

Hybrid Legal Entities for Social Enterprise as Social Innovation

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ABSTRACT

Social innovation has become a new way of solving social problems and a force of change for the people's better quality of life. It essentially involves empowerment of the people with a view to enhancing their potential for competition with the private sector and reduced dependence on the state sector. Social enterprise is now recognised as a form of social innovation, because the concept is based on a combination of a social benefit goal and the achievement of financial sustainability. This paper relies on a documentary enquiry, paying particular attention to the exploration of hybrid legal forms for social enterprise, especially the U.S. Low-Profit Limited Liability Company (L3C). This hybrid legal entity is taken here as a practical form of social innovation to solve social problems. The paper has followed a qualitative analytic mode making use of various types of documents obtained from many sources. Social innovation does not simply involve the availability of new strategies, approaches, or methods. It also requires appropriate legal environment. For this reason, the law itself needs to adjust, i.e. making itself innovative, so that it creates a legal setting favourable to social innovation, such as the one emerging in the United States in the form of hybrid legal entities initiated to promote social enterprise. Legal development in this way may be conceived of as legal innovation to solve social problems.

Keywords: social innovation, social enterprise, law, Low-profit Limited Liability Company (L3C)