

# Social Enterprise: A Review and an Example from the Wine Industry

**Sharon L. Forbes**

*Lincoln University, New Zealand*

[sharon.forbes@lincoln.ac.nz](mailto:sharon.forbes@lincoln.ac.nz)

**Joanna Fountain**

*Lincoln University, New Zealand*

[joanna.fountain@lincoln.ac.nz](mailto:joanna.fountain@lincoln.ac.nz)

---

## Abstract

*Purpose:* This paper examines the social enterprise literature and discusses a case study example of a social enterprise from the New Zealand wine industry.

*Design/methodology/approach:* A semi-structured interview was used to collect qualitative data from one of the co-founders of the 27seconds wine brand, with the other co-founder answering questions via email.

*Findings:* 27seconds provides an example of a social enterprise in a wine context. It began as a business with a clear social mission, it derives income from the sale of wine, and profits are reinvested to support the growth of the business and its social mission. This wine brand from New Zealand displays characteristics that are consistent with many of the differing definitions provided in prior social enterprise literature.

*Practical implications:* This case study provides one of the first examples of a social enterprise operating in a wine context. It may provide inspiration for others in the wine industry to start up a similar social enterprise to address a social need.

**Key words:** social enterprise; wine; New Zealand

---

## 1. INTRODUCTION

This paper explores the concept of social enterprise and applies the concept in the context of the wine industry. The subject of social enterprise is a growing one, in terms of both the volume of academic literature and the number of these organisations around the world. In particular, it reviews how social enterprise has been defined in prior academic literature and how this form of business differs, in practice, across nations. Finally, this paper discusses an example of a social enterprise from the New Zealand wine industry.

## 2. SOCIAL ENTERPRISE LITERATURE

The term social enterprise first emerged in Italy in the 1990's, and has since been the topic of research across Europe and in the US (Defourny and Nyssens, 2001). More recently, the concept has been examined in Eastern Asia and Latin America. In general, social enterprises have emerged in countries or regions as funding for state social programmes has weakened (Kerlin, 2010). It is also likely that increasing awareness of global social issues is resulting in the emergence of an increasing number of social enterprises. Peattie and Morley (2008) assert

that the number of social enterprises has grown significantly in recent years, with approximately 55,000 of these organisations in the UK alone. Kerlin (2010) argues that explanations of regional differences are lacking in the social enterprise literature. Indeed, few studies have focused on social enterprise in the New Zealand context. In addition, no prior literature has been found to have examined a social enterprise in the wine industry. This paper addresses both of these gaps.

### *2.1. Definition*

The concept of social enterprise has been variously defined in the academic literature, but to date there is no commonly accepted or consistently applied definition (Dart, 2004; Grant, 2008; Peattie and Morley, 2008). Indeed, Peattie and Morley (2008) argue that the term social enterprise includes “organisational types that vary in their activities, size, legal structure, geographic scope, funding, motivations, degree of profit orientation, relationship with communities, ownership and culture” (p. 7).

In general, social enterprises are businesses that operate to achieve both social and financial motivations. There are some similarities across definitions; for example, Haugh and Tracey (2004) state that a social enterprise is a business that trades entirely for a social purpose, whilst Dees and Anderson (2006) argue that it is business undertaken for a significant social purpose. Other authors describe social enterprises as businesses that have both a social and an economic bottom line (Dart, 2004; Fruchterman, 2011), or that they are organisations that seek business solutions to social problems (Thompson and Doherty, 2006). Several authors have suggested that social enterprises are broadly defined as the use of non-governmental, market-based approaches to address social issues (Kerlin, 2006; Kerlin, 2010). The EMES definition is also widely reported in the social enterprise literature. This definition states: “social enterprises are not-for-profit private organisations providing goods or services directly related to their explicit aim to benefit the community” (Defourny and Nyssens, 2001, p. 5). The UK government’s definition of social enterprises is “a business with primarily social objectives whose surpluses are principally reinvested in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners” (Peattie and Morley, 2008, p. 8). There is some consensus that having a social mission is the primary objective of all social enterprises (Young and Lecy, 2014).

EMES also define social enterprise through criteria that are either economic or social indicators (Defourny and Nyssens, 2001). The four economic criteria are: a continuous activity producing goods and/or selling services, a high degree of autonomy, a significant level of economic risk and a minimum amount of paid work. The five social criteria are: an explicit aim to benefit the community, an initiative launched by a group of citizens, a decision-making power not based on capital ownership, a participatory nature, which involves various parties affected by the activity, and a limited profit distribution. Peattie and Morley (2008) have also defined social enterprises by identifying three salient features: the pursuit of a social goal, the non-profit distribution constraint, and the assignment of ownership rights and control power to stakeholders other than investors coupled with an open and participatory governance model. In particular, Peattie and Morley (2008) argue that the exclusion of a profit-maximisation goal is

a key feature of social enterprises.

The problem with defining social enterprise is that these businesses take different forms in different nations. Social enterprises can be not-for profit organisations, but they can also be social cooperatives, inter-sector partnerships, a legal form of social business, or a programme in a for-profit corporation, or some combination of these forms. Young and Lecy (2014) have categorised six different types of social enterprises: for-profit business corporations, social businesses, social cooperatives, commercial nonprofit organisations, public-private partnerships and hybrids.

## *2.2. Global Differences*

Kerlin (2010) states there are important regional differences in what the term social enterprise means and how these organisations have developed (see Table 1). Some types of organisations may be categorised as social enterprises in one country, but are not defined as social enterprises in another country. In addition, social enterprises can take various legal forms in different countries (Peattie and Morley, 2008).

Much of the social enterprise literature has focused on Europe and the United States. In her comparison of US and European social enterprises (Kerlin, 2006), stated that these organisations in the US fall along a continuum from profit-oriented businesses engaged in philanthropy or CSR activities, through to dual-purpose businesses that balance profit and social goals, to non-profits engaged in commercial activity to support their social mission. Defourny and Nyssens (2001) state that US social enterprises are predominantly non-profit organisations that look to the market in order to earn income and respond to decreasing state funding. Peattie and Morley (2008) make the interesting point that in the US, being an organisation that is specifically pursuing a social goal is not a necessary condition for qualifying as a social enterprise. In contrast, the main forms of social enterprise in Western Europe were, historically, associations and social cooperatives that were formed to provide employment or specific care services (Kerlin, 2006). Today, European social enterprises come in various forms, including employee development trusts, social firms, intermediate labour market organisations, community businesses, or the trading arms of charities (OECD, 2003). Another way of summarising the diversity of social enterprise types across Europe and the US is to consider social origins. Kerlin (2009) describes the US model as involving interactions between civil society and the market, with virtually no influence from the state; in contrast the Western European model is shaped by interactions between civil society and the state, with a weaker role of the market.

Social enterprise literature is beginning to appear from other nations. In Japan, social enterprises have focused on revitalisation and social integration (Kerlin, 2006). Kerlin (2009) asserts that a typical Japanese model of social enterprise is a mix of interactions between the state and the market, and to a lesser extent, civil society. The term “community business” has been more widely used in Japan than social enterprises (Defourny and Kim, 2011). Defourny and Kim (2011) discuss the emergence of social enterprises in East Asian nations as a way to cope with new social problems arising from socio-economic changes in the late 1990s. The

authors also describe five predominant forms of social enterprises found in East Asian nations; namely, the trading non-profit organisation, the work-integration social enterprise, the non-profit cooperative enterprise, the enterprise stemming from non-profit/for profit partnerships, and the community development enterprise. Social enterprises in Southeast Asia are typically revenue-generating activities that address social and sustainable development needs (Kerlin, 2006). In nations such as Zimbabwe and Zambia, there is a lack of state support and poor economic conditions; social enterprises in these nations tends to focus on employment generation through micro-credit for small businesses (Kerlin, 2006). Similarly, a lack of public sector funding has resulted in the emergence of social enterprises in Argentina, largely to address unemployment and social exclusion (Kerlin, 2006). State support also fell in East-Central Europe due to the fall of communism; social enterprises in these nations focus on unemployment and human services (Kerlin, 2006).

The New Zealand government has formally defined a social enterprise as an organisation with a social mission that provides community benefit, one that derives income from trade, and one where the majority of profits are reinvested to fulfil the mission (Department of Internal Affairs, 2013). In the New Zealand context, Grant (2008) describes existing social enterprises as including employment schemes for those with disabilities, community development in remote areas, youth and family services, Maori and Pacific Island organisations providing health care, and community cooperatives that produce fruit and vegetables. In the case study presented below, the social enterprise operates within the New Zealand marketplace but offers aid to a charity organisation that operates internationally.

**Table 1. Comparison of Social Enterprises by Countries/Regions**

<i>Nation</i>	<i>Outcome Emphasis</i>	<i>Organisational Type</i>	<i>Focus</i>	<i>Legal Framework</i>
United States	Sustainability	Nonprofit / company	All non-profit activities	Under discussion
Western Europe	Social benefit	Association / cooperative	Human services / employment	Developing
Japan	Social / economic benefit	Nonprofit / company	Human services / employment	Not yet considered
East-Central Europe	Social benefit	Association / cooperative	Human services / employment	Developing
Argentina	Social / economic benefit	Cooperative / mutual benefit	Human services / employment	Not yet considered
Zimbabwe / Zambia	Self-sustainability	Micro finance institution / small enterprise	Employment	Not yet considered
Southeast Asia	Sustainable development	Small enterprise / association	Employment / human services	Not yet considered

Sources: Kerlin (2006); Kerlin (2010)

### **3. EXAMPLE FROM THE NEW ZEALAND WINE INDUSTRY**

A case study method was used to examine 27seconds, a wine brand and a social enterprise. A semi-structured interview with one of the co-founders, Pete Chapman, was held in February 2019 and follow-up questions were asked via email. The interview was supplemented with data

collected from various items about 27seconds in the mainstream media and in social media, and an email exchange with Alanna Chapman, the other co-founder.

27seconds is a wine brand that is based in the North Canterbury wine region, near to Christchurch in the South Island of New Zealand. The brand name refers to the fact that every 27 seconds a person is sold or trafficked into slavery, somewhere in the world. Profits from 27seconds are used to support Hagar, an international charity that provides recovery services for survivors of human trafficking, slavery and abuse.

### *3.1 The History and Development of 27seconds*

27seconds was established by Pete and Alanna Chapman, following a visit they had made to India. There they witnessed young Nepalese women who had been trafficked and sold into slavery as sex workers. The Chapmans went home to Waipara with a commitment to do something to help.

The business began in 2017, when the Terrace Edge winery had a bumper harvest of Riesling grapes. Pete works as the viticulturist for Terrace Edge, his family's wine business. Together, he and Alanna devised a plan to use the excess grapes to make wine to support Hagar. In the first vintage, they produced around 10,000 bottles of Riesling, Sauvignon Blanc, Pinot Noir and Rose from Terrace Edge grapes that were purchased at a discounted rate. The Chapmans also received significant support from others in the local wine industry. This included free mechanical harvesting, free label design, bottle caps and boxes, and discounted bottles and labels. They received increased support for the brand in the second vintage, including a growing number of volunteers from the local community and from their customer base.

The Chapmans regarded the 27seconds venture as an ongoing business from day one and their goal for establishing it was to become "a sustainable vehicle for change". For this to occur, they focused on producing a high quality wine at a good price and for a good cause. The Chapmans measure success in a number of ways, including conventional marketing factors such as making a profit, increasing sales and gaining brand awareness. However, they also view 27seconds as being successful if it increases awareness of the global slavery issue. As mentioned, the brand has received considerable attention in the media. In addition, information is shared with the public through the 27seconds website and through social media.

Sales can also be made online, as well as through local food and wine festivals, in the Terrace Edge cellar door, and through a limited number of liquor stores and supermarkets. Initially, the 27seconds wines were not available in liquor stores and supermarkets, and the Chapmans assumed that all of their sales would be made directly to consumers through their website, Facebook, their Wine Club and at food and wine festival events. However, after participating in events, they were approached by a number of restaurants who asked to stock their wines. The Chapmans can thank their customers for getting their wines into several liquor stores and supermarkets; these customers asked their local stores to stock the 27seconds wines and thus they were pulled through the supply chain to these retail outlets. The Chapmans comment that they have gained a rapid retail presence without having to knock on doors; "our customers are

doing the work for us”.

The Chapmans describe their customers as people with a social conscience. They state that new customers are firstly drawn to the story behind the brand, but that repeat and loyal purchasing is due to the quality of the wine. They believe that their customers enjoy drinking good wine and doing good for other people at the same time.

27seconds was initially formed as a limited liability company, but has recently changed its legal status to that of a charitable company. This means they do not have to pay tax on profits and allows them to maximise the donations they can make to Hagar. Alanna, Pete and two business mentors retain ownership of assets and the brand name. The time that Alanna and Pete put in to 27seconds is voluntary, and they also have additional volunteers who help with tasks such as harvesting and labelling wine bottles. Approximately \$25,000 was donated to Hagar from the first vintage, with a portion of profits being reinvested in order to grow the business and to cover costs for the following vintage. Apart from the benefit they provide to Hagar, the Chapmans note that they have achieved other indirect benefits. These include personal satisfaction and the development of their entrepreneurial skills. In addition, through their social media presence and their vineyard volunteer days, the Chapmans have created a community of interest amongst consumers; this community, in turn, is helping to raise awareness of the global slavery and human trafficking issue, and they are helping to grow the 27seconds brand.

#### **4. CONCLUSIONS**

The example of the 27seconds wine brand satisfies many of the various definitions that have been proposed in the social enterprise literature. In particular, it meets the definition written by the New Zealand government in that it is a business with a social mission, it derives income from trade, and profits are reinvested to fulfil the mission (Department of Internal Affairs, 2013). 27seconds was started with the explicit aim of providing funds to the charity Hagar, and thus matches definitions of social enterprise that have focused on social mission as a primary objective or reason for trading (Dees and Anderson, 2006; Haugh and Tracey, 2004; Young and Lecy, 2014). In addition, 27seconds uses a market based approach or a business solution to address a social problem (Kerlin, 2006; Kerlin, 2010; Thompson and Doherty, 2006). It is also clear that 27seconds has both a social and an economic bottom line (Dart, 2004; Fruchterman, 2011).

The establishment and ongoing operation of 27seconds also matches the EMES social enterprise characteristics (Defourny and Nyssens, 2001). 27seconds can be characterised by economic criteria such as a continuous activity producing goods, a high degree of autonomy, a significant level of economic risk, and a minimum amount of paid work. 27seconds provides an example of social enterprise that meets the three criteria proposed by Peattie and Morley (2008); it pursues a social goal, it has limited profit distribution (i.e. it does not have shareholders), and ownership and power is not held by investors. The wine brand can also be characterised by the EMES social criteria as it has an explicit aim to benefit the community, it is an initiative launched by citizens, it has a participatory nature involving various parties, and it has limited profit distribution. Interestingly in this case study, 27seconds was not established

to help the local community, but rather to help those affected by slavery and human trafficking in other nations. Despite the international focus of 27seconds, the business enjoys a lot of voluntary support from the local community and from customers. Indeed, customers have been responsible for getting these wines into retail outlets. The cause and purpose of the business appears to resonate with New Zealanders who typically have little to no exposure to slavery and human trafficking.

No prior literature has detailed an example of a social enterprise from the wine industry. The 27seconds example provides evidence that it is possible to startup a wine business as a social enterprise and with a specific social mission as its reason for existing. In addition, this paper adds to the subject of social enterprises in a New Zealand context. Social enterprises in New Zealand can be thus summarised:

- Outcome emphasis = social benefit
- Organisational type = nonprofit
- Focus = all non-profit activities
- Legal framework = defined by the government, with the ability for these organisations to operate as charitable companies and thus receive tax benefits

## REFERENCES

- Dart, R. (2004), "The legitimacy of social enterprise", *Nonprofit Management & Leadership*, Vol. 14 No 4, pp. 411-424.
- Dees, J. G. and Anderson, B. B. (2006), "Framing a theory of social entrepreneurship: Building on two schools of practice and thought", *Research on Social Entrepreneurship: Understanding and Contributing to an Emerging Field*, Vol. 1 No 3, pp. 39-66.
- Defourny, J. and Nyssens, M. (2001). "Social enterprises in Europe: Recent trends and developments", *Social Enterprise Journal*, Vol. 4 No 3, pp. 202-228.
- Defourny, J. and Kim S-Y. (2011), "Emerging models of social enterprise in Eastern Asia: A cross-country analysis", *Social Enterprise Journal*, Vol. 7 No 1, pp. 86-111.
- Department of Internal Affairs. (2013). "Legal structures for social enterprises", available at: [www.dia.govt.nz/cvs](http://www.dia.govt.nz/cvs)
- Fruchterman, J. (2011), "For love or lucre", in *Stanford Social Innovation Review*, Palgrave Macmillan, New York.
- Grant, S. (2008), "Contextualising social enterprises in New Zealand", *Business Strategy Review*, Vol. 4 No 1, pp. 9-23.
- Haugh, H. and Tracey, P. (2004), "The role of social enterprise in regional development", paper presented at *Social Enterprise and Regional Development Conference*, University of Cambridge, UK.
- Kerlin, J. (2006), "Social enterprise in the United States and Europe: Understanding and

- learning from the differences”, *Voluntas*, Vol. 17 No 3, pp. 246-262.
- Kerlin, J. (2009), *Social Enterprise: A Global Comparison*, Tufts University Press, Medford MA.
- Kerlin, J. (2010), “A comparative analysis of the global emergence of social enterprise”, *Voluntas*, Vol. 21, pp. 162-179.
- OECD. (1998), “Social enterprises in OECD countries”, Paris, OECD.
- Peattie, K. and Morley, A. (2008). “Eight paradoxes of the social enterprise research agenda”, *Social Enterprise Journal*, Vol. 4 No 2, pp. 91-107.
- Thompson, J. and Doherty, B. (2006). “The diverse world of social enterprise: A collection of social enterprise stories”, *International Journal of Social Economics*, Vol. 33 No 5/6, pp. 361-375.
- Young, D. R. and Lecy, J. D. (2014), “Defining the universe of social enterprise: Competing metaphors”, *Voluntas*, Vol. 25, pp. 1307-1332.