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## **Social enterprise – So what's new?**

Social enterprise is the new kid on the block. It's exciting, it's sexy and everybody's talking about it. But is social enterprise really that new? Cynics say they have seen it all before. Social enterprise is nothing more than a new label for tried, tested and failed practices such as community business, workers' co-operatives and credit unions. During the 1980s local authorities pumped millions of pounds into such initiatives. But a study by the Local Government Management Board in 1998 found that less than a third of local authorities said community enterprise was still a high priority. One of the main reasons for this loss of support was that they didn't believe community enterprise could really deliver solutions to the problems faced by disadvantaged communities.

So what if anything has changed to persuade local authorities to take a second bite at the cherry? Is social enterprise just a passing fad, soon to lose favour again when it fails to deliver real solutions, or do those who are promoting social enterprise have some genuinely new ideas and approaches?

The term social enterprise first surfaced in Government circles in 1999 when Tony Blair's Social Exclusion Unit recommended that the new Small Business Service and Regional Development Agencies should be obliged to support the development of new social enterprises as part of a broader strategy of neighbourhood renewal. Since then, one Cabinet Minister after another has had something to say about social enterprise. Gordon Brown says he wants to see more investment in social enterprise, whilst Patricia Hewitt has suggested that the Government in its second term in office should seize the opportunity to promote social enterprise as an essential part of a modernised public service. Alan Millburn seems to be backing this position with his plans for NHS Foundation Hospitals.

Other people have been quick to jump on the social enterprise bandwagon. Think tanks like IPPR, Demos and NEF have all researched the subject. Social Enterprise London has organised a series of conferences that regularly attract more than 500 paying participants. Even the British Bankers Association, not known for being at the cutting edge of radical new thinking, has funded a website devoted to telling the world about social enterprise.

Twelve months ago the Government made social enterprise a ministerial responsibility, a position currently held by Stephen Timms MP. It also set up the Social Enterprise Unit (SEU) within the DTI to push forward its vision for the sector.

This month the SEU has finally published its strategy entitled “Social enterprise: a strategy for success”. It identifies six major barriers to the growth of the sector, ranging from a poor understanding of the value of social enterprise, through to the lack of coherence within the sector itself. In response to these barriers the SEU has itself three targets; to establish the value of social enterprise, to make social enterprises better businesses and to create an enabling environment.

The SEU’s strategy has impressive reach. No less than seven central government departments have been enlisted to develop policies supporting social enterprise. In its efforts to create an enabling environment the SEU is expecting every RDA and Government Office, all local government, Business Links and a host of intermediary agencies in the voluntary sector to do their bit. The strategy itself is the product of eight working groups and upwards of 100 professional advisers, academics, practitioners and policy makers. It is probably the most comprehensive strategy document ever written for the sector. But does all this thinking really add up to something new?

In the effort to present social enterprise as something new and vibrant the SEU strategy document skips over the past. There is no attempt to understand why social enterprise failed the first time round in the 1970s and 80s. Before you can invent the future, you need to discover the past.

Past mistakes are a good starting point. One of the most common mistakes was to take the advice “small is beautiful” far too literally. Small-scale enterprises were established in failing markets with little chance that they could ever be viable. Credit unions were a case in point. Dozens of tiny neighbourhood credit unions were created in the 1980s and 90s to plug the gaps left by the High Street banks as they abandoned poorer communities. But many of these credit unions never stood a chance of being self-supporting. They were simply too small.

But here, at least, the lesson seems to have been learnt. A flurry of merger activity and the birth of new super credit unions targeting whole local authority districts, are replacing the tiny neighbourhood credit unions. Social enterprises in the health and social care sector are starting to recognise the importance of scale if they are to achieve financial viability. It is finally OK for social enterprise to think big. The SEU refers to the diversity of social enterprise, ranging from local community enterprises to large-scale organisations operating nationally or internationally.

There are signs that new solutions are being developed to the old problem of under-capitalised social enterprises. The SEU’s strategy lists a host of initiatives to draw more and larger scale finance into the sector, including equity investment capital. Yet, despite all the talk of multi-stakeholder social enterprises there are few working examples of social enterprises accommodating equity investors as stakeholders. Indeed the SEU very nearly excluded equity investors from the social enterprise equation.

In its draft form the SEU strategy defined social enterprise “*as a business with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners.*” By the time the strategy was published someone had the foresight to add one extra word to the definition, changing it to “*a business with primarily social objectives whose surpluses are **principally** reinvested for that purpose.....*” thus leaving the door open for equity investors as stakeholders.

This represents a step forward, but it doesn't solve the problem of exactly what a multi-stakeholder social enterprise looks like. Partnership structures, familiar to those working in regeneration and renewal, often cloak major power imbalances between communities, funders and contractors. If social enterprise is going to offer something genuinely new it needs to demonstrate that it can tackle the fundamental issues underpinning inequality in our society. For instance, how will social enterprises reconcile the conflicting interests of employees, investors and customers? What structures and mechanisms are needed to bring fairness to enterprise? It is ironic that not a single penny of the billions of pounds invested in ethical investment funds has ever found its way into a social enterprise.

But maybe the biggest challenge facing social enterprise is to demonstrate that there are people out there willing, able and eager to create new social enterprises. There is no point the SEU creating an enabling environment if there is no demand. Where will all the social entrepreneurs come from? Why should someone with entrepreneurial talent set up a business in which they forgo all personal benefit for the greater glory of society? Who are these saintly people?

The Government seems to think that one solution will be to teach people to be social entrepreneurs. It has financed a £100 million endowment fund to create a new charity supporting social entrepreneurs through a millennium awards and fellowship scheme and helped the School for Social Entrepreneurs to set up a network of schools across the country. Yet, past experience shows that trying to create social entrepreneurs in the classroom rarely works. A national evaluation of ESF financed training in the social economy in the early 1990s found that it helped trainees get back into work, it even helped trainees to become self-employed, but it wasn't effective in its central aim, to help people set up new co-operatives or community businesses.

There was a period in the 1980s when there were almost as many co-operative development workers, advising and training people on how to set up cooperatives, as there were new co-operatives. It didn't work then and there is no reason why the same approach should work now. There is a need to re-think how new social enterprises will be created.

**What is a social intrapreneur?**

*A social intrapreneur is an employee of a private, public or voluntary sector organisation who is charged with the task of creating a social enterprise from within the midst of the host organisation. This might be by transforming the whole organisation into a social enterprise, or by spinning-off some existing products or services to form a new and separate social enterprise.*

*Social intrapreneurs need to be able to combine the skills of the entrepreneur, the business adviser and business manager. So, for instance, it could be a local government manager who, as part of a Best Value review, assesses the viability of externalising a service, then acts as the entrepreneur transforming the service into a social enterprise.*

*Social intrapreneurs are different from social entrepreneurs. They are not starting from scratch. They have the support and resources of their parent organisation behind them. But they also have the job of transforming everything around them, providing the leadership and momentum to make things happen.*

Social Enterprise London has identified six starting points for new social enterprises. Four of these involve the transformation of existing organisations in the private, public or voluntary sectors. So rather than looking for social entrepreneurs to create wholly new social enterprises, we should be developing “social intrapreneurs” capable of transforming organisations. We need to blur the boundaries between the roles of the business entrepreneur and the business adviser, by setting up social enterprise incubator companies charged directly with the task of creating new social enterprises. These social enterprise incubators could be part-financed by selling their stakes in successful social enterprises they helped to create.

More seasoned social enterprise practitioners acknowledge that the Government has given them a second chance to get it right. And they are acutely aware that if they fail to deliver the goods this time they won't be asked again.