized as an important motivating factor in social enterprises, which have few incentives to motivate their leaders. Finally, it is more difficult to control the managers behavior who are expected to also demonstrate certain human qualities that are hardly measurable

In the same context, the board of directors of social enterprises is more critical compared to conventional companies. Indeed, the relevance of the composition and skills of the Board was highlighted in previous studies of corporate governance (Royce 2006).

From the perspective of stakeholders, the level of stakeholder involvement and their representation at the Council level still differentiates social enterprise (Chris Mason and Maureen Royce). The complexity of the environment forces the social enterprise involve the stakeholders in the decision-making process. Stakeholder representation at the Board level is beneficial because it encourages the use of a wider range of sources in the strategy development. Thus, the degree to which stakeholder involvement adds value to the activity of the social enterprise must be manifested in order to validate their involvement in the decision-making process at the board level.

Stakeholders can make a valuable contribution to decisions at council level ultimately affecting them by allowing stakeholders to have direct involvement in business activities. So, companies have responsibilities towards the various stakeholders, which implicitly constitute social entities (Parkinson, 2003).

The social enterprise governance must facilitate the profit of the stakeholders, as a means to pursue their legitimacy and existence (Mason et al., 2007). Therefore, governance structures should facilitate the management of the claims of the stakeholders they serve. From this point of view, social enterprise adopts and perpetuates a culture that resonates with the needs of this group. The Board of Directors is responsible for ensuring that social objectives in social enterprises are achieved while guaranteeing best practices. They must also govern with due diligence and in accordance with the directors' responsibilities.

The importance of the board's role in governance raises the question of the profile of directors, their experience and the skills required to perform the functions assigned to them. The competences of the members of the board of directors in the social enterprises are very indispensable in the improvement of their performance.

The major responsibility of the Board of Directors would be to ensure that the organization continues its mission under the best possible conditions. Consequently, if one directs correctly, the councils would be able to reinforce the leadership within the social enterprise and to help it to ensure its achievement. Social enterprise councils develop several strategies to help the Board achieve its goals and accomplish different tasks. Generally, the directors of social enterprises are directly elected to the general assembly, either from among the members, or recruited outside the company. Various reasons motivate the choice of the directors: the individual knows the organization well, has expertise or skills useful to the Board, disposes of specific resources (reputation, availability of time, etc.), and represents a category of stakeholders. Multiplicity of stakeholders:

### **3.4. Multiplicity of stakeholders:**

The idea of the multiplicity of companies' stakeholders is present in various parts of the literature on the social and solidarity economy. According to Borzaga and Defourny 2001, the variety of stakeholders and objectives is considered as an important aspect of social enterprises. The specificity of the multi-stakeholder approach related to social enterprises lies in the "internalization" of the stakeholders, namely their involvement in decision-making. In this sense, we move from a traditional conception in which stakeholders are seen as external actors to a new approach based on the participation of these actors as internal members (Pestoff 1995; Cornforth 2003).

Various categories of stakeholders are often "internalized" in social enterprises: workers, volunteers, donors, consumers or users, public authorities, local communities, trade unions, associations, private companies or any other category with specific interests in or relations with the organization (Cornforth 2003, Labie 2005). Subsequently, the presence of a multi-stakeholder in the board of directors constitutes a major specificity of social enterprise, namely the limitation of the distribution of profits (Borzaga et al. Defourny, 2001; Julie Rijpens, 2010).

The involvement of the various stakeholders in the board of directors limits this risk because the different actors can monitor each other. When talking about the "internalization" of the stakeholders, there is a deliberate choice to give the possibility to the latter ones to participate effectively in the management of social enterprise. (CAMPI, S. et al., 2006) The stakeholders' involvement in social enterprises reflects the democratic and ethical principles on which they are founded.

### **3.5. Social enterprises operate on a democratic principle:**

Contrary to the so-called "private capitalist" companies, where the rule of voting by the weight of the shares sometimes makes it possible to exempt them from doing so, since the result is known in advance. Democratic management is at the heart of the definition of social enterprise, whatever their legal status (cooperatives, non-profit organizations, associations, foundations, a mutual) all clearly choose this specificity. Indeed, they are in principle governed on a democratic basis. Each having the same voting weight, the only difference is in the ability to influence, to convince others.

Beyond the application of this democratic principle within the company, the exercise of democracy can also be outward-looking, since the company offers citizens the opportunity to take part in collective activities and contribute to the debates of the company. Moreover, membership and participation in decision-making processes are not based on capital held (Defourny, Develtere, 1999). It can, therefore, be said that the presence of beneficiaries or stakeholders in the decision-making bodies can improve the social activities of the organization and reinforce the trust that the company builds among its various stakeholders. (Bacchiega, Borzaga, 2001; Navez, Demarche, 2001). The principle of democracy "one person = one voice" compels social enterprises to take collective decisions within the board of directors.

This specificity of democracy is an asset for this type of enterprise (Desroche, 1983, Defourny, Monzon, 1992, Laville, 1994). Concretely, democratic management can be apprehended through the implementation of certain processes: Voting rights, limited mandates for directors, effective control of the general meeting on the appointment and dismissal of directors, etc.) (Doherty, B. et al., 2009). To date, the notion of democracy in non-profit organizations is poorly understood. According to the public opinion, democracy is viewed as a way of involving employees into the decision-making process. But in some cases, these categories - members and workers - can partially overlap, or even totally, as in workers' cooperatives (Rijpens, 2010).

As a result, the principle of democratic management predominates, either because the principle of "one person = one vote" is applied, or because the decision-making power associated with capital ownership is limited (Thibault Cuénaud, Charlotte Moreau and Sybille Mertens, 2013). In social enterprises, the stakeholders' contribution to the decision-making body constitutes a competitive advantage (Thierry Sibieude;). The social entrepreneur seeks to satisfy not only the interests of the shareholders but also those of the various stakeholders, bearing interests in relation to the activity of the company. Democratic management can be seen as a sign of confidence in the various stakeholders, whose expectations with regard to the production of the company are in principle taken into account (Bacchiega, Borzaga, 2001, Navez, Demarche, 2001, Mertens, S., Davister, C, 2006).

Despite the fact that participatory governance practices are very necessary in the performance of social economy enterprises, they are now facing difficulties in applying the principle of democratic management. Indeed, the size of the firm plays an important role in guaranteeing the dimension of "democracy", social economy enterprises lose in direct democracy as their size rises (Marée, Saive, 1983). According to Comeau (2004), large organizations develop representative democracy because direct democracy becomes more difficult to practice "(Comeau 2004: 11). This choice is explained by the costs associated with collective decision-making mechanisms (Hansmann, 1996).

The higher this cost hits, the more different stakeholder's members represent and must, therefore, resolve conflicts of interest. On the other hand, the socio-professional characteristics of the members of the organization also have an effect on the democratic principles. Indeed, Davister (2006) points out that the low level of qualification of members of the organization can act as a brake on the implementation of participatory governance mechanisms. Integrating stakeholders into the decision-making process requires some intellectual or social capabilities (public speaking, expressing arguments, handling conflicts at meetings, etc.).

Whereas, Stakeholder participation in decision-making bodies is a specific feature of social enterprises, it can act as a brake on the application of a participatory mode of governance. Indeed, external stakeholders may lack experience and qualification, and some directors are not directly elected but chosen for their skills or simply for their closeness to the appointed directors or with the officers. These appointments remove part of the effective control of the general meeting, yet guaranteeing the fulfillment of the mission of the company.

#### **4/ An overview of theoretical approaches:**

In any case, the central problem of governance remains: "the series of delegations in cascade: the directors are mandated by the shareholders and they in turn mandate the managers. Behind these mandates, there is much asymmetry of information and moral hazard (Patrice Braconnier and Gille Caire, 2009) ", causing problems of control, coordination and incitement, which explains the use of economic theories) ??? . These theories generally unite to indicate a particular type of governance among those adopted by the entrepreneurial world. When taken separately and supported by social enterprises, they provide only a one-dimensional and partial view of governance (Cornforth, C., 2003).

However, the models they present - and which are generally centered on the role of the board of directors, carry out complementary analyses of governance and allow to adopt a broad and dynamic vision of social enterprises (Rijpens, 2010) .From a literature review, we will show in a synthetic way, the different theories of governance .Then, through the study of the associative sector, we will highlight the peculiarities of the associations.

##### **4.1. Shareholder Theory:**

Governance in the so-called "private capitalist" companies since the 1970s, has been of an abundance of works almost all focused on the problem of conflicts of interest between shareholders and managers on the creation of shareholder value. This model prevails traditional enterprises since it aims at ensuring that managers act effectively in the interest of the capital holders. The main purpose of the governance system is to set up a number of mechanisms to discipline the executive director and reduce its discretionary nature. In this context, the main role of the Board is to control the actions and performance of management. This model does not apply easily to social enterprise, but it has the advantage of supporting the importance of the monitoring and supervisory functions exercised by the board of directors, the aim is to ensure that each acting in the direction of the mission decided by the members.

##### **4.2. The managerial hegemony:**

The perspective of managerial hegemony is not a theory in itself, what it has in common with the theory of the agency is to solicit the divergence of view points between the principal and the agent. But the hypothesis that the principal can not ensure its interests, leaving a complete autonomy to the agent. This theory acknowledges the role of the board of directors and the strategic orientations of management. Indeed, the role of board members, the authors of managerial hegemony, maintains that internal members (ie those who are part of the management team) are best placed to give strategic direction to the management team. The reason for this is that, according to them, the internal members have a better awareness of the internal situation and the daily practice of the company; They hold specific information about the company.

##### **4.3/ the Resource Dependence Theory:**

The Resource Dependence Theory: The Resource Dependence Theory has its origins in the work of Pfeffer (1972) and Pfeffer & Salancik (1978). According to this theory, organizations are seen as open systems that interact by creating relationships between other organizations and their environment (Pfeffer, 1972, Meyer and Rowan, 1977, Pfeffer and Salancik, 1978). In this configuration, the main purpose of the Board of Directors is to maintain direct management, aiming at exploiting, in the best way, its relationships to ensure the viability, in particular the financial one, of the company.

Thus, The members of the board of directors will play a role in creating links of influence between organizations through interlocking directorates and acting as a boundary spanning (Cornforth, 2004). For non-profit organizations, this theory makes it possible to widen the dynamic vision of governance since the company's relations with its sources of financing evolve over time (Rijpens, 2010).

#### **4.4. Stewardship Theory:**

Existing theories have given themselves the means to establish a clear and comprehensive conceptual framework on governance models in social enterprises. Stewardship theory has been advocated as an appropriate basis for the governance of social enterprise (Dart, 2004, Low, 2006). Stewardship theory presents a view of governance that diverts from interpreting economic relationship within the organization (Donaldson and Davis, 1991, Davis et al., 1997). The Stewardship Theory gives primacy to the development of man over capital. Moving far away from the independence of the Board of Managers from protecting beneficiaries' interests, managers are conceptualized as "stewards" and motivated by non-financial incentives (Muth and Donaldson, 1998).

This Governance Theory promotes better coordination between managers and boards, on the basis that the former are trustworthy to accomplish the strategic objectives. The main objective of the stewardship design of social enterprise governance is to ensure that the composition of the board is both representative and sufficiently qualified to fulfill its social mission.

#### **4.5. Stakeholder Theory:**

The dominant shareholder model has been a subject of radical criticism. Many authors dispute the fact that the executive director acts in the interests of shareholders. It is in this context that Hirgoyen (1997) introduces the idea of a transition from an agency governor to partnership governance. This theory was set up to answer the most significant criticism in the field of social enterprise, namely the only mission of the company is the maximization of profit. In this framework, Freeman (1984) develops an instrumental theory of stakeholder management. It expresses that the taking into account of the needs of the stakeholders is only relevant if it is aggregated to the objectives of the company.

Freeman's approach (1984) consists in proposing an integrating framework for strategic management, going beyond the limiting conceptions of the concentrated strategy, either on the relations between directors and shareholders. In this context, Stakeholder Theory presents itself as an opportunity to better understand the nature of the relationships linking the company to its environment and to foster the role of stakeholders in explaining responsibility (Clarkson, 1995). It assumes that organizations should be accountable to various actors, other than owners. The needs of the different actors must be taken into consideration while making relevant decisions.

If we observe these different theories, we can easily see that they do not really constitute alternatives, but rather complementary approaches, as proposed by Cornforth (2004) in what he calls "the paradoxical approach" Which integrates the ideas of all these perspectives as recommended by Hung (1998) and Tricker (2000). It is possibly desirable to multiply the angles of attack to benefit from the different illuminations that these theories can provide. Thus, these different theories have been interested in illuminating the governance of a social enterprise. However, they also remain inadequate from the organizational viewpoint (Morgan, 1986, Hung, 1998, Tricker, 2000, Cornforth, 2004).

## **II. Conclusion**

Social enterprise can be seen as an alternative to shareholder capitalism. It must nevertheless renew its practices and opt for more democratic governance. At a time when the excesses of shareholder capitalism reveal the need to better take into account the interests of the various stakeholders in the life of companies (employees, local authorities, etc.), many turn to social entrepreneurship to find an answer: social enterprises do not aim at maximizing their profits but rather at meeting the needs of their adherents, associates or members, and their governance is prescribed democratic.

However, these structures do not always take into account the interests of all the stakeholders. Moreover, from theory to practice, the passage is sometimes sinuous and social enterprise must also do a serious work on itself to become exemplary in matters of democracy. The objective of this article is to determine the behavior of social enterprises with regard to the different theoretical approaches to governance in order to examine which one makes the best account of this problem in the social enterprises.

The Governance must be adaptable so that actors can legitimize their activities and ensure their legitimacy (Mason, Kirkbride and Bryde, 2007). It is important to address the needs of key players in a transparent and accountable manner. Social enterprises face many challenges, resisting those of voluntary and not-for-profit organizations in general, but there are also distinctive aspects that include business activities, entrepreneurship and the management of business and financial opportunities and risks. It is essential for them to find and train board members with the necessary skills and experience in business, finance and entrepreneurship; to find appropriate governance structures appropriate to combine entrepreneurial activity and social mission. The unique mission of each social enterprise provides key challenges in the development of appropriate governance structures that suits the stakeholders need.

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