(Co) Operating in Tourism & Hospitality: Do good or earn money? Doing both in parallel.

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Abstract

Social enterprise refers to a typology of enterprises whose main objectives are social or environmental. Social enterprises seek to create social value, in relation to activities and managerial practices put in place. This type of firm is increasingly observed in several countries such as the United Kingdom, Switzerland, France and Italy. The phenomenon involves both non-for-profit and for-profit businesses, whose main objective is social good rather than maximizing profit. This paper explores the phenomenon in a Western European context and how these social enterprises might provide innovative solutions to pressing societal problems.

Keywords: Social enterprise, Sustainable tourism, Social impact, Profit

Introduction

The parameters that define a social enterprise are vast, varied and specific to each nation, region or current frame of thought. This implies that different typologies of companies, which have nothing or have little in common, are classified under the same term. Moreover, the same type of enterprise is considered a social enterprise in one nation and not in another. "For example, although cooperatives exist in both the United States and Western Europe, only in Western Europe are social cooperatives included in the social enterprise discourse" (Kerlin, 2010, p.164).

The birth of social enterprises in Western Europe is mainly due to the economic crisis and unemployment growth in the late 1970s (Kerlin, 2006). The reduction of public funds has meant that several European governments had reduce pre-existing community support programs such as
work reintegration and unemployment financial support. The social enterprise concept emerged in 1980 as a cooperative model to provide services to help persons excluded from the labor market and varied services (i.e. for the elderly, urban renewal or child care) and respond to new needs of the population (Defourny & Nyssens, 2008; Kerlin, 2006).

In 1991, the Italian government endorsed a new legal form for this type of cooperative, "cooperative sociali" (Borzaga & Ianes, 2011, Defourny & Nyssens, 2008). A decade later the French government created the legal form called "cooperative society of collective interest (SCIC)" (Andruszkiewicz, Bidet, & Mickels, 2014), to promote sustainable and local development and, therefore, promote connections among regional actors (Swinson, 2013). In 2004, the UK government approved a new legal form called "Community Interest Company (CIC)" (Bull, 2008; Defourny & Nyssens, 2008; European Commission, 2015), dedicated to trade activities or companies of interest (Swinson, 2013).

The economic crisis of 2008 necessitated finding economic growth and recovery models, different from business as usual. By highlighting social or environmental issues related to profit generation, these new models can potentially generate economic growth and benefits to communities and society (Swinson, 2013). Social enterprises represented innovative ways of doing business. Furthermore, in response to gaps surfacing in public services, charities took over some activities (Doeringer, 2010). Figure 1 below summarises the subsequent breadth of Western European social enterprises due in part to waning state intervention in social services and employment integration (Kerlin, 2006).
The sectors in which social enterprises operate vary according to the level of development, the social protection system, social finance markets, civil society and favourable public policies (European Commission, 2013, P.36). Kerlin (2010) notes that despite these differences, where social enterprises merge state subsidies and defective social programs decrease. Social enterprises address issues that the public and private sector cannot solve, such as unemployment, social isolation and inequality (Bull, 2008).

Geographical regions vary in deploying social enterprises and how these social enterprises interact with other economic sectors. In the USA, a "Social purpose business approach" refers to a broad definition open to several types of profit and non-profit companies with a social goal that identifies a social problem and uses some of their profits to provide a positive impact (Defourny & Nyssens, 2010). In Europe, cooperatives, associations and foundations whose main purpose is a service to members or to a wider community rather than to generate profit represent the social economy. The absolute non-distribution of profit characterises the non-profit sector.

Social enterprises (SE) thus complement the public sector and for-profit enterprises. As profit is not their first priority, SEs can act as
a bridge between the public and private sector (Borzaga and Defourny, 2010). SEs’ complementary functions interest tourism destinations as a solution to decreasing government funding, as well as reducing tensions between tourist arrivals and the management of natural and artificial tourism resources.

**Defining social enterprises**

Borzaga and Defourny (2004) suggest three social enterprise criteria, starting with reinvesting the surpluses generated by the company reinvested in company activity or to benefit of people different from those who manage it. The second defines the enterprise’s financing as a mixture between the income from commercial activity and non-commercial resources justified by the enterprise’s social purposes. The third criterion, autonomy or independence in the decision-making process, is a participatory dynamic that includes different company members regardless of the capital they hold. A European Research Network (Emergence of Social Enterprise in Europe) research project goes beyond three criteria with nine criteria that illustrate an ideal social enterprise (pp. 12-15):

*SE economic and entrepreneurial dimensions*

- A continuous activity producing goods and/or selling services
- Assume a significant level of economic risk.
- Provide a minimum level of paid employment.

*SE social dimensions*

- An explicit aim to benefit the community
- An initiative launched by a group of citizens or civil society organisations
- A limited profit distribution

*SE participatory governance*

- A high degree of autonomy
- Have a decision-making power not based on capital ownership
- A participatory nature, which involves various parties affected by the activity

In 2002, the UK Department of Trade and Industry defined a proposed a social enterprise as "...a
business with primary social objectives which are principally reinvested for that purpose or in the community, rather than driven by the need to maximise profit for shareholders and owners" (p.13). Doeringer (2010) took a slightly different approach, positing that SEs are any business organisation that considers human society or the welfare of human beings. This vague definition may encompass several corporate initiatives that consider account human society or human welfare. Teasdale (2011) summarises two main and common social enterprise characteristics, "the primacy of social love and the centrality of trading". Finally, the European Commission (2016) limits and specifies SEs as "Those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation. Those profits are largely reinvested with a view to achieving this social objective."

Furthermore, social enterprises do not represent a new enterprise form rather the development of other organisational forms such as non-profit organisations, voluntary organisations, cooperatives, mutual societies and traditional enterprises (Doherty, Haugh & Lyon, 2014; Teasdale, 2011). Doherty et al. (2014, p. 418) describe social enterprises as hybrids, in so far as they pursue an economic and social goal by combining properties from three different sectors: private, public and non-profit. "We define hybrid organizational forms as structures and practices that allow the coexistence of values and artefacts from two or more categories."

Private sector organisations’ main goals usually include the maximisation of income generation through sales and fees. The property of their shareholders, they are governed based on holding shares. Public sector organisations are guided by benefiting the community, governed by the state or its citizens and their finances often stem from taxation (Doherty, Haugh, & Lyon, 2014). Non-profit organisations have an environmental or social objective, belong to their members and are governed by elected representatives. Their human resources, a mixture of volunteers and employees, are funded through membership fees, donations and inheritances (Doherty, Haugh, & Lyon, 2014).

Luke and Chu (2013), who focus on the non-profit sector, distinguish SEs from the non-profit sector by their adoption of a commercial approach (profit generation, market focus, etc.) to a social problem. Commercial activity enables the social enterprise to achieve its social objective in addition to ensuring social and financial legitimacy.

Examples of a SE main business goals
The local “untouchable” community (Nepal) earns money while raising awareness of their social status and related issues surrounding this. *Tourists come to learn from us, not to teach us/enlighten us* (missionary approach). [http://www.onceinlife.org/featured-program/nepaltrip/](http://www.onceinlife.org/featured-program/nepaltrip/)

Providing a solution to a particular problem such as the lack of Internet in many rural regions making digital learning/providing free access to university resources impossible: [Moodlebox](http://www.onceinlife.org/featured-program/nepaltrip/)

**The Tourism Sector**

For decades, mass tourism has exploited destinations’ natural resources for their own interest in a mostly uncontrolled fashion and introduced "foreign" elements into local cultures. Moreover, according to UNWTO, tourism is one of the fastest growing economic sectors in the world. This growth leads to calls for innovative tourism development that accounts for nature, as well as local communities’ needs and culture, while allowing tourists to experience a unique and unforgettable experience.

**Social enterprises, a form of sustainable tourism**

"Sustainable tourism is geared towards protecting and enhancing the environment, meeting basic human needs, promoting current and inter-generational equity and improving the quality of life for everyone. In concentrates on how resources are managed in such a way that social, economic and aesthetic needs are met whilst preserving cultural integrity and encouraging broadness and maintaining life-support system”. (Rhodri & Augustyn, 2007, p. 85)

Sustainability is a ubiquitous tourism theme, especially in the search for long-term solutions to reduce mass tourism’s negative effects on a destination and, more generally, on the planet. In this regard, social enterprises, involved in the creation of shared value, represent a way for tourism to tackle sustainability issues (Ferrari & Lund-Durlacher, 2015). Shared value refers to policies and operating practices to connect and improve a company’s needs and competitiveness in relation to its community’s social and economic needs (Porter & Kramer, 2011). "Embracing the ideas of creating shared value, the shared economy, the search for meaning and social good can replenish the society’s spirits and create the transformation that destinations and the planet need to survive" (World Tourism Organisation, 2016, p. 10).

The main purpose of social enterprises is to address social problems through the proposal of
long-term sustainable solutions rather than focusing solely on the creation of profit.

“Social enterprises in tourism pursue to empower the underprivileged individuals and local communities to enable them to solve their problems independently in the long run” (Ferrari & Lund-Durlacher, 2015, p. 143)

The commitments of social enterprises in favour of sustainable tourism development take different forms. These enterprises create jobs, offer training programs, use local resources, preserve cultural specificities and are sometimes in isolated areas (e.g. in rural areas) to attract and encourage tourists to visit them. Such SEs also play a fundamental role in environmental activities (Iorgulescu & Sidonia Ravar, 2015; Rhodri & Augustyn, 2007). for example:

“Introducing a certification system for eco-tourism destinations, managing natural protected areas, developing routes for ecotourism and cyclotourism, implementing projects for the rehabilitation and promotion of the natural and cultural heritage” (Iorgulescu & Sidonia Ravar, 2015, p. 676).

For Ferrari and Lund-Durlacher (2015, pp. 141-142), social enterprises represent a way of empowering disadvantaged communities and individuals, empowering them by fostering social change. As tourism is a major driver of social value creation, tourism entrepreneurship can serve human development through a wider vision of tourism's global role (Altinay, Sigala, & Waligo, 2016, p. 405).

Tourism SEs play an important role in building and promoting knowledge and awareness of local social problems through their provision and active integration of goods and services into the company's social activities (Ferrari & Lund-Durlacher, 2015). Furthermore, modern tourism increasingly represents those who value their social impact and are aware of the positive change they can make in choosing ethically responsible goods and services (UNWTO, 2016). Among the two main generations of tourism spending, the Baby Boomers16 and the Millenials, the number of individuals paying special attention to the impact of tourism activities undertaken during their travels to the local community is increasing (Pollock, 2015, p. 4). Social enterprises play a fundamental role in supporting sustainable tourism and creating social value in activities such as: Festivals, social identity construction; entrepreneurial activities; sports tourism for healthy lifestyles, and community development (Altinay, Sigala and Waligo, 2016). See appendices for examples of tourism SEs.
What can social enterprises generate for the tourism sector?

Since the Second World War, tourism has grown exponentially, internationally. Initially, this growth was fueled by factors such as low energy costs, low-cost loans and increased available capital. Following the arrival of low cost carriers, internet connection, increased competition and the birth of comparison search engines played an important role. All these factors have encouraged the increase of low-cost, long-distance travel offers, enabling the masses to gain access to them. However, this development has not always favoured the host communities’ well-being, helping create environmental, economic and social issues such as "Congestion, low margins, resource use, seasonality, environmental degradation, low wages and poor working conditions" (Pollock, 2015, p.4).

Since 2015, there has been an increase in the number of attentive travelers and aware of their impact on the local community. Historically tourism has been based on production and consumption, without worrying too much about the use of resources, waste generation and the exploitation of the capacity of the biosphere and the host community. Currently, tourism is in a transition phase; behaviours must change and adapt to a model of economy that “defines success in richer, qualitative terms associated with development and well-being as experienced by individuals, enterprises communities and the planet as a whole” (Pollock, 2015, p. 6), pushing community stakeholders to develop a form of tourism capable of supporting their economy and from which they can benefit. Pollock (2015) stresses the importance of developing tourism models that have concrete social and environmental benefits for the community and that, on a broader scale, lead to a radical change in an industry formed mainly by private, profit maximisation.

“Tourism and hospitality are two sectors in which social enterprise and cooperatives can make a positive social impact by hiring socially disenfranchised people to acquire a new skill as tour guide or chef; by raising funds for local social projects; eliminating food waste; or matching volunteers and impact investors with worthwhile projects in the destinations they have visited on vacation”. (Pollock, 2015, p.45).

Social Impact – Definition

Vancaly, Esteves Aucamp and Franks (2015) define a social impact as “anything linked to a project that affects or concerns any impacted stakeholder group, almost anything can potentially
be a social impact so long as it is valued by or important to a specific group of people” (p. 2).

Social impact therefore includes a variety of very wide-ranging aspects, ranging from the way people live to the general environment, through community, culture, political system, health and well-being, Personal and property rights and fears and aspirations. All that is important for the people involved and their way of life and / or affected by the activity of the company is to be considered as social impact. Social impact can be perceived in two ways: cognitively or physically. It can be experienced at the level of the individual, economic units, a social group, a workplace or a community. These different levels are not affected or affected in the same way by the activity of the company (Vanclay, Esteves, Aucamp, & Franks, 2015). Social impact can generate positive or negative effects, desired or not, on society, territory and the environment. These effects affect not only the direct beneficiaries of the activity of the undertaking in question, but all stakeholders involved in one way or another in the company's business (Grieco, Iasevoli, & Michelini, 2013).

Communication with stakeholders: the community

Stakeholders, those groups or individuals associated with tourism development initiatives and therefore who can affect or are affected by these initiatives’ decisions and activities, play a fundamental role in developing responsible tourism practices, the experience quality and hospitality offerings (Waligo, Clarke, and Hawkins, 2013). Through the implementation of tourism activities, the stakeholders experience a change in their quality of life. For this reason, when discussing the issues that affect them, it is essential to consider their point of view and give them an opportunity to participate in the discussion (Waligo, Clarke & Hawkins, 2013).

The relationship with stakeholders and their level of involvement are key strategies for resource mobilisation (human, physical and political). Moreover, the quality of relationships, loyalty, a sense of collective responsibility, the willingness and capacity of the social enterprise to demonstrate its long-term commitment, coupled with the value of the company itself, are factors that influence the attractiveness of the structure in the eyes of other stakeholders and human, material and financial resources. Communicating with stakeholders helps to make them aware of the social problem and at the same time to make them understand the contribution they can make to obtaining solutions (Altinay, Sigala, & Waligo, 2016). Seeking dialogue with the community means explaining the value and potential of resources available for the development of tourism initiatives, but also raising awareness of the benefits it can derive from the work of social
enterprise. It is also to explain in favour of who will be reinvested the profits arising from the activity of the company (Rebutin, 2009). Factors such as communicating values and sharing mission with employees and partners help the company achieve its goals more easily, creating a culture of accountability for results. This contributes to fidelity and solidarity. Having employees and partners who are truly involved, who fully share related values, can lead to a big change, increase the attractiveness and motivate employees (Vonder Weppen & Cochrane, 2012).

**Human Capital**

As essential elements to carry out the tourism related activities, the use of local human resources, methods and traditions to develop tourism infrastructures and activities is one way of creating and strengthening the link between social enterprise and local heritage (Altinay, Sigala, & Waligo, 2016). Depending on the SE, the human capital, or a part of it, can be represented by the beneficiaries of the company's action, as exemplified by Hotel Magda, which employs, among others, refugees faced with the difficulty of finding a job (Kahlweit, 2015).

The use of local natural and human resources allows the social enterprise to create a link with the identity and culture of the place and to preserve the local cultural heritage. Moreover, if these factors are integrated into the tourism products and services offered by the social enterprise, they can offer unique and authentic experiences. In order to improve the quality of life of human capital, to raise the standard of services offered and to ensure long-term social change, it is also important not only to exploit human capital but also to foster its development through training and Education (Altinay, Sigala, & Waligo, 2016). More generally, tourism development should be linked to the development of the community. It is not only a question of using local (human and material) resources, but also of providing companies with capacities and infrastructures to make them independent and enable them to function over the long term (Bennett, Harvey, Margaret & Łutsel K’e Dene First Nation, 2010). It is suggested to involve and sensitise tourists to the social problems that social enterprise aims to solve. Social enterprises play a fundamental role in the spread of knowledge and awareness among tourists of the social problem they seek to solve. This fact is particularly favoured if the possibility is given to tourists to take part in solving the problem in question.

« *The activities of social entrepreneurs predominantly revolve around offering the end users an easy way to act responsibly by bridging the gap between intention and action* » (Ferrari &
Lund-Durlacher, 2015, p. 142).

Showing tourists the activities of social enterprise, allowing them to get in touch with the people who benefit from it, and making them understand the importance of their contribution to the creation of social value is a way of winning their support and create deeper ties with them (Altinay, Sigala, & Waligo, 2016). The natural heritage of a destination as a potential tourist attraction factor is to be understood as the natural resources and beauty characteristic of a destination, key factor for attracting tourists. The use of local equipment for the construction of tourist structures and infrastructure as well as the use of local food products are two factors that bring benefits to the social enterprise and the community. The use of local materials and food products, enriches the tourist offer with authenticity. In so doing, social enterprises generate jobs in other economic activities and, generally, spur regional economic development (Altinay, Sigala, & Waligo, 2016). The social enterprise's concerns include reducing the exploitation of, and preservation of local resources, through the implementation of measures (such as water, energy or waste management) that help safeguard the environment and local culture and ensure a moderate use of resources generating minimal waste (Pollock, 2015).

**SE, Tourism and Switzerland**

In Switzerland international arrivals are not expected to grow strongly, due to ever stronger currency and the fact the country boasts the highest labour costs in Europe. Adjacent to Switzerland lies France and Italy, whose labour costs are significantly lower and, in the case of France, benefits from public sector investment in tourism infrastructure. Thus, many migrants from border countries as well as from Eastern Europe work in tourism and hospitality. The factors outlined have let to problems with the price-value relationship and a loss of business to neighboring countries. Also, a lack of renovation in hotels and other infrastructure have contributed to a poor performant tourism industry. Also, many mountain regions have allowed the over-building of apartments (second homes), which only generate arrivals in the short peak season and little expenditure in and around the destinations. On the positive side, tourism in major city destinations is healthier, but could still benefit from more overnight stays. SE could provide solutions to many of the issues outlined, by fostering higher degree of cooperation, co-creation, coopetition and innovation.

Cooperation is central for tourism destination communities as is a requirement for the:
• sustainable planning and development of destinations
• advancement and realisation of projects
• establishment and operation of destination governance structures

Communities comprise various stakeholder across networks of actors of private and public institutions. Among these, at least partial consensus is sought (Beritelli, 2011). In Switzerland, the Foundation for the Development of Sustainable Development in Mountain Regions (FDDM) is a public/private organisation that has coordinated the implementation of the canton of Valais’ sustainable development commitments. These commitments form the basis of the actions which the cantonal administration services are required to implement. They also constitute a solid basis of work not only for the State of Valais but also for the municipalities and the economic and social players of the canton (FDDM, 2013). The promotion sustainable tourism development is a key commitment as is seen as both a real social issue and a source of economic development; thus its regulation can increase the added value generated while improving the welfare of the population. The Valais region of Switzerland intends to support quality sustainable tourism, notably by improving infrastructure, mastering the extension of the built environment, optimizing the occupancy of existing beds and planning for the long term. The goal being to promote tourism that respects, protects and manages the resources necessary for its own existence (FDDM, 2013).

Measures implemented to this end include:

I. Encouraging tourism enterprises to undertake a quality certification process
II. Giving priority to the construction and commercialisation of beds with a potential high occupancy rate (hot beds), notably through land use planning (SDT)
III. Supporting flagship events meeting the criteria of sustainable development (SC)
IV. Encouraging of cooperation between tourist destinations/regions, optimising and improving links among ski areas, supporting hotel co-operation etc.

1. Conclusion
2. A social entrepreneur is a change agent that creates innovations to disrupt and transform our world for the better. Social Enterprises are profit-making enterprises that trade just like other businesses; but plough some of their profit back into activities, that benefit people.
Depending on where they are registered, they can take various legal forms. Social Enterprises provide an excellent vehicle whereby a destination community can increase the net benefit from tourism to the local community. Social enterprise is seen and promoted as a way of solving a problem or “fixing” a market failure, that solves a need to “do something” (Pollock, 2015). Start-ups and social enterprises will mostly fall into the category of small medium-sized independently owned enterprises. There is room for a variety of business structures in a tourism ecosystem, to maximise community benefit, hence the suitability of tourism for social enterprises, cooperatives and the involvement of not-for-profit ventures. Tourism enterprises are man-made and while a good location and attractive facilities are important, success is determined by effective interactions and interrelationships of the people who play various and sometimes multiple interchangeable roles: employee, guest, supplier- partner, investor, resident, regulator, planner etc. Success is often dependent on the extent to which all the stakeholders involved feel individually fulfilled; know their role, worth and value; have the knowledge and skills needed to play their role well; are motivated and engaged and can work together towards a common purpose.

3.
4. Cooperatives and social enterprises provide the best structure whereby benefits from tourism can be directed most easily into the host community. If the purpose and goal of tourism in a community is to enrich the lives of its inhabitant hosts, as opposed to simply increase returns to shareholders controlling valuable property assets, then we can expect to see more social enterprises and cooperatives. Tourism and hospitality are two sectors in which social enterprise and cooperatives can make a positive social impact by hiring socially disenfranchised people to acquire a new skill as tour guide or chef; by raising funds for local social projects; eliminating food waste; or matching volunteers and impact investors with worthwhile projects in the destinations they have visited on vacation. With growing awareness of the need for sustainability, other social challenges, the maximisation of shareholder profit should perhaps not be the main goal of businesses. The inclusion of a social agenda needs to become more commonplace.

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