

The Future of Social Enterprise

Presentation to Wiselink launch, Dublin 6 December 2005

A landmark title

This title which I have been given for this evening is of itself something of a landmark, making the assumption that Social Enterprise is not only here to stay but that it has an important future.

Indeed there has been quite a “step change” in recent years as regards social enterprise and its acceptance, especially in the UK. Not only has there been a special Social Enterprise Unit established within Government but also there is a junior minister with responsibility for social enterprise. Following the lead set by the UK government the two nations, Scotland and Wales, have produced social enterprise strategies and each of the Regional Development Agencies in England have been required to do the same. Social Enterprise appears regularly in the press and there are national award schemes for social enterprises and recently a social enterprise day during the national Enterprise Week. At a recent meeting I heard the former head of the Social Enterprise Unit comment that there is a ferment of activity to grow and support social enterprises in the regions. And to cap it all the newly elected leader of the Conservative Party actually referred to social enterprises in his acceptance speech!

The scale of the contribution social enterprise make to the economy has also now been acknowledged. Recent research commissioned by the Department of Trade and Industry for England and Wales suggested that social enterprises now account for £18bn in the economy – three times the contribution of agriculture! Over half a million people are employed by social enterprises which also mobilise over 200,000 volunteer workers. In Scotland a few years ago Highland Council officials estimated social enterprise to be as important to the Scottish economy as tourism.

So, it is now acknowledged that we are talking about a significant sector in the economy – and it is certain that the research will be understated. There will be many small, community based enterprises, such as my local village hall enterprise, which slip under the radar of such research. And there will be those, such as the co-operative movement, the remaining mutuals, the large housing associations and charities, which rightly also belong to the social enterprise, or social economy, sector.

The social economy sector

In these early years of the 21st century I think we are witnessing a profound change in how we understand our national economies. Traditionally we have recognised the private sector and the public sector, but the third sector has been just a bit player, to do with voluntary work and welfare and not really to do with the economy.

But now we see a social economy sector emerging which was once just the third sector, and it is a significant part of the economy. It ranges from – at one end of a long continuum – small, local initiatives such as village halls, local markets, pre-school play-groups run by volunteers but often with some part-time paid work – playing a definite role in local economies, to – at the other end - substantial, highly commercial, competitive and successful businesses such as Govan Workspace in Glasgow, Coin Street Community Builders with its Oxo Tower on London’s south bank, Greenwich Leisure [£50m turnover, 50 leisure centres in London, 3500 employees], Ealing Community Transport, the Big Issue and even the Eden Project in my native Cornwall.

And in between are a vast range of enterprises and organisations – community co-ops (from which West of Ireland experience in the 1970s led to the innovative scheme in the Scottish Highlands and Islands in 1976 and later to the community business movement in central Scotland), social firms creating supported employment, credit unions, fair trade companies, development trusts, community businesses; as well as voluntary and community organisations and charities which increasingly earn much of their income from business and fulfil contracts from the public sector.

Key principles

What is it that binds all these together as a distinctive social economy sector? I think we can identify six well accepted key principles:

First: they have an over-riding *social purpose* – setting out to benefit people and/or the planet;

Second: they *engage in trade* in the open market-place – at least to some degree – but the trading is in order to achieve the social purpose;

Third: they apply *profits for re-investment and community benefit*, not to make individual shareholders wealthy;

Fourth: they hold *assets in trust* for the benefit of the community and future generations;

Fifth: they are *accountable to their constituency* (area or group), usually adopting a form of democratic governance;

Sixth: they are *independent* of external influence and control, notably by government and by the owners of capital.

To these six fundamental principles may be added three operational principles:

1 adopting *good employment practices* (for both paid and unpaid workers);

2 adopting sound, *light-footprint environmental practices* – can a social enterprise in the 21st century be socially responsible if it is not environmentally responsible also?; and

3 adopting *fair trading practices*, including having regard to the local economy in respect of purchasing policies.

The new mixed economy

This is not only a sector in the economy which is growing in size and therefore importance, but it is a sector which is based on quite different Values and Principles from the other two sectors, values and principles which may be characterised as combining self help with mutuality, whereas the private sector is based crudely on maximising return to shareholders, and the public sector is about the state taking responsibility for planning and organising things on behalf of citizens.

It is perhaps better to think of three *systems* rather than sectors because we are talking of different ways of managing the economy and society – different, but not incompatible. Indeed we should look to a truly mixed economy in which each of these three systems has its important part to play.

It is easier to see how this mixed economy works at local level – for example a social enterprise might develop a managed workspace in a former school building with co-operation and assistance from the local council and provide small workshops in which people can set up and develop small, private businesses, offering self-employment information and advice and at the same time encouraging and supporting other community initiatives and organisations which in turn may supply services on contract to both the public sector and to private companies – and we all know of or can imagine vibrant other examples of three and two way partnerships....

Nationally we should be looking forward to a time when governments routinely consult on new policy initiatives not only the trades union movement through the TUC (or whatever) and the private sector through the CBI or National Federation of small businesses, but also with the social economy through its representative body. In recognition of the growing importance of the social economy we might also anticipate also that government ministers will expect – and be expected – to deliver a keynote speech at the annual social economy conference.

So, what does all this mean right now?

Five points for Governments

1 Understand that the social economy is already making a greater and more significant contribution to the economy than is both acknowledged and counted.

2 Understand that social economy organisations are distinctively different from private companies and from public sector agencies; that they are doing business for the common good rather than for private gain and that they are about much more than delivering public services. In the UK there has been legitimate concern that social enterprises are seen simply as an extension of the state in that they can deliver services more effectively and more cheaply than local government has been able to. While true that social enterprises are often very good at delivering services and that it makes much sense to take the private profit motive out of service delivery, it is important to acknowledge that social enterprises can and do engage in many other aspects of economic activity.

3 Create an enabling environment for the growth of the social economy – that requires first a political decision and commitment to say, yes, we wish to build a truly mixed economy in which there is a significant values-based sector. This seems to resonate with the public if a recent poll in the Guardian newspaper is to be believed: it reported that 94% of people believe companies should report on their social and environmental impacts, good and bad.

4 Put in place measures to encourage the expansion of the social economy such as a positive attitude to public procurement of services; fiscal benefits and inducements for those social enterprise which adhere to the key principles. The quid pro quo of such positive discrimination must be a system of regulation so that society knows:

- that we are getting from social enterprises the social and environmental value-added which has been promised;
- that profits are reinvested and not distributed to individuals and
- that employment and trading practices are acceptable and fair.

That means having a form of “kite-mark” which affirms that an organisation is a bona fide social enterprise, meeting its commitments as a social enterprise and so qualifying for the fiscal and other benefits.

5 Aid the establishment and growth of social enterprises by contributing to the necessary support structures – by that I mean development advice, guidance, marketing and even finance. But the emphasis should be on “aid” and not to directly provide. The provision of support should be arranged through and by social economy organisations themselves. It does not make sense for people from either the public or the private sectors to presume to be able to encourage the growth of the social economy which is based on quite different principles from the sector with which they are familiar.

Action points for the social economy sector

1 Pull together and build powerful networks and coalitions which can represent what often appears and acts as a fragmented sector. That means: forget trying to identify clear blue water between social enterprises and the voluntary sector but instead identify the common ground, the shared values, the shared vision for the way society and the economy might be influenced across the whole of what is a dynamic continuum – and along which there can and is movement over time. It is salutary to remember that the world-wide Co-op movement started as a volunteer-run, part-time enterprise in an upper room at 44 Toad Lane, Rochdale in 1844. Even the smallest of community enterprises have the potential to grow and become tomorrow’s big social enterprises.

2 Talk up and celebrate the *difference* of the social economy from the other sectors – in particular do not fall into the trap of pretending to be the same as private business – it is the difference that matters!

In that regard we should do away with business plans for social enterprises because these focus only onto the business aspects. A social enterprise needs a social enterprise plan which will identify how it will achieve its social purpose as well as how its business activities will support that.

3 Build the support network from within the sector to strengthen and expand the sector – using the skills and expertise which exists. This will put an onus onto the bigger and successful enterprises and organisations to help others start and grow. And let us acknowledge the usefulness of learning from failure, rather than being afraid of it.

4 Set a lead in reporting on social – and environmental – added-value. Surely there is an ethical imperative that social economy organisations demonstrate (prove) the value of what they achieve to all their stakeholders? but at the same time use the process of gathering information to improve performance and account to stakeholders. We must set the pace and do it now, rather than wait for government to insist and ask civil servants to show us the way.

Conclusion

The social economy sector needs not just to wait for Government to act but to do what it can do of itself, for itself – self-help and mutuality. So action from within and pressure on Governments to respond to the demand for a truly mixed economy of three systems.

These are exciting times for the social economy. There is huge potential and an opportunity for us all to help shape a modern mixed economy of the three sectors and engage with issues of fair trade, environmental responsibility, good work and social justice through business.

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