

## **Perspective on UK Social Enterprise**

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There is a strong orientation in UK policy support for social enterprise towards the community level. This raises questions about the place of larger co-operatives and larger voluntary organisations that are carrying out social enterprise activities through public service contracts. Thus in terms of the Government's wider policy of improving public service delivery, this bias towards small and medium size social enterprise, could miss opportunities for a broader based reform of public service delivery. Although there may be political issues relating to public sector trade unions that need careful negotiation. With increasing privatisation, it may be preferable from their perspective to work with the social enterprise sector rather than the private sector.

**Trends of social enterprise:** It is possible to differentiate at the theoretical level between different types of social enterprise in the UK – in terms of governance, financial structures, and goals. It is also clear that at the international level there are some similarities between these national types, and some work is being done on international trends in types of social enterprise - see [www.emes.net](http://www.emes.net)

With the trend towards development of market type relations for public service contracting, we are likely to see increasing numbers of social enterprise delivering welfare services. Another major category of social enterprise internationally is work integration social enterprises, and we also can find similarities internationally – it is anticipated these will continue, but national differences in benefit regimes for subsidising disadvantaged and disabled workers is likely to limit isomorphisms (development of similar models) in this area.

**Government perspective:** The Government's social enterprise unit is based in the Small Business Service of the Dept of Trade and Industry. See website: [www.sbs.gov.uk/socialenterprise/](http://www.sbs.gov.uk/socialenterprise/)

There are 3 planks to its strategy:

- creation of an enabling environment for social enterprise
- making social enterprises better businesses
- establishing the value of social enterprise

This approach is excellent, and possibly one of the most comprehensive in Europe; but so far the policies are relatively new and a proper evaluation of their effectiveness has not been undertaken. In addition although there is a recognition that the sector is very diverse, an examination of the extent to which this diversity is covered needs to be undertaken. Below I indicate some of the particular challenges these policies face in translating into practical developments.

**1. With regard to creating an enabling environment:** there are considerable difficulties in changing procurement practices of municipalities and government departments. And a large part of this is building political relations with local/regional government to increase understanding about what the sector can deliver within the framework of competition directives, etc, and the building of trust about actually delivering the required performance. This is likely to be enhanced by building and strengthening networks between different parts of a quite diverse social enterprise sector – between intermediate labour market (ILMs) organisations, voluntary sector organisations, co-ops, Development Trust Associations, social firms and their federal structures and support agencies. And it involves ensuring the full support of the voluntary sector, and other social economy players with considerable experience of public service contracting.

In terms of support structures, there has always been a dilemma between creating specialist support structures like old CDAs (Co-op Development Agencies) or Development Trust Associations and getting mainstream small business and other advice agencies oriented to needs of social enterprises. There's been great developments with regard to finance through community development finance initiatives (CDFIs), but we need more studies of social entrepreneurship – to understand the models and process that seem to be important, and which can be supported. Thus we need more thinking and research on institutional support for entrepreneurship, and on other forms of entrepreneurship apart from individualistic forms.

**2. Better business:** there is a lot of useful standard advice on small business that is equally relevant to social enterprises - especially marketing, financial control, low management skills. And many of the weaknesses are similar between small and medium enterprise and social enterprise. But there are also differences, where good practices need to be established and promoted. Also in public discourse on social enterprise, there is a mythology about sustainability – the view that eventually "they can all become sustainable" that is quite prevalent and fails to recognise the other dimensions for success - networking, building community relations, building political links to create support for the non-market part of social enterprise eg the extra cost of training difficult to employ people upto labour market standards, and finding funds for permanent differences in labour performance by certain categories of disadvantaged people.

Size is also a major issue – with considerable focus on community level initiatives, which are generally small, there will undoubtedly be problems creating sufficiently good performance profiles to get procurement contracts etc. At the same time the experience of large voluntary organisations doing contracting could be harnessed through partnerships and sub-contracts. To a substantial extent this involves political activities to re-badge existing initiatives such as large contracting voluntary organisations as social enterprise. This would add credibility and help build a sector with capacity. Also since size is crucial in many of these markets - ways of grouping initiatives/enterprise to get advantages of size could be explored, as in the Italian consorzi model - creating local federations/networks of support.

Similarly although scaling up is addressed in CDFI literature, it is also a key part of all aspects of strategy. Scaling up has 2 dimensions - growing individual social enterprise, and growing the sector - the latter means building capacity (managers and development support). This issue is recognised by leading players in the social enterprise sector, but it is a difficult issue where the risk is boom/bust or social enterprises fizzling out.

**3. Establishing the value of social enterprises:** this is a really important part of social enterprise strategy, and a lot of interesting activities are going on in support of this. Again there is the challenge of relating approaches to size and capacity of social enterprise - so different quality systems/social audit schemes are needed for different sizes. And again these new techniques and approaches need linking to managerial skills to operate such systems, and examining ways of handling the (transaction) costs for operating them.

**Other patterns of institutional support:** The need for institutional support for the distinctive features of social enterprise is essential, in terms of finance, advisory support structures, sympathetic professionals (lawyers/accountants) and education/training. There are currently two Masters courses for developing expertise about social enterprise: one at the University of East London, the other on community enterprise at the University of Cambridge. But others are rapidly developing.

The first UK research conference was run last July in The Open University Business School - papers are available – see:

<http://technology.open.ac.uk/cru/Programme.htm>

The Government's social enterprise unit has sponsored the development of new legislation: the Community Interest Company – see:

<http://www.dti.gov.uk/cics/>

This legislation has been approved, and will be available for use in July 2005. The Social Enterprise Coalition is the most important body representing the sector: see: <http://www.socialenterprise.org.uk/Default.aspx>

It has a strong development strategy, and has successfully promoted the social enterprise concept in a wide range of contexts. It organises major promotional events, including a national conference in Manchester on 25 January 2005.

Social Enterprise London has led the way with its regional strategies for London (see [www.sel.org.uk/](http://www.sel.org.uk/)) and it has a number of useful and important documents on its website.

But the UK's Regional Development Agencies are developing their own distinctive approaches to developing social enterprise in their regions. And similarly so are local municipalities. There is also a Social Enterprise magazine that disseminates news and ideas about social enterprise, see: [www.socialenterprisemag.co.uk/](http://www.socialenterprisemag.co.uk/)

**Conclusion:** The UK social enterprise sector is developing fast, and the opportunities for developing a substantial social enterprise sector are strong. The emerging strategies for developing a social enterprise sector at national, regional and local levels have many excellent features. Experience of the effectiveness of these strategies is still rather limited and we have yet to see the extent to which it overcomes the many challenges that must be faced along the way.

The foundations have been set for the social enterprise sector to move forward, not just at the community level, but also addressing issues like involving the voluntary sector and building much larger social enterprise in a range of public service areas. The political and socio-economic structures for supporting and developing a vigorous sector have progressed extremely well, thus the risk of failures should be equal to or less than other enterprises of the same size, providing issues of sustainability are properly addressed.