

A Sustainable Future for Social Enterprise

Presentation to ISE conference, Birmingham, 16 May 2006

A landmark title

I have taken as my title today *A Sustainable Future for Social Enterprise* and aim to reflect on some aspects which I believe can contribute to that sustainability.

There is no doubt that there has been a quite amazing “step change” in recent years as regards social enterprise and its acceptance, especially in the UK. But in preparing for today I allowed myself the indulgence of thinking back thirty years to the beginning of the modern social enterprise movement.

In 1976 community activists on London’s South Bank were challenging plans to develop their bit of London with no regard for the needs of local people who had been living there for generations. They wished to retain housing, to develop and mix of uses which gave quality of life to the community as well as commercial and wealth-creating opportunities. That was the beginning of Coin Street Community Builders who successfully, with assistance from the GLC, acquired their 13 acres including the Oxo tower, saw off the developers’ plans and created their own. Coin Street is now one of the most successful and sustainable social enterprises in London. In those days they flew a banner across their street proudly stating that “*There is Another Way*” – a theme to which I shall return later.

Across the city in the west the activists, who had protested at the elevated Westway motorway which was about to split their community in two, did not just cave when they failed to stop the motorway but used their new-found solidarity to plan how to make use of the land beneath the motorway for the benefit of the local community. And so was born the North Kensington Amenity Trust another longstanding, successful and sustainable social enterprise.

In the Highlands and Islands of Scotland the Highlands and Islands Development Board launched in 1976 its Community Co-op scheme, modelled on the successful programme in the West of Ireland. Many of those pioneering co-ops, on the island of Papa Westray in Orkney and in Appin in Argyll for example are still functioning providing vital services to their small and remote communities. That scheme inspired others, not least many of us working in the Central Belt of Scotland to create community businesses.

The Govan Area Resource Centre established a community employment group of local residents who met to see what local people might do in the face of de-industrialisation and the retrenchment in shipbuilding. The result of their explorations was Govan Workspace Limited and its first workspace in the former St Anthony’s primary School, created despite the critical conventional wisdom of the economic and architectural services pundits in the local authority. GWL now has three buildings and is one of Scotland’s longest running and most consistently profitable social enterprises playing a key role locally not only in economic but also social regeneration.

As reflected on these and other stories it came clear to me that these sustainable social enterprises were not created by people who set out to start a business but by local activists determined to tackle local issues and social injustice. Also in 1976 the bill which later became the Industrial Common Ownership Act was laid before Parliament, a ground-breaking piece of private member’s legislation which won the support of the Government (and which at one point in its passage depended on the deciding vote of one Norman Tebbit MP!). Ground-breaking in that it created a

loan fund for worker co-ops with money from the Department of Trade and Industry but administered independently by Industrial Common Ownership Finance (ICOF) – now Community and Co-operative Finance – which was probably the first CDFI in the UK (and one of few that is truly sustainable). But more importantly the ICO Act created a “kite-mark” test for worker co-ops and only those so recognised could take advantage of the loan fund. I believe that is a precedent which has contemporary relevance for social enterprises and the social economy and shall return to it later.

Thirty years on and we find the social enterprise world has changed substantially – but we should not forget that what we see now has evolved from those exciting times of the 70s when there was a strong sense of seeking to develop “Another Way” of doing things.

Not only has there been a special Social Enterprise Unit established within Government but also a junior minister with responsibility for social enterprise. Following the lead set by the UK government the nations and regions have been producing social enterprise strategies – though sadly Scotland is nowadays lagging behind. Social Enterprise stories and features appear regularly in the press; there are national award schemes for social enterprises and social enterprise days. Politicians from all parties seem to have suddenly discovered social enterprise and the social economy – even David Cameron referred to social enterprises in his acceptance speech as Tory leader!

The scale of the contribution social enterprises make to the economy has also now been acknowledged. Research commissioned last year by the DTI for England and Wales suggested that social enterprises now account for £18bn in the economy – apparently 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 this research is 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 much of the co-operative movement, the remaining mutual societies, the large housing associations and charities, which rightly also belong to the social enterprise, or social economy, sector but were not counted as part of the research.

The social economy sector – part of a modern mixed economy

In these early years of the 21st century I think we are witnessing a profound change in how we understand our national economy. 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 economy growth and wealth creation.

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, Coin Street and North Kensington as well as others like Greenwich Leisure [£50m turnover, 50 leisure centres in London, 3500 employees], Ealing Community Transport (£45m, 1000 employees), 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, 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 for the public sector. This is a dynamic continuum which embraces both small, minute, enterprises as well as large ones, and those which are fully commercially sustainable as well as others which rely on a mix of funding sources – trading, volunteer labour, donations and grants. And being a continuum there is constant movement along it – in both directions. Never forget that the world-wide co-op retail movement started as a volunteer run, part-time sales co-operative in Rochdale in 1844. Some of the household names of successful, sustainable social enterprises such as Coin Street, North Ken and Govan Workspace started, as we have seen, as community activism. The smallest community initiatives of today may be the big social enterprises of tomorrow.

In recent years the co-operative movement has been increasingly placing itself as part of the social economy as do many fair-trade businesses. Just back in March ACEVO (the Association of Chief Executives of Voluntary Organisations) ran a conference on the theme: *Charities and Social Enterprises – What's in a name?* That challenged if in the 21st century there is indeed a difference, acknowledging that charities and voluntary organisations increasingly behave like enterprises.

I think we can now claim that a modern twenty-first century mixed economy comprises three distinct sectors – or preferably three “systems” because fundamentally each is about a different approach to how the economy and society should be run. The Third Sector or System is the Social Economy and may be characterised as combining self-help with mutuality. It is based on generally understood and accepted values which distinguish it from the other two sectors or systems: the private sector based, crudely, on maximising return to shareholders, and the public sector being about the state taking responsibility for planning and organising things on behalf of citizens.

Key principles

So, what is it that binds all these different enterprises and organisations together as a distinctive social economy? I think we can identify six well accepted fundamental principles and four operational 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 that 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 – no asset-stripping for private gain;

Fifth: they are *accountable to their constituency* (which may be a geographical area or a defined group of stakeholders with a common interest), 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 four operational principles:

1 adopting *good employment practices* (for both paid and unpaid workers) – fair rewards; training and development; working environment. Thirty years ago there was talk of limiting the ratio of highest paid staff to lowest – the sort of ethical approach to business which social enterprises might adopt in distinct contrast to the ever-growing gulf between the highest and lowest paid in most of British business.

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?;

3 adopting *fair trading practices*, including having regard to the local economy in respect of purchasing policies and wider questions of fair trade, extending even to asking suppliers about their practices;

4 restricting payments to the providers of capital to a *reasonable return* on their investment.

Sustainability Action points for the social economy

1 Pull together and build powerful networks and coalitions which can represent what often appears and acts as a fragmented sector. That especially 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. Last year's Make Poverty History campaign was an excellent example of how a disparate group of organisations can come together and have a powerful impact. Their slogan was "unity with diversity" – surely an equally appropriate rallying call for the social economy?

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 maybe we should do away with business plans for social enterprises because these focus only on 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 which social economy organisations need from **within** the sector to strengthen and expand the sector – using the skills and expertise which exist. Recent reports from Sencot and from Social Enterprise London both emphasise how social enterprises require specialist support from people who understand the social economy sector. It is surely inappropriate for people from the private or public sectors to be expected to competently advise and guide the social economy? This puts an onus onto the bigger and successful social enterprises and social economy organisations to help others start and grow - especially perhaps to start and so ensure there is a new generation emerging. And let us also acknowledge the usefulness of *learning from failure*, rather than being afraid of it.

4 Set a lead in reporting on social, environmental and economic 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. There seems to be a trend of public sector agencies beginning to require evidence of the added-value of social enterprises – and reasonably so. The

recent CIC (Community Interest Companies) legislation requires an annual report on social performance. We must set the pace on how to do that and do it now, rather than wait for government to insist and ask civil servants to show us the way.

5 “*There is Another Way*” – that slogan surely lies at the heart of what social enterprises and the social economy are all about. Another way of running business, of looking after people, of caring for the environment, of putting common good before private gain and of running society from a clear values or ethical perspective. That also of course is the political dimension of social enterprise – a challenge to the private sector way and also to the public sector way. So there is a political job to be done – to persuade government and potential government that the social economy is something to be both encouraged and supported, and that it is far more than just a technocratic tool to be used to deliver better public services. And that is why the players in the Social Economy must learn to work together.

Our sustainability agenda should include certain demands of politicians and government:

- Acknowledgement of the scale and potential of the social economy and of the desirability of having a social economy sector as a respected part of a modern mixed economy.
- The creation of an enabling environment which encourages the formation of a social enterprise. In that regard an acknowledged “kite-mark” (as in the ICO Act) would be helpful. CIC would have been great, but sadly the term was used for just another legal form so we must come up with another “brand name”. We all are familiar with what a public body is and what a private business is – now society needs to become as familiar with a social economy organisation and be able to recognise one straightaway.
- Put in place measures to ensure there is a positive attitude to public procurement of services by social enterprises (should it just be a level playing field? If we want to achieve the social and community added value which social enterprises can deliver then maybe the field should be tilted in their favour a bit?). Offer fiscal benefits and inducements for those social enterprises and social economy organisations which adhere to the key principles.
- Contribute 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.

The quid pro quo of such positive discrimination must be a system of regulation of the social economy 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.

.... And that brings us back again to social accounting and audit.....

Gross National Happiness

In the Himalayan kingdom of Bhutan they have developed the concept of Gross National Happiness (GNH) and before approving a new development project they ask: *How will it improve GNH?* That approach raises important questions about the purpose of economic development, of growth, of business.

Social economy organisations surely have clear views about this given the values which underpin them. Those who create social enterprises start with a determination

to achieve social change, to improve the quality of life. They are community activists who become economic activists and are inevitably engaged in the political process, using business to achieve change and social justice. Sustainability for social enterprises therefore goes beyond financial survival to more fundamental questions about the type of society we are creating with our organisations and enterprises, the effect we are having on people and the impact we have on the planet.

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19 May 2006