

Understanding Social Enterprise

By Ben McCall, Allison Ogden-Newton, John Pearce

Social Enterprise

Social Enterprise (SE) has become an omnipresent term, though there still remains no generally agreed definition (Chowdhury 2004). Below, Ben McCall of the Social Enterprise Network (SEN), offers his take on SE across the Mersey; Allison Ogden-Newton of Social Enterprise London (SEL), asks if SE will deliver and John Pearce of the Community Business Scotland Network (CBS), presents a summary of the challenging final chapter of his book, Social Enterprise in Anytown (2003).

SE across the Mersey By Ben McCall

The Social Enterprise Network (SEN 2004) represents over 220 SEs and emerging SEs across Greater Merseyside, in close partnership with the Development Trusts Association (DTA). SEN's Board is elected from its diverse membership and the organisation is resourced with the surplus from trading activities. SEN delivers products, including accredited training, and marketing for SE. It organises a consortium of SEs, contracting with Business Link to deliver Business Start across Merseyside; a model for the development of consortia for other major public service delivery contracts.

Anyone trying to fathom the phenomenon of the Merseyside 'city-region', will be helped by Tony Lane's *Liverpool - Gateway of Empire* (1987). Merseysiders have pioneered social provision and radical change. Innovations begun here have been developed into bigger and better versions elsewhere, such as newbuild housing co-operatives (McDonald

1986). However, the sub-region still loses many of its brightest offspring, driven away by the frustrations of seemingly inexorable economic, social, cultural and spiritual decline.



Kuumba Imani Centre, Liverpool

A number of reports (Swann 1985; Anderson 2003) have identified endemic institutionalised racism in 'the world in one city'. Nonetheless, a new optimism to combat racism in Liverpool has been created in the form of the new SE Kuumba Imani Millennium Centre. The centre will offer high quality facilities to women - particularly Black women - when it opens in the summer. In addition, South Liverpool Personnel, established in 1972 with a grant from the Martin Luther King Foundation to challenge the exclusion from employment of local Black people, is launching a new SE arm: Diverse Professionals. These evolving organisations represent enterprising successes and a positive future for an inclusive and accountable SE sector.

The new infrastructure body for the city's social economy, Liverpool Plus, aims to become a pivotal influence regionally and nationally. However, to date, in my opinion, the range of

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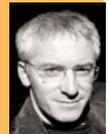
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differing approaches to SE has not been resolved. This has resulted in a loss of momentum in developing the sector at this crucial stage. The effectiveness of Liverpool Plus will largely depend upon the degree to which the SE sector embraces greater mutuality and solidarity.

City Council support for the social economy over the last decade, was recently celebrated by the awarding of the New Statesman's Upstart Award for 'Best Elected Advocate of Social Enterprise' to Council Leader, Mike Storey (Loney 2004).

Aside from the above Liverpool based SEs, there are many well-established organisations in the other six boroughs of Greater Merseyside. Kirkby Unemployed Centre, founded in 1981, is a thriving enterprise living the values of social and economic solidarity; Bold Miners Centre, St Helens, heralds a new era of community-owned resources in the borough after major improvements; Leasowe Millennium Centre, on the Wirral, inspires an isolated estate by acting locally and globally; Halton Community Transport has supported the development of local SEs and won "Best Contribution to the Community in 2003" Greater Merseyside Champions award. There is inevitably a flip-side: TREND's Green Bee Recycling, in Sefton, has recently closed. Despite developing kerbside collection from scratch and achieving very high participation rates, they were considered too small to even be put on the tender list for the borough contract. This continues a worrying trend, in the supposedly new era of SE delivery of public services: exclusion on the grounds of size - let alone price - from areas of activity such as recycling.

The Northwest Development Agency (NWDA) has put £2.5 million into the Merseyside Social Enterprise Initiative: a £4 million programme of support over four years (MSEI 2004). Negotiations are also proceeding on a much larger 'SE Investment Fund', from the Merseyside EU Objective One Programme, for which the Voluntary Sector already delivers over a third of ESF projects.

As the only SE network in the North West, SEN is encouraging the development of similar networks in

the other sub-regions and, with partners, has formed an embryonic NW SE coalition, to contribute to the new Social Enterprise Coalition (SEC) nationally. SEN, with international partners, is running a major conference in Liverpool, from 16th-17th September, entitled, Socialising the Global Economy, to which all interested people are welcome.

Social enterprise, will it deliver?

By Allison Ogden-Newton

Great things are expected of social enterprise, the question is – will it deliver? For those of us who work in the area we know that the answer is a resounding yes ... but ... the right set of circumstances are needed to create the kind of movement that will have an effect on all our lives.

The challenge facing London's SE community is a particularly big one. DTI statistics show that there are at least five thousand SEs in the capital and a set of economic factors that make the increase of SE activity certain. However, not enough is known about what people are doing out there. So many of those whose entrepreneurial ambition is starting to make an impact are not getting the support, information and resources that they need.

The job of Social Enterprise London (SEL 2004) is to work out what is going on, what is needed and how to access and prioritise those resources. SEL members and stakeholders are engaged in mapping SE and developing dynamic products and services. Working as part of the London Business Support Network, SEL are assessing business support needs and services currently available to SEs, with the intention to create an informal alliance of SE business support practitioners organised into sub-regional hubs; through which products and services developed by SEL and other SE support agencies can be cascaded.

An example of SEL's policy to work in partnership with other organisations, to develop new and exciting tools for SE is www.shopsocialenterprise.com. It is a virtual marketplace that allows shoppers to browse and purchase

products and services available from SEs. The website's users range from socially conscious consumers and environmental enthusiasts, to community groups, local authorities and corporations. It was developed by SEL – in partnership with the Development Trusts Association, Tower Hamlets CDA, and Social Firms South East through the Social Enterprise Partnership – and features a wide array of products including fair trade coffee from Café Direct, office equipment recycling services from Green-works, Sari(UK) Ltd a new British couture label and organic food and catering services from Organic Express.

By uploading information on company, product and method of sale, SE shopkeepers can extend their market share by reaching those members of the public eager to source ethical products via the internet. SEL has already established its reputation for utilising technology to get the message out there. www.sel.org.uk SEL's premier website is, according to Google, the world's No1 website for SE with just over 50,000 hits per month. Together with a buzzing SE Network and an unparalleled service in producing and disseminating information on SE, SEL has established itself as an essential tool for London-based social entrepreneurs.

Popular publications include the Social Enterprise Guides to childcare, health and social care, community recycling and housing. These are how-to kits that have been very well received and are being republished. Another publication, *Keeping it Legal*, produced in 2003, gives SEs advice in establishing their status.

Building on its achievements as the agency that helped to put SE on the national agenda, SEL looks forward to stepping up its role as London's portal between government and practitioners. With partners, SEL is building on our expertise to offer services to both the SE sector and the agencies that support their work. SEL continues to play a key part in delivering economic solutions to social problems as the London based regional partner of the newly formed Social Enterprise Coalition (SEC).

The national launch of SEC is an indi-

cation that the UK's SE sector has reached critical mass. As a member, SEL were delighted at the emergence of a national body and do our part by feeding in London's experience to national decision making via the SEC. SEL is a highly developed regional SE support agency and we see the SEC as an opportunity to offer proactive models that will speed up the roll-out of national strategy for SE. The time is right for agencies like the SEC and SEL to offer the community the space and facilities for agencies to gather, exchange views and work together, enabling them to develop products and services that support this growing feature of UK economic activity.

In selling SE to any and all open-minded organisations and individuals SEL uses models such as Greenwich Leisure and Coin Street Community Builders. These clearly show SE can succeed as a business solution where conventional models struggle – proving its unique commercial worth. In the coming year SEL will continue to break new ground by coordinating and tracking SE activity for local and central government, piloting new methods of organisational and growth support for SEs and working with partners to signpost and roll out service and product delivery.

By designing, delivering and supporting innovative approaches to SE we can create meaningful and lasting social change. If SE is what the Government want, the marketplace has created unique opportunities for it and the public show clear support for it, then SE not only has a future - it is the future.

A Manifesto for Social Enterprise

By John Pearce

Recent years have seen the emergence of growing support for social enterprises from Government, which has transformed the context for SEs. Exciting times indeed, but for the social economy to take its rightful place as a leading sector in a mature society, action is needed not just by Government but by the social economy itself.

Values

Social enterprises are not businesses like any other. They are fundamentally different because of the values which guide what they do and how they do it. These tend to be expressed in fine-sounding but rather general phrases, lacking in sharp focus. Social economy values need to be expressed as a clear philosophy, with which people may identify and celebrate, that can be seen as leading to practical consequences. Too often SEs are coy about their values and play them down, pretending that SEs are really the same as other businesses, but just happen to have a social purpose.

From values a shared vision can be built. Through SEs working together as a movement, the links and networks between SEs can develop, trust can grow and reciprocal help and mutual collaboration flourish - creating social capital with which to strengthen their place and influence in society. The work of the Social Enterprise Coalition (SEC 2004) and its members, in the UK's nations and regions, can help to build that sense of movement. SEs should focus on investing time and energy in working with others in the social economy rather than concentrating on partnerships with the public and private sectors.

Definitions are important

It is essential to have a clear, unambiguous, definition of SE that allows society to know, not only when an organisation is a Social Enterprise, but also when one is not.

The definition should be based on six defining characteristics which distinguish SEs: 1) having a social purpose (which includes environmental); 2) engaging in trade; 3) no private profit distribution; 4) holding assets for community benefit; 5) democratic structures; 6) accountability to stakeholders.

These characteristics should be embedded into constitutions and monitored through a system of registration and annual regulation, based on a 'SE test'. Through regulation, society could acknowledge both its recognition of the distinctive difference of SEs and also its wish to

encourage their formation. Regulation would also provide a 'kite-mark' and serve to strengthen the sense of belonging to a movement that has an accepted place in economic and civil affairs. Currently the Government has linked the promotion of the Community Interest Companies (a SE brand) with a specific legal structure. It is questionable whether a new legal form was required, apart from overhauling the industrial and provident societies acts so that co-operative law could become the structure of choice for SEs.

Curiously, in some social and economic quarters, people treat 'democracy' with hesitation. Yet the democratic concept is at the heart of our society. Practising democracy should be embedded in civil society and SEs are a vital part of that democratic weave which gives people a taste for controlling their own affairs. Making democracy work in SEs requires effort and investment: to build and encourage membership, to train new and potential directors, to share information, and to create and use channels of communication and accountability.

Subsidiarity

Social enterprises provide a mechanism through which services may be provided at local level. To some degree this involves the government and local councils handing down (or in some cases handing back) the power and responsibility to manage certain local services, including control of physical assets. In order to make sense of this, contracts should be specified in such a way that relate to communities and to SE capacity. It means recognising the best value of local knowledge and of local people doing local work.

But SE must not be seen as a way of providing services on the cheap, substituting volunteer for paid labour. In particular contracts should identify the "social dividend" which comes from using SEs and be prepared to pay for any additional costs which may be incurred in, for example, creating employment for the disadvantaged or the disabled or operating in weak economies where the private sector simply will not go. SEs should not be seen as a miracle solution to

tackle those problems that remain after the best (or worst) efforts of the public and private sectors.

Mutual financing and support structures

Financial institutions are required which belong to the social economy and which have the capacity to make the scale investments that are needed to seriously grow SEs. The idea of making SE 'bankable' implies that SEs are, or should become, like other businesses, which they are not and should not aspire to be. On the contrary, banks should become "social enterprisable" or, preferably, we should support and develop our own financial institutions.

In order to realise this a number of steps need to be taken. The network of finance institutions, which already belong to the social economy, should be consolidated to build up institutions which can make loans and provide 'patient' equity capital. Community Sector Banking in Australia is a good model. Simultaneously, existing big financial players from the traditional co-operative sector need to take a lead in developing new national or regional institutions to build up and provide the investment capital that is required. These institutions already have the expertise and there is substantial money around the social economy. However, currently most of it is kept and used within the mainstream banking system and does not work to benefit the social economy. Crucially the substantial funds which the public sector already invests in SEs, including the introduction of 'recoverable grants' and paying revenue money as up-front working capital, need to be used more effectively. Support infrastructures should also belong and be accountable to the social economy and be appropriate to the needs of SEs. Instead of expecting SEs to tap into services provided by the state and primarily designed to assist private enterprise, there needs to be a network of national and regional SE support infrastructures, established themselves as bona fide SEs and accountable to their members.

At the local level existing SEs could take on the role of giving support to the formation of new community and SEs in their area, using a community development, rather than a business

development approach. Within the wider social economy there is already a huge range of relevant expertise which understands the needs of SE and which could be accessed through such infrastructure.

Counting the benefit

SEs do not need business plans, they need social enterprise plans which demonstrate how their social purpose will be achieved, how they will be environmentally responsible and how all their activities, taken together, will achieve financial sustainability. Social accounting is the mechanism through which a SE may monitor and report on its performance, gathering hard facts and figures as well as qualitative opinions about what it is doing and the impact it is having. It ensures the enterprise is clear about its mission, its values and its core objectives, and that the social accounts are audited so that outsiders can take what they read as trustworthy and base their judgements on them.

Social accounting and audit should play a key compliance role in any system of regulation for SEs. It also provides accountability to stakeholders. Over the past year there has been growing encouragement from Government and regional and local public sector bodies for SEs to engage with social accounting. A lesson of good practice can be learned from New Zealand. Rather than having an evaluation done by external consultants, which had been the previous way, the New Zealand Government invited two NGO aid organisations to use social accounting to report to Government and offered the same resources to fund the social accounts that it would have paid for an evaluation. Social accounting and audit should become mandatory, but not just for SEs: all organisations should be expected to account for the positive and negative impact they have on society.

A political purpose

SE is about a different way of doing things. It is about a vision of the way people and organisations might work together for the common good, where private gain is tempered always by consideration for the needs of people and the planet.

It is easy for SE activists to lose sight of this bigger picture in the struggle for survival. Government is saying 'come and help us achieve our purpose'. Business is saying 'you are businesses just like us, come and join the mainstream'. But SE is about doing things differently and seeking fundamental changes. The time is ripe to explain and demonstrate to the public why the SE way is preferable. It is also timely to promote the values behind SEs and make it the norm to celebrate the fact of being a SE with firmly held beliefs, rather than to work away in the marketplace pretending to be like any other business.

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