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**UNIVERSITY OF SOUTHAMPTON**

**FACULTY OF SCIENCE  
GEOGRAPHY**

**Doctor of Philosophy**

**THE SIGNIFICANCE OF SOCIAL  
ENTERPRISES IN THE REFORM OF  
THE BRITISH WELFARE STATE**

**July 2003**

**Sarah Elizabeth Edwards**

I declare that the work in this thesis is my own unless otherwise stated. It has not been submitted for any other degree. This work was done wholly whilst registered at the University of Southampton.

Sarah Edwards, July 2003.

UNIVERSITY OF SOUTHAMPTON

ABSTRACT

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Sarah Elizabeth Edwards

Increasingly, the United Kingdom Government is looking towards the social economy to deliver welfare services. The social economy, and specifically social enterprises, are envisaged by New Labour as having the ability to train and employ those disadvantaged in the labour market; engage individuals and communities in service provision and urban renewal; and, provide a model for future forms of welfare service provision. This research investigates the links between the social enterprise and the welfare reforms initiated by New Labour. In addition, the research considers the implications of an expanded role for social enterprises in welfare from the perspective of social enterprise practitioners. Using a grounded theory research design, and qualitative research methodologies, those running social enterprises in the cities of London and Bristol were interviewed (during the summer of 2001). This data, alongside policy documents, ministerial speeches, newspaper articles, think tank publications, and interviews with policy-makers and advocates for the social enterprise sector, provide the evidence presented here.

The research develops a definition of the social enterprise as an organisation that uses a commercial venture as a tool to achieve social change. It is shown that the term 'social enterprise' refers to a diverse range of organisations that differ in legal and organisational structure and social mission, but which are linked by the common purpose of service delivery. The research reveals a subtle but important difference between social enterprise activity, and social enterprise as a business model. In spite of their diversity, it is demonstrated that a typology of social enterprises can be constructed by using the attributes identified by those running such organisations. This typology takes into account a diverse range of attributes that coalesce to form this hybrid social institution, instead of considering their organisational structure or social mission as defining features, as has been the case in the past.

Using discourse analysis, social enterprises are shown to be significant within welfare reform because they embody the attributes that advocates for reform wish to promote. Social enterprises are shown to embody the postmodern attributes of 'empowerment' and tailored localised service provision, alongside the politically attractive attributes of 'enterprise', 'effectiveness', and 'efficiency'. These attributes offer 'challenges' to existing forms of public and third sector welfare provision. Through these challenges, the discourse of social enterprise is instrumental in current changes in welfare, not only in changing the practices of service delivery, but more significantly, in changing the culture and the way in which 'solutions' in welfare are sought.

The thesis demonstrates how the notion of social enterprise is intertwined with broader academic debates concerning the scale and scope of the emerging postmodern welfare state, and the social enterprise is shown to be emblematic of those changes in welfare at a theoretical level. At a practical level, the social enterprise appears to be unlikely to have significant impact on the mainstay of the welfare state. However, it is suggested here that policy-makers need to take greater consideration of the 'appropriateness' of applying the social enterprise model in welfare than is the case at present.



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## **List of abbreviations:**

<b>BACEN</b>	Bristol Area Community Enterprise Network
<b>CAF</b>	Charities Aid Foundation
<b>CAN</b>	Community Action Network
<b>CCT</b>	Compulsory Competitive Tendering
<b>CDA</b>	Critical Discourse Analysis
<b>CDC</b>	Community Development Corporation
<b>CDFI</b>	Community Development Finance Initiative
<b>CED</b>	Community Economic Development
<b>CSR</b>	Corporate Social Responsibility
<b>DTI</b>	Department of Trade and Industry
<b>EBE</b>	East Bristol Enterprise
<b>ESF</b>	European Social Fund
<b>FRP</b>	Forest Recycling Project
<b>ILM</b>	Intermediate Labour Market
<b>ITO</b>	Industrial Therapy Organisation (Bristol)
<b>LSP</b>	Local Strategic Partnership
<b>MP</b>	Member of Parliament
<b>NCVO</b>	National Council for Voluntary Organisations
<b>NEF</b>	New Economics Foundation
<b>NVQ</b>	National Vocational Qualifications
<b>PAT</b>	Policy Action Team
<b>PFI</b>	Private Finance Initiatives
<b>PIU</b>	Performance Innovation Unit
<b>RDA</b>	Regional Development Agencies

<b>SBS</b>	Small Business Service
<b>SEC</b>	Social Enterprise Coalition
<b>SEL</b>	Social Enterprise London
<b>SEU</b>	Social Exclusion Unit
<b>SLA</b>	Service Level Agreement
<b>SME</b>	Small and Medium sized Enterprises
<b>SRB</b>	Single Regeneration Budget
<b>SSE</b>	School for Social Entrepreneurs

## Chapter one: Introduction

“Social enterprises are close to their customers.... they are often well placed to be able to deliver good quality, cost-effective public services. In addition, social enterprises can demonstrate the worth of innovative new practices... in service delivery” (DTI, 2002, p50).

### (a) Introduction:

Increasingly, governments are looking towards third sector organisations to provide social welfare services. The quote above from the recently published ‘national strategy for social enterprise’ demonstrates the potential for welfare reform the social enterprise is thought to encompass. In the late 1990s, the terms ‘social entrepreneurship’ and ‘social enterprise’ were appearing in public policy debates concerning the future of public services. This research thus begins with a question: Why are the notions of social enterprise and social entrepreneurship important to understanding change in welfare service provision in the United Kingdom? This broad question leads us to a review of the literatures concerning social entrepreneurship and social enterprise introduced in this chapter. This review identifies the deficiencies associated with much of the existing work that tends to focus upon the individual social entrepreneur, namely that it ignores the *process of organisational creation*: that is, the creation and operation of the social enterprise. This chapter charts these preliminary investigations and shows how they provided the foundation stones for this research.

By way of an introduction, this chapter presents to the reader the scene at the beginning of the research project. This is compatible with a grounded theory research report: May (1986) suggests that the report should “allow the reader to ‘see’ the phenomenon of interest as the investigator did at the beginning of the grounded theory research project” (p152). This chapter, therefore, aims to do just this. Firstly, we consider the origins of this research and the research rationale. Secondly, we see how

these preliminary investigations shaped the nature of the research and led to an organisational focus within the work, which is followed by a description of the thesis structure.

**(b) The origins of the research and research rationale**

In the period 1997-1999 the buzzword 'social enterprise' was appearing with increasing frequency in social policy debates, ministerial speeches on the modernisation of public services, in the media, and at conferences, particularly those concerning the reform of public welfare provision. Little academic research had been undertaken in the United Kingdom, however, to investigate the relationship between public policy and the social enterprise. This research was designed as a response to this neglect.

During the period 1997-1999 social enterprises, social entrepreneurs and the social economy were presented as having the ability to address the problems facing welfare states, offering policy solutions attractive across traditional political divides in countries as diverse as New Zealand, the United States of America, Spain, and Canada. The United Kingdom was no exception. Arguably, the United Kingdom was a leader in the development of a 'middle' or 'third way' between the traditional left and right (see Giddens, 1998a, 1998b for more detail). This research aims to examine and understand the role or significance of the social enterprise in the reform of social welfare provision (for a more detailed description of welfare reform in the United Kingdom see chapter five). It is suggested here that the notion of social enterprise has thrown down a gauntlet to service providers, challenging them to rethink the way in which services are delivered, and through what organisational or institutional structures. The New Labour Government in the United Kingdom has been particularly keen to consider the social economy, and specifically social enterprises, as a means to pursue its political objectives to modernise and reform public services legitimised by third way thinking (Giddens, 1998a; 1998b; 2000).

The effect of this intensified political interest was to raise the profile of the third sector as an alternative service delivery mechanism and model for future forms of delivery. Browne (2000) attributes the increased visibility of the social economy to the recent interest in 're-inventing government' and the dominance of neoliberal ideologies in public policy. Re-inventing government discourses have opened up debates on the role of the social economy in welfare, and, specifically, the relationship between the social economy and Government.

Following a brief examination of the social enterprise literatures (for example, Leadbeater, 1997; Amin, Cameron and Hudson, 1999, 2002; DETR, 1999; Fontan and Shragge, 2000; and SEL, 2001b), it is clear that these hybrid organisations known as social enterprises are not a new phenomenon, but have grown out of the Community Economic Developments (CED) and co-operative movements. What is *new* is the increased salience of the debate surrounding social enterprises, and their inclusion in social welfare policy particularly evident in the recently published national strategy for social enterprise (DTI, 2002).

This thesis explores the roles that social enterprises appear to be undertaking within these changes in welfare and the extent to which social enterprises are related to broader shifts in welfare provision (e.g. the emergence of a 'post-modern' welfare system). In order to do so, it is necessary to take a step back and consider the social entrepreneurship literature, the starting point for this project. At the outset of this project most of the literature available originated in the disciplines of business studies, entrepreneurship or management (see Johnstone, 1999; and Westall, *et. al.*, 2000 for examples); however, these literatures rarely consider the broader political, social and cultural contexts of the work social entrepreneurs and social enterprises undertake. Nonetheless, this literature, characterised here as the 'business school approach', provided a good basis from which this research began.

## **The business school approach**

Much of the early literatures concerning social enterprise and social entrepreneurship emerged from researchers with a business or management background (for example, Leadbeater, 1997; Johnstone, 1999). With the increased recognition of social entrepreneurship and social enterprise in policy, the business and management community has responded by expanding their remits to incorporate businesses and entrepreneurs that work for social benefit. This trend has led to the development, for example, of the Social Enterprise Institute at Heriot-Watt University<sup>1</sup>, and the Barclays Centre for Entrepreneurship at the University of Durham<sup>2</sup> (Shaw *et. al.*, 2002). These schools aim to improve knowledge of how and why social entrepreneurs undertake their work, how they can be supported, and how capacity in the sector can be increased. Concurrently, the remit of the Small Business Service (SBS), the body within the Department for Trade and Industry (DTI) responsible for small business advice and support, has incorporated support for social economy organisations within statutory support services. These developments have fuelled the need for information and management tools to build capacity in the sector, driven by the policy objectives of the Government. Here we briefly review what can loosely be identified as the business school approach to the study of social entrepreneurship and social enterprise, to ascertain its appropriateness to the study of social enterprise in the context of welfare reform, specifically using the work of William Gartner (1988).

### ***What is social entrepreneurship?***

The origin of the term 'social entrepreneurship' is something of a mystery; ASHOKA, a nonprofit organisation based in the United States, claim that they were the first to utilise the term in the 1970s, referring to their work supporting small scale entrepreneurs or microentrepreneurs in North America and developing countries<sup>3</sup>. For

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<sup>1</sup> See <http://www.hw.ac.uk> for more details.

<sup>2</sup> See <http://www.dur.ac.uk> for more details.

<sup>3</sup> Full details of this can be found at [http://www.ashoka.org/html/social\\_entrepreneurship.html](http://www.ashoka.org/html/social_entrepreneurship.html).



many people, the notion of the social entrepreneur is something of an oxymoron, as it combines two contradictory terms: *social* referring to people working together as a community, being interdependent and co-operative; which is juxtaposed with the independent, driven, profit-making, owner or manager of an enterprise, the *entrepreneur*.

Before considering social entrepreneurship, an understanding of entrepreneurship is needed. According to one influential definition:

“Entrepreneurs create new technologies, products, processes, and services that become the next wave of new industries” (Timmons, 1999, p17).

Therefore, entrepreneurship is the creation of new products, services, and processes that is often, but not always, combined with the creation of new organisations. The entrepreneur sets the direction and pace of change for the rest of the sector, and is the individual who creates, innovates and leads, changing “the way people live, work, learn, play and lead” (*Ibid.*). The social entrepreneur, undertaking social entrepreneurship, displays similar characteristics:

“Social entrepreneurs identify under-utilised resources – people, buildings, equipment – and find ways of putting them to use to satisfy unmet social needs. They innovate new welfare services and new ways of delivering existing services” (Leadbeater, 1997, p8).

The social entrepreneur creates new products, services, and processes in the social sphere, working with and between the public, private and voluntary sector, creating new ways of meeting social needs, and applying innovation in the field of social welfare. The notion of entrepreneurship applied to ‘social’ settings has its origins in the field of Community Economic Development (CED) (Emerson and Twersky, 1996), where community groups work at the local level to improve the local economy and generate social capital for the overall improvement of a designated area.

The social economy, social entrepreneurs and the social enterprise can be understood to form a ‘new social movement’ (new in the sense that the forces of business and the traditional charitable sector are coming together in new collaborative ways). In this context, a social movement refers to the “organised efforts of multiple individuals or organisations, acting outside formal state or economic spheres, to pursue political goals within society” (Johnston *et. al.*, 2000). In order to assist our understanding of this social movement we must explore the entrepreneurship literatures a little further. In general this literature can be grouped into two theoretical standpoints: either a *trait and attribute approach* to explaining the motivation for (socially) entrepreneurial activity; or, a *behavioural approach* that focuses upon the process of enterprise creation (Gartner, 1988). Although these have been separated in the following discussion for ease of explanation, they should be understood as working together, as enterprise creation cannot easily be separated from the individual entrepreneur.

### ***Trait and attribute approach to understanding social entrepreneurship***

The trait and attribute approach to understanding social entrepreneurship seeks to explain the occurrence of entrepreneurship by looking at the psychological traits and attributes of the individual entrepreneur. The social entrepreneur is best understood in comparison to a conventional ‘business’ entrepreneur. The National Centre for Social Entrepreneurs<sup>4</sup> in the United States recognises that the business entrepreneur is an individual who organises, manages and assumes the risk of a business enterprise. The social entrepreneur appears to display similar attributes to a conventional entrepreneur, as Table 1.1 demonstrates.

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<sup>4</sup> Further description to be found at <http://www.socialentrepreneurs.org/entreddef.html>.

Social Entrepreneur	Conventional Entrepreneur
Risk taking	Risk taking
Perception of 'public good'	Eye for business opportunities
Visionary opportunists	Need for achievement
Power/prestige/personal fulfilment	Perseverance
Ambitious	Good judgement
Driven	Good business skills
Good leaders/people managers, hero status	Hero status
Charismatic	Charismatic
Good communication skills	Good communication skills
Educated and professional	Educated and professional
Commitment to undertaking	

**Table 1.1:** Entrepreneurial traits, competencies and attributes: a comparison between social entrepreneurs and conventional entrepreneurs.

Traditional studies of entrepreneurship have focused upon the psychological traits of the entrepreneurial individual; likewise, psychological traits of social entrepreneurs have also been identified in the social entrepreneurship literature (Leadbeater, 1997; Johnstone, 1999). Chell *et. al.* (1991) summarises these key traits of the entrepreneur as having a desire for independent decision-making; a need for creativity and innovation in work; and, an individual who has the ability to spot and exploit opportunities. In addition, research has shown that the entrepreneur is likely to possess a substantial amount of self-belief, and is generally confident that their chosen course of action is the most appropriate (Gavron *et. al.*, 1998). These psychological traits appear to co-exist with other related competencies and skills that enable the entrepreneur to succeed in new venture creation.

The Community Action Network (CAN)<sup>5</sup> have compiled an 'A to Z' of the competencies and attitudes of the social entrepreneur. Central to this schema is the presence of a 'driven' personality. There is a general consensus that the social entrepreneur has a strong 'visionary' image of the outcomes desired, and it is this 'vision' that motivates the individual. Hirsch *et. al.* (1997, p326-7) identify the following as motivating factors for nonprofit entrepreneurship that are applicable to social

<sup>5</sup> CAN is an UK-based non-profit organisation that acts as an umbrella organisation to the social enterprise sector, more information can be found at <http://www.can-online.org.uk/>.

entrepreneurs. These factors are a desire for financial independence; the desire for creativity and craftsmanship in work; a strong belief in a 'cause'; an individual's search for acclaim, power and control in their chosen field; and, a desire to promote the values held, for example, religious or nonprofit values. Publications from the social enterprise sector (for example, the Community Action Network) and the business schools (for example Shaw *et. al.*, 2002; Smallbone *et. al.*, 2001) support these motivating factors for, and attributes of, social entrepreneurs.

### ***The relationship between social enterprise and social entrepreneurship***

The terms social entrepreneurship and social enterprise are often, mistakenly, used interchangeably. It is important to distinguish between social entrepreneurship and social enterprise as they are related, but distinct movements. Underpinning the attributes described above is the understanding that the socially entrepreneurial individual has the ability to build 'something from nothing'<sup>6</sup>; and is a charismatic leader (Lotz, 1989). For example, individuals such as Andrew Mawson of the Bromley-By-Bow Centre and the Community Action Network (CAN) (Leadbeater, 1997; BBC Radio 4, 1999; LEDIS, 1999a), and Greg MacLeod of New Dawn, Cape Breton (Johnstone, 1999) have been constructed in the media and publications as heroes because of their abilities to bring life back to areas of decay. Such imagery and rhetoric is powerful in the media portrayal of the 'social entrepreneur'. However, focusing upon the individual in this way overlooks the organisation that he or she creates and ignores the *context* of organisational creation. Gartner (1998) argues that the trait and attribute approach is therefore of limited value; he suggests that focusing upon entrepreneurial traits does not allow the *process of entrepreneurship* to be considered. Similarly, it is argued here that focusing upon organisations is important when researching in the third sector where many feel uncomfortable with the individual as the primary focus, and where the organisation (the social enterprise) appears to take precedence in political debate (see for example, DTI, 2002). Accordingly, it was felt appropriate to reject an approach that focused upon the

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<sup>6</sup> From CAN Online, 23/11/99: <http://www.can-online.org.uk/SOCIAL/definition.htm>

actions of the individual entrepreneur, and instead to consider in preference the organisation they create – the social enterprise.

Specifically within the context of social entrepreneurship, Gartner's concern that researchers were asking the wrong questions was apparent in early studies of social entrepreneurship. A radio series *Quiet Revolution* (BBC Radio 4, 1999) aired during the beginnings of the research project demonstrated these difficulties. *Quiet Revolution* intended to highlight the activities of 'new social entrepreneurs'. The programme presented the social entrepreneurs Andrew Mawson of the Bromley-By-Bow Centre (*The Observer*, 12/9/99), and Liam Black of the Furniture Resource Centre in Liverpool (*Eastern Daily Press Magazine*, 25/9/99). In the same series, Bill Hogan a cheese maker from County Cork<sup>7</sup> (*The Guardian*, 18/9/99), and Dr Christopher Tiarks, a doctor who used a boat to reach his patients, were also given as examples of social entrepreneurs. The series demonstrated the difficulty in employing a trait approach to the study of social entrepreneurship. Andrew Mawson and Liam Black had created new social enterprises; Bill Hogan founded a new forprofit business, and Dr. Tiarks found a more efficient means to serve his patients. The programme presented each individual as a charismatic leader by the traits they displayed. However, when the process of entrepreneurship, what they were actually doing, was considered, there were far fewer similarities.

***Behavioural approach to understanding social entrepreneurship: 'Who is a social entrepreneur? Is the wrong question'<sup>8</sup>***

Gartner's critique supports an organisational approach to researching social enterprises. Gartner (1988) argued that asking the question 'Who is an entrepreneur?' was the wrong research question because such research was unlikely to identify a simple set of entrepreneurial traits. Therefore, he thought that more fruitful research could be undertaken if the entrepreneur was defined by his or her actions. This thinking shifts the

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<sup>7</sup> Bill Hogan set up a conventional cheese making business that has stimulated an upsurge in the local economy.

focus away from the individual towards the creation of organisations. Applied in the context of this research, Gartner's arguments encourage us to consider the social enterprise as the unit or level of analysis. The behavioural approach promoted by Gartner enables the differences between conventional and social entrepreneurship to be identified. Table 1.2 summarises the main differences between social entrepreneurship and business entrepreneurship using the behavioural approach.

Social Entrepreneur	Conventional Entrepreneur
Aims to 'make a difference'	Aims to make a profit
Nonprofit - recycles profits into enterprise	Profit and growth oriented
Identifies underutilised resources	Consolidation of resources
	Unites means of production
	Relative autonomy over resource allocation
Addresses unmet social needs	Addresses unmet market needs
Innovates new welfare services	
Technical/process/product innovation	Technical/process/product innovation
Social innovator	Innovator
Takes the initiative	Takes the initiative
Finds new ways of delivering existing services	Finds new ways of delivering existing services
Forms new organisations	Forms new organisations
Creates flat and flexible organisations	Strategic management practices
Forms long-term relationships in the community	
Creates social and economic capital	Creates economic capital
Creates social output through economic activity	Goods or service output
Socially optimal	Economically optimal
Mutual benefits to entrepreneur and society	Benefit to the entrepreneur

**Table 1.2:** Entrepreneurial activity and behaviour: a comparison between social entrepreneurs and business entrepreneurs.

The table above demonstrates that there are similarities between the *processes* of (conventional and social) entrepreneurship. Both types of entrepreneur identify and consolidate underutilised resources, and take the initiative and innovate to create new goods or services. The major differences between the social entrepreneur and the

<sup>8</sup> Adapted from Gartner, W., 1988, 'Who is an entrepreneur? Is the wrong question', *American Journal of Small Business*, vol:12(4), pp11-32.

conventional entrepreneur lie in the *context* of the entrepreneurial ‘event’ (the third sector versus the forprofit business sector), and in their motivation for pursuing entrepreneurial activity. A review of the literature reveals that social entrepreneurs are driven by a desire to make a difference in their community, but they also aim to make a profit, or at least generate a financial surplus from their activity. Both types of entrepreneur identify and exploit an unmet market need; the difference lies in the *nature* of that market.

Social entrepreneurs respond primarily to unmet social needs, whereas a conventional entrepreneur responds to any perceived need or want in the market place. To address unmet needs both types of entrepreneur create new ways of delivering goods and services, by means of technical, process or product innovation. Through their innovative activity, both types of entrepreneur create new organisations. The social entrepreneur uses the organisation to generate social and economic capital, whereas the conventional entrepreneur focuses primarily on the creation of economic capital, producing goods or services at an economically optimal point. A social entrepreneur creates an organisation that generates social capital and social output at points below profit maximisation. Working below this point enables the social entrepreneur to generate income alongside social gains. For conventional entrepreneurship, financial benefits from the business are fed back to the individual. In social entrepreneurship the community or wider society gains through good or service provision, and the social entrepreneur receives non-financial rewards for their work (including job satisfaction and pursuing a mission). Understanding these features of social entrepreneurship lead us to question how socially entrepreneurial organisations achieve their goals.

Following the patterns of thought described above, the preliminary research question becomes: how can we characterise and identify socially entrepreneurial individuals and social enterprises in a more effective way as to avoid the difficulties encountered by *Quiet Revolution* and the business school approach? Gartner’s framework recognises that to gain greater understanding of entrepreneurship requires a move beyond psychological trait analysis to consider the process of entrepreneurship as a ‘contextual event’ (Gartner, 1988, p21). Focusing upon social entrepreneurship as a

‘contextual event’ allows the researcher to look at wider societal processes within which it occurs. This thinking requires the relationship between social enterprises and welfare reform to be considered. To use Gartner’s turn of phrase, the ‘right’ questions become: ‘What is a social enterprise?’ And leading from this: ‘What roles are social enterprises undertaking in welfare change?’

### **(c) Researching social enterprises and welfare change**

The shift of focus away from the social entrepreneur towards the role social enterprises are undertaking in the broader context of welfare change, raises a series of questions for the research to address. Specifically, the focus of the research shifts towards the political context within which social enterprises are working. New Labour were elected in 1997 with a remit to modernise government (for more details see The Cabinet Office, 2000) and reform public services. The election campaign pledged to address the perceived problem of social exclusion through the establishment of the Social Exclusion Unit (SEU) within Government. Through this unit the Government sought to target the problem areas of truancy and school exclusion, rough sleeping, teenage pregnancy, employment and training, and neighbourhood renewal<sup>9</sup>. Within these remits, the SEU commissioned a series of reports by Policy Action Teams (PATs) to investigate how these problems of social exclusion could be addressed. Of relevance to this research, Policy Action Team Three (PAT 3) reported on the links between enterprise and social exclusion, particularly in deprived communities. PAT 3, reporting to Government in 1999, identified that social enterprises could improve service provision and remove barriers to enterprise/employment in deprived areas:

“Social enterprises can strengthen the social and economic fabric of deprived communities, not least by providing services that are not profitable enough to attract private sector firms. They can act as a bridge between a deprived community and the mainstream economy” (p14).

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<sup>9</sup> See <http://www.socialexclusionunit.gov.uk> for further information.



This high profile recognition of the social enterprise as a vehicle for social inclusion, and the subsequent incorporation of the social enterprise into the National Strategy for Neighbourhood Renewal (SEU, 2001), put the social enterprise firmly upon the public policy map. Policy-makers increasingly saw social enterprises as a ‘welfare solution’<sup>10</sup>, and viewed them as an organisational model for the reform of welfare service provision. However, in spite of this policy profile, the role that social enterprises were undertaking in shaping welfare remained little discussed; particularly in academic research. This research seeks to fill this void.

### **Research objectives**

Exploring the limited literatures available on social enterprises at the beginning of the project reveals a series of definitional difficulties with the term ‘social enterprise’ (discussed in greater detail in chapter three). In order to address these difficulties the first research question was set accordingly: what is meant by the term social enterprise? This initial question allows us to gain a fuller understanding of what a social enterprise is, what a social enterprise does, and how a social enterprise achieves its goals. Once a working definition of social enterprise is established, the research then aims to examine and understand the role social enterprises are undertaking in welfare reform; and finally, to consider the implications of promoting social enterprise solutions in welfare.

### **Research approach**

The research is designed to be sensitive and flexible in order to accommodate change in this emerging field of research, and adopts a grounded theory approach (described in more detail in chapter two). This flexible approach allows the research questions to evolve as the research learns more about the area of study (May, 1986). Grounded theory research initially sets broad research questions, as is the case for the first research question: what is meant by the term social enterprise? The research

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<sup>10</sup> Such developments are related to broader shifts in welfare – see chapter five for more detail.

questions then become more refined as the research progresses, as demonstrated by the evolution of the second and third research objectives: to examine and understand the role social enterprises are undertaking in welfare, and consider the implications of these shifts. As a result of the limited literature available, the grounded theory approach the thesis lacks a specific 'literature review', preferring instead to integrate the work of others to support the argument as the discussion progresses.

### **Thesis structure**

This chapter, and chapter two - a description of the research design and research methodology - form the introduction to this thesis. Chapter three explores how others have identified and defined social enterprises, and how these have been incorporated into this research. From this discussion a comprehensive definition of what is meant by the term social enterprise is constructed.

Chapters four, five and six respond to the interpretative research objective: to examine and understand the role that social enterprises are undertaking in welfare reform. The discussion begins with the notion of discourse, and argues that social enterprises represent more than an alternative service delivery mechanism, and form a discursive strategy that is designed to re-shape welfare provision. Chapter five develops the arguments presented in chapter four, and suggests that social enterprises represent how some academics see the future of welfare provision in an emergent 'post' society. Chapter six takes these arguments and demonstrates *how* the discourse of social enterprise is contributing to change in welfare. With these arguments in mind, chapter seven attempts to evaluate these changes by asking a series of critical questions that cast doubt on the direction of change in welfare promoted by the discourse of social enterprise. These thoughts are then brought together by way of a conclusion in chapter eight, alongside a reflection on the research process. In addition to, and following the appendices, a detailed glossary of non-standard, subject specific terms is provided in order to clarify meanings in the context of this research. Accordingly, we now focus our attention on the research design and research methodology.

## **Chapter two: Research design and research methodology**

### **(a) Introduction**

This chapter provides a detailed description of how this research was designed and implemented, and documents the evolution of the research questions that led to the focus of the research upon the role social enterprises undertake in welfare service provision and welfare reform. It has already been shown in chapter one that previous research into social enterprises has focused attention upon the individual social entrepreneur and business support for social enterprise, with little consideration for the broader role which social enterprises appear to be undertaking as alternative service delivery mechanisms in welfare. The limited literature at the outset of the research led the initial stages of the research to focus upon identifying and defining what was meant by the term *social enterprise*. It was therefore decided to use a grounded theory approach, an approach well suited to situations where there is little prior knowledge of the subject in question. Consequently, the research design and methodology is discussed prior to a discussion identifying and defining the research subject in any detail, as that definition was the product of the research design, responding to the first research aim. This discussion is followed by a consideration of the qualitative research methodologies employed in undertaking the research. It is shown that, although imperfect, the approach employed was the most appropriate means to investigate this new area of research. We begin this discussion by considering grounded theory approaches to research.

### **(b) Research design: a grounded theory approach**

The research has been designed to follow the principles of grounded theory where theoretical explanation of events observed during the research process emerges and develops as the project progresses. This approach is particularly suited to the study of

social phenomena where there is little prior knowledge as the approach allows research questions to emerge through contact with the field. This section considers the key features of grounded theory, how data is handled, and how theoretical explanations emerge through the research process. A consideration of the type of knowledge the research produces, and how such research can be evaluated to ensure rigour, follows this discussion. The section closes by demonstrating how this approach has been applied in the context of this research, and considers the role of an initial study of social enterprises in Canada in setting the stage for the UK study. First, however, we turn our attention towards the key features of grounded theory approaches to undertaking research.

### **Grounded theory approaches to research design**

Pioneered by Glasser and Strauss in the late 1960s, and later by Glasser, and Strauss and Corbin in the 1990s<sup>1</sup>, the grounded theory approach advocates generating theory inductively from data collected in the field. It is distinctive in its commitment to “research and ‘discovery’ through direct contact with the social world studies coupled with a rejection of *a priori* theorising” (Locke, 2001, p34, original emphasis). Grounded theory is a particularly appropriate tool for analysing change in society, where the research is exploratory:

“Grounded theory makes its greatest contribution in areas in which little research has been done. In these areas, theory testing cannot be done since the variables relevant to the concepts have not yet been identified (Stern, 1980). Therefore, one of the major uses of grounded theory has been in preliminary, *exploratory*, and descriptive studies” (Chenitz and Swanson, 1986, p7, emphasis added).

Grounded theory is ideally suited to researching social enterprises because the approach enables the researcher to be highly responsive in the field, maintains flexibility in research design, and provides opportunities to ‘layer in context’ as the project develops. Glasser and Strauss’ original conception of grounded theory aimed for the researcher to

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<sup>1</sup> See Strauss and Corbin (1998) for a history of the development of grounded theory research approaches.

free his or her mind from all prior assumptions, favouring themes that emerge only from field data. Post-modern research methodologies, particularly feminist methodologies, highlight the impact of the researcher in shaping the research process (see McDowell, 1992; Rose, 1997; Elwood and Martin, 2000), and have led to an interpretation of grounded theory that appreciates the inability of the researcher to free his or her mind of *all* prior knowledge. Suspending all prior assumptions is difficult at best, and impossible, perhaps undesirable, at worst, given that it is the perspective of the researcher, and the interpretative story they construct that is of interest. Grounded theory is not, however, an excuse to go into the field without some theoretical guidance (Locke, 2001; Charmaz, 2000), but an opportunity to let the data and the research process to shape the research outcomes in a way more prescriptive research approaches cannot.

Grounded theory is an approach that specifies analytic strategies, rather than data collection methods (Charmaz, 2000), as a means to build theory from fieldwork. The approach enables theory to emerge from the data collected, allowing the data to ‘breathe’, whilst providing a rigorous analytical strategy for researchers to follow. Grounded theory as a research strategy acts as a means to move from empirical observation towards ‘analytic generalisability’ (Yin, 1994). Locke (2001) argues that grounded theory is not only useful in generating theories on social processes, but that the approach is also suitable for creating static models. Locke argues that grounded theory’s “analytical approach can support the researcher in interpreting and conceptualising social units found in the research situation” (2001, p42). Therefore, grounded theory is an appropriate analytical tool for answering both descriptive and interpretative research questions.

Grounded theory is a revolving and evolving process of examining data and forming theoretical explanations. As such, this description of the analytical approach should not be read as a stage-by-stage guide, but as concurrent elements in a continual process of evolution and evaluation of explanatory concepts. Undertaking grounded theory research begins with the collection of qualitative data, usually via recorded interview, followed with the naming and coding of sections of the text (a more detailed description of this process is provided in appendix 2.1). Coded sections of data are then

compared to other data instances. Thoughts, ideas, interpretations that occur in the mind of the researcher during this process are recorded in a series of memos that link the coding/naming process with analytic interpretation with empirical reality (Charmaz, 2000).

Following the recommendations made by Charmaz (2000), each interview transcript was read closely and all reactions, interpretations, and ideas were noted on the transcript by the researcher<sup>2</sup>. These notations incorporated some understanding gained from prior experience, and built upon existing and developing understandings of the codes. Line by line coding “sharpens our use of sensitising concepts - that is those background ideas that inform the overall research problem. Sensitising concepts offer ways of seeing, organising, and understanding [the research] experience” (Charmaz, 2000, p515). Coding the transcripts in this way was found to be an invaluable means to ‘get to know’ the data. This is perhaps because, as Locke (2001) also argues, the development of codes leads to the formulation of concepts that begins the process of theory building through the process of analytic generalisation. During analysis the notes and memos of the researcher charted the development of concepts that emerged and re-emerged from the data that were developed into conceptual categories, abstracting away from the data, whilst emerging from it. Through continual revision of the conceptual categories, a particular story emerged from the data.

During this phase of continual revision decisions were made as to the importance of some of these categories in telling the story told in this research report. For example, decisions were made to focus upon the role of the social enterprise in service delivery as opposed to issues surrounding business development. The focus of the research upon the role of social enterprises in welfare change emerged through discussions with those running social enterprises. Through discussion, it became clear that those working in the social enterprise sector felt that this issue was of great importance, but that it was rarely discussed publicly. The focus of this research also reflects the lack of academic literature on the subject. Some academic work has begun to emerge, for example, Amin, Cameron

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<sup>2</sup> To ensure confidentiality for the interviewee, each transcript was anonymised and numbered, e.g. T1.

and Hudson (2002) undertook concurrent research to understand the spatial distribution of the social economy and how place affected the vibrancy of the sector; whilst organisations such as Social Enterprise London (SEL) have been undertaking surveys of the sector to gauge its scale and scope.

The approach described above is a part of the method of theory building characteristic of grounded theory approaches. Theoretical explanations of phenomena in grounded theory research develop through a process known as *theoretical sampling*. Theoretical sampling directs fieldwork “towards gathering information that will best support [the] development of the theoretical framework” (Locke, 2001, p55). In other words, data were gathered as thinking progressed, fieldwork was used as a means to evaluate the importance of emergent themes and conceptual categories, and the continual re-evaluation fed into the research process and consequently the theoretical framework. In essence, theoretical development is therefore grounded in field observations. This initial phase of the research involved talking informally<sup>3</sup> with practitioners, policy-makers and advisors in the United Kingdom about issues important in the running of social enterprises, and their impressions of the broader context and role of social enterprises within public policy. From these discussions, a number of issues emerged, for example: the financing of social enterprises, the developmental capacity of the organisation, the marketing of social enterprise goods and services and issues of democratic management. These issues were then explored further through discussions with practitioners both in the United Kingdom and Canada, where it became clear that understanding the role social enterprises were undertaking in welfare reform was the most important un-addressed area of research. Further exploration of the issues confirmed a series of themes that were then explored at greater depth in the main phase of the research project undertaken in Bristol and London where nineteen formal interviews were undertaken with social enterprise practitioners, and a further nine interviews with those involved in the sector, but not running social enterprises themselves. Twenty-eight

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<sup>3</sup> Informal discussions with practitioners, policy-makers and advisers (face to face, telephone and email) took place throughout the research and provided a ‘sounding board’ for the discussion presented in this thesis. These discussions were not transcribed although were recorded in a research diary as they shaped interpretation of the issues at hand.

formal interviews were conducted and transcribed in total.

The process described here is an example of theoretical sampling. Concepts and explanations were revised in accordance with experience in the field, ideas and themes built to form concepts. Where a conceptual category holds explanatory power, it builds part of the theoretical framework to explain the social situation. In practice this meant that an idea which appeared to be important in one interview would be introduced to other interviewees to see if they also felt it to be important. For example, in the early stages of the interviewing, practitioners raised concerns over the high public profile of social enterprises. The public profile of social enterprise was then raised in subsequent interviews, and the issue became a key 'concept' in interpreting the role social enterprises are undertaking in welfare reform. This testing of ideas, or theoretical sampling strategy facilitates the development of "rich, multidimensional conceptual categories" (Locke, 2001, p57), and is particularly powerful because it enables the process of evaluating and re-evaluating conceptual categories to continue in the field. This approach allows the researcher to scrutinise similarity and difference in ideas, perceptions and understandings in different settings. Theoretical sampling has the ability to compare the views of different people in different situations, enabling the researcher to determine how a conceptual category may be affected by assorted conditions. Finally, this strategy allows the researcher to 'sample' similar and different groups, situations or individuals, and ensures that enough information is collected to saturate each conceptual element of the developing theory, it also helps to identify the boundaries of where the theory is most appropriate.

Setting out this description of how the data was analysed is in danger of glossing over the interwoven nature of this type of research, and the research process appearing linear as a result. This was not the case. As the research developed, each idea or concept fed back into the research process. The emerging ideas looped back into later interviews until a point in time where the concepts accounted for what was happening in the field, the concepts thus became *saturated*. It is frequently argued that grounded theory approaches create a type of knowledge that is ideal as a precursor to other forms of



research. It is therefore ideally suited to an investigation of 'social enterprise' that aims to develop our understandings and meanings of the term in relation to welfare change, however, grounded theory can be used beyond this remit. Chenitz and Swanson (1986) argue that this denies the full capabilities of a grounded theory approach to build theoretical explanations, as it can also be used effectively to generate descriptive theory or theories to explain processes in society. Nevertheless, grounded theory is not without its critics.

As an approach to research, grounded theory has been criticised over the validity and reliability of the data collected, and for researcher bias. A difficulty with this type of research is that "it is nearly impossible to replicate the original conditions under which data were collected or to control all the variables that might possibly affect findings" (Strauss and Corbin, 1998, p266). Like many other analytical tools used in qualitative research, grounded theory does provide a means to build into the research rigour, reliability, credibility and validity by allowing open evaluation and discussion of the explanations built, whilst never claiming authority of finding *the* answer to the research questions set. Rather, *an* answer is proposed, with the empirical data and thought processes behind the response to the research questions made explicit, acknowledging the subjectivity of the research findings and interpretations.

In order to ensure validity and rigour in grounded theory, clear guidelines for evaluation must be set. May (1986) argues that grounded theory research reports can be evaluated upon the grounds of the broadness of the original research question, and the nature of the evolution of research questions. Secondly, May states that the literature review in grounded theory research reports should allow the reader to 'see' the area of interest as the researcher did on the outset of the project, as was the intention in the introduction to this thesis, but the researcher should not set up notions to be tested, nor should he or she set too rigid a structure that ties the researcher to pre-supposed theoretical constructs. Thirdly, May argues that the researcher should use multiple data sources, backing interview data with other forms of data, and continually cross-checking and evaluating responses and interpretations where possible. Finally, May suggests that

the theory generated should be dense but at the same time clear, the theory should fit with what those involved in the study thought and felt, and that the theory should be useful.

Clearly May's guidelines place great demands upon those using grounded theory approaches. The principles laid out above informed this research. The initial research question was broad (what is meant by the term social enterprise?); chapter one sets the scene as it was at the outset of this research; no theories were set up to be tested; multiple data sources were employed, including interview data, policy documents and newspaper articles; the research draws heavily upon the thoughts and feelings of those involved; and, it is hoped that the explanation presented clearly lays out how social enterprises are a part of welfare change. In addition, this research project developed out of previous research by the author that considered urban deprivation in a community in northern Toronto, Canada (Edwards, 1999). This research specifically focused upon the work of a community group to change the image of their neighbourhood, and touched upon ideas associated with social entrepreneurship and social enterprise as a means to revitalise communities. During the developmental stages of this research, the author built on her previous work (Edwards, 1999) and returned to Toronto to explore these enterprising community associations, a study that formed the basis of this research undertaken in the United Kingdom. It is to a brief summary of the Canadian study that we now turn.

### *The Canadian study*

The Canadian study provided a springboard into the study of social enterprises in the United Kingdom. Page (1999) argues that comparing developments in other comparable nation states is important in order to understand developments in the British welfare state. The British and Canadian welfare states have followed similar lines of development. Canada has a notoriously complicated political system, but recent events suggest that the overall trends in the political economy are parallel to those in other advanced industrial countries, including the United Kingdom. Due to the limited research into social enterprises at present, a comparative study of social enterprises between the United Kingdom and Canada was deemed to be beyond the practical scope

of the PhD thesis. Instead, the Canadian study provided an opportunity to begin the process of defining the social enterprise, with these thoughts then informing the substantive research on which the thesis is written.

The Canadian study took place during the lead into Federal and Municipal elections of summer 2000, when healthcare and welfare policy were at the centre of the political battleground. Since the election of the Mike Harris Conservative Government in Ontario in 1995, and again in 1999, welfare reform has been at the heart of political activity. In that province, the new right has sought to reform the welfare system, aiming to reduce the financial burden of welfare payments and welfare services upon the Provincial Government. Reforms included severe cuts to the welfare budget, the controversial introduction of workfare (Lightman, 1997), and deinstitutionalisation. These reforms have led to the residualisation of welfare service provision, with community-based organisations struggling to meet needs. These reforms were highly politicised and designed to change citizen behaviour, and change the ‘culture’ of welfare receipt and delivery in the Province. Within this context, the study sought to understand practitioner perspectives upon these reforms, and their current role in service provision.

The study combined data from a variety of sources, including formal semi-structured interviews with key individuals in ten social enterprises and informal discussions with social enterprise employees during an organisational visit, academic observers and consultants (five in total). Each interview focused upon a series of themes that emerged as the research progressed, some specific to the individual interviewee, some specific to the organisation, and some for all organisations. These themes included balancing business objectives with social mission, involvement with different levels of government, partnerships, funding situation, keys to success and understandings of Community Economic Development (CED). The Canadian study was used to refine the central research questions of the United Kingdom project. At the outset of the project, the research questions were unfocused, but as the study progressed it became clear that two issues were most prominent: the need to clarify what constituted a social enterprise (i.e. what the defining features of social enterprises were) and the need to understand

what role these organisations were undertaking in service delivery and service reform. The Canadian study provided an opportunity to build upon previous work and provided a framework for the study in the United Kingdom, to which we now turn our attention.

### ***The British study***

The British study built upon the theme that emerged from the Canadian study – regarding the links between changing welfare provision and the social enterprise – and considered social enterprises based in Bristol and London. London was chosen because much of the political and public policy debate concerning social enterprises was centred upon the capital and used examples of social enterprises that were London-based. Thus those interviewed often talked informally of the presence of a social enterprise ‘London thing’. It was also felt important, however, to consider social enterprises based elsewhere. Bristol boasts a strong, vibrant and visible social economy, so the decision was made to study social enterprises based in that city.

Initially, social enterprises were approached, and ten organisations in London and ten in Bristol agreed to be involved in the study. Subsequently, one organisation in London was rejected on the grounds that it did not fit the defining characteristics of social enterprise discussed in more detail in chapter three. Also, one organisation in Bristol was dropped from the study towards the end of the field season when the individual who had agreed to be interviewed became ill and was unable to participate. Generally practitioners, although very busy, were willing to participate, and were keen to have an opportunity to express their views. During the first round of interviews (the first five organisations contacted early summer 2001), the interview themes were defined and redefined, as practitioners discussed issues pertinent to the running of social enterprises in the United Kingdom. These discussions defined the research questions and research goals that informed the following rounds of interviews (the second round took place in mid summer 2001, the third in the late summer of 2001) described below.

## **Defining the research questions**

The research questions emerged from, and were defined by, those in the social enterprise field. The research questions were divided into descriptive and interpretative questions in order to fulfil the research aim: *to understand the significance of social enterprise in welfare service delivery and welfare service reform*. This overarching research aim was broken down into three sub-goals:

- (a) To gain a fuller understanding of what a social enterprise is, what a social enterprise does, and how social enterprises achieve their goals.

This was a necessary prerequisite to enable the investigation of the second goal:

- (b) To examine and understand the role that social enterprises are taking in welfare service delivery and service reform.

That, in turn, enabled us to:

- (c) Consider the implications of the increased presence of the social enterprise as an actor in welfare.

To respond to these research goals both interpretative and descriptive research questions were required.

### ***Descriptive research questions***

Descriptive research questions enable the exploration of what social enterprises are and what they do, by asking the following questions:

- What is meant by the term social enterprise?
- What do social enterprises do?
- How do social enterprises achieve their goals?

These questions are answered in chapter three. Chapter three explores how others have identified and defined the social enterprise, and how these ideas have been incorporated into this research, in response to research goal (a): to gain a fuller understanding of what a social enterprise is, what a social enterprise does, and how social enterprises achieve their goals.

### ***Interpretative research questions***

The interpretative research questions are intended to move the discussion from the descriptive, to critical analysis and interpretation. Interpretative questions allow us to respond to research goal (b): to examine and understand the role that social enterprises are taking in welfare service delivery and service reform (chapters four, five and six), and address the following interpretative research questions:

- What role are social enterprises undertaking in service delivery and welfare reform?
- How are social enterprises challenging current forms of provision?

Chapter seven responds to research goal (c), and considers the implications of pursuing the social enterprise model as a welfare service provider in response to the following questions:

- Can social enterprises meet the expectations for service delivery and reform placed upon them?
- *Should* social enterprises play a greater role in welfare?

It has been shown how a grounded theory approach has informed the development of the research questions in this research, and the evolutionary path of those questions documented. We shall now move to consider in greater detail the research methods used in applying the research design.

### **(c) Research methodology**

The research methodology refers to the actual techniques employed in data collection, analysis and interpretation. This section considers these techniques and some issues that emerge as a result. Qualitative research methodologies were employed in conducting this exploratory research, using the qualitative interview to elicit information from case study social enterprises. Initially, we consider some issues that arise from researching new areas, before moving to consider qualitative research methodologies. The final sub-section considers how organisations were selected to be included in the

study; however, we begin our discussion by considering the nature of exploratory research.

### **Exploratory research**

The nature of the research subject, the social enterprise, requires a methodological framework that is sympathetic to the exploration of a new field, whilst maintaining rigour and generating reliable data to ensure the research responds to the goals set. Yin (1994) states that where a topic is the subject of exploration it may not be possible to have previously formulated propositions, research questions, or research aims. Where research objectives are general and exploratory it may be more appropriate to have tiered interviews, with analysis undertaken between rounds. Each round of interviews then refines the research questions. This design strategy is more sympathetic to the subject area because it allows the research questions to evolve as information is gathered, and has the added advantage of allowing data collection and analysis to intermingle (McCracken, 1988).

In the development of this research, particularly in the Canadian study, themes for discussion were generated prior to the interview. During the interview, the researcher introduced those themes, but the interviewee had room to manoeuvre around the topics. By allowing this movement, themes were informally grouped by the respondent. It was established that some themes were of greater importance than others. For example, one respondent when asked to consider the relative importance of business support to the success of the organisation dismissed business support as an important success factor. The interviewee suggested that the availability of appropriate finance was of greater importance to the success of the organisation. As informants expressed interrelationships between themes, new themes were added to the interview schedule, and others were rejected as less important; the interview was adapted as the issues were explored. This approach was highly successful in the Canadian study, yielding some fascinating insight into the workings of social enterprises, and how practitioners interpreted and understood their role in welfare provision. The Canadian study refined the themes for the British

study, emphasising issues important to social enterprise practitioners from their perspective, but the process began again once the interview process was initiated in Bristol and London. To understand the research process fully we must discuss the qualitative research methods utilised.

### **Qualitative research methods**

Qualitative research is concerned with how the social world can be interpreted, understood, experienced and produced. It is based upon research methods that are flexible and sensitive to the context in which the data are produced; it is based on analysis that involves an understanding of complexity and detail of contextual data, to form holistic forms of analysis and interpretation (Mason, 1996). Qualitative research allows the categories and themes of research to develop as the research progresses. The methods are designed to capture this complexity, and seek interrelationships between many categories (McCracken, 1988), and are therefore ideal for investigating social enterprises.

This research employed a multiple case study approach by selecting organisations as a means to define social enterprise, thus enabling it to address the descriptive research questions. One page summaries of each organisation can be found in appendix 3.1. Key individuals within the case study organisations were interviewed, the analysis of these interviews then forming the basis of the substantive elements of this thesis. The descriptions of the organisations within which the interviewees work ensure the reader has knowledge of the context the practitioners work within, although the focus of this work is more upon the *practitioners' understandings* of their organisation's role in welfare change rather than the organisations themselves. This strategy is described in more detail, and is followed by a discussion of qualitative interviewing techniques. The discussion then considers how data is obtained and analysed, how the researcher can influence research findings, and how the research can be tested for reliability and validity.



### *The case study*

A ‘strategic case study’ approach, or a ‘multiple case study’ approach was developed in order to respond to research goal (a): to gain a fuller understanding of what a social enterprise is, what a social enterprise does, and how social enterprises achieve their goals. This is a similar approach to other studies of third sector organisations (see Beale, 1989; Scott, *et. al.*, 2000), which have also utilised multiple case study approaches because:

“Case study approach[es] can provide useful material to assist our understanding of the dynamic and contradictory processes at work in voluntary associations and organisations... it confronts and explores difference and complexity in ways which move beyond normative description” (Scott, *et. al.*, 2000, p1).

The aims of this study, like those of Scott *et. al.* (2000), are to explore the *contradictory processes* at work within social enterprises, to expose tension and difficulty, and to respond to theoretical and empirical questions raised through the research process. The case study is particularly useful in studying organisations and institutions when the researcher is interested in best-practice and evaluation, management and organisation, organisational culture, and processes of change and adaptation (Hakin, 1987). Hence, the multiple case study approach is ideal for investigating social enterprises because it allows each organisation to be considered within the context of other cases. In other words, the case study approach allows us to compare the views of those connected to one social enterprise with those of another. In this context, the case study approach allowed the research to focus on a number (18) of purposively selected examples or cases of social enterprise (detailed descriptions of which can be found in appendix 3.1) and to use these examples to make inferences about the broader social enterprise sector.

Yin (1994) has written extensively about the use of single and multiple case studies as a research approach, and it is upon these writings the methodology for this research is drawn. In this approach each case is not a ‘sampling unit’; instead, each case

is considered to be an individual instance from which the researcher seeks to generalise a particular set of results to some broader theory in the form of ‘analytic generalisation’ (Yin, 1994). Generalisation here refers to the ‘wider resonance’ of the research (Mason, 1996); that is how the situation observed in one case may apply to others, or to bodies of theory. This process enables the researcher to explore, for example, how the individual enterprises involved in the research experience working with the New Deal to broader critiques of the policy. It is this process of analytic generalisation that is used to answer the research questions, particularly in chapters four, five, six and seven of this thesis.

Through analytic generalisation, the case study allows the researcher to search for the particular and the holistic (Mason, 1996) by looking at units of data (i.e. one organisation). The researcher compares the explanation in one unit of study, with another, to build the account. This approach allows the researcher to understand the distinctiveness of the data, and understand the intricacy of social processes where complexity is high, and is appropriate to answering the research questions because of its focus upon the distinctiveness of each organisation. The case study approach allows the researcher to use an organisation or instance in the data as a strategic example to create a more general account of complex issues and activities. The discussion will now look at the qualitative interview in more detail as a means to collect the data to be analysed.

### *The qualitative interview*

Qualitative interviews with practitioners (18 in total) were the main tool through which the role of the social enterprise in welfare reform was investigated. The qualitative interview is usually a semi-structured, fluid conversation between the researcher and the informant. The semi-structured interview is not *unstructured* (Eyles, 1988, emphasis added); the researcher and the informant structure the interaction, themes and ideas are introduced, and the ‘conversation with a purpose’ forms the basis of the data gathered. The qualitative interview is designed to elicit testimony from the respondent which they may have difficulty in articulating with ease and clarity, and the researcher is used as the instrument to uncover information (McCracken, 1988). Ideally, the interview allows the

informant to express ideas in their own terms, and to express the relationships between those ideas. In this study, I was very keen for those interviewed to speak freely, and actively encouraged them to talk in both specific and general terms about the work of their organisation, their views and feelings, and how they related to and understood the changing welfare context. The formal interview with the organisation manager was the primary source of information on which this research is based (18 practitioners were formally interviewed); these formal interviews were supported by informal discussions with other members of staff on site at each organisation (the number varied depending on the size of the organisation, but for most I spoke informally with three other members of staff about their organisation). In addition, during the course of the research many other practitioners, support staff and others involved in the sector at a policy level were involved in the research on an informal basis. Ten such individuals were also interviewed formally and their views were incorporated into the research. I sought the views on my interpretations from others involved in the sector (e.g. my developing definitions of social enterprise) at conferences or in personal communication via the telephone and email.

Jocelyn Cornwell (1988) used the qualitative interview in her study of how 'lay' people perceive their health. Cornwell (1988, p223) states that the methodology had the advantage of allowing the subjects to speak for themselves, allowing a wide-ranging investigation of many areas or themes, enabling access to the informants' interpretations and values and, perhaps most importantly, the methodology provides informal information about social relationships gained from the research setting. These properties are equally true of the interview methodology used in this research project. It was felt important that interviewees were able to express ideas in their own terms, and relate them to other ideas, especially because this is a new area of academic research. The qualitative interview used in this context has the ability to uncover the underlying complex processes, revealing 'real-world' predicaments and strategies that allow hypotheses to be generated (McDowell, 1992). It was also intended that the qualitative interviews undertaken for this research would unveil the complexity of the world the social enterprise inhabits providing a 'bottom-up' account of the role of social enterprises in

service provision.

### *The location of the interview*

Interviews were conducted primarily in an office or meeting room in the premises of the organisation. This often also provided a chance to talk informally to other employees, customers and clients, and tour the premises. In a few cases, the interviewee opted to conduct the interview in a café or pub near by, or outside if weather permitted. For some this gave a chance to step back physically and mentally from the everyday to reflect upon their work; for others it meant they were able to talk more freely about their organisational experiences with less fear of someone overhearing. What was important was that the respondent felt comfortable and free to express answers to the questions posed. Elwood and Martin (2000) discuss at length the implications of choosing a site for conducting interviews in qualitative research. They argue that the interview site can inform the research process as they are part of the 'micro-geographies' we wish to reveal, and as such have an important role to play in the research process. Undertaking the interview onsite allowed me an opportunity to undertake some small-scale participant observation and gain a better understanding of the work environment.

Understanding the broader implications of interviewing was essential to analysing and interpreting the data collected in the interview. To assist this process of linking together data collection, analysis and interpretation, a research diary was kept throughout the research process. The diary was found to be particularly useful during the fieldwork stage of the project. I noted thoughts, feelings, and initial reactions, either during the interview or very shortly afterwards. The diary was also used to begin analysis and interpretation following an interview. This provided a valuable record of the interaction and assisted in data interpretation, and perhaps was most useful where information was gathered informally, for example, during a tour of the premises or chat over coffee with other staff members. All these interactions informed the research process and contributed to the interpretation. In this sense, the interview did not occur in a vacuum, but was part of the whole experience of visiting the organisation to collect data.

### ***Obtaining and analysing data***

To obtain data from the interview tapes, I transcribed the tapes to form a script that was analysed. This process can be related to broader traditions in social science, those of conversation analysis and discourse analysis (Silverman, 2000). The transcription process is not unproblematic because:

“Transcription *is* analysis since interpretations are being made and decisions are being taken about what to leave out” (Samra-Fredericks, 1998, p168, original emphasis).

Samra-Fredericks (1998) argues that when an interview tape is transcribed, details of the interaction must be recorded accurately, and that transcription is part of the ‘selection process’; however, this process will never be comprehensive because there will always be detail left out from a transcript such as facial expressions which may illuminate further the data (Silverman, 2000). In transcribing the data collected in this study, I was very aware of the decisions made concerning what was left ‘in’ the transcript, and what was left ‘out’.

There is disagreement among academics concerning who should transcribe interview tapes. McCracken (1988, p41) argues that researchers who transcribe their own interviews invite “not only frustration but also a familiarity with the data that does not serve the latter processes of analysis”. Many others, however, state that transcribing your own tapes is essential to really ‘get inside’ the data, to understand the meaning as intended by the informant, and is therefore vital to the process of analysis. In this case, I was the sole transcriber, and I found this to be a very frustrating process. Transcribing the data offered me the chance to get to know the data in an intimate manner, but I did feel I was becoming too involved with the detail of the data set, and this made stepping back from the data to begin analysis very difficult.

Once transcribed, analysing the data gathered from interviews can be a difficult

task, and different qualitative researchers suggest different approaches (for a brief summary see Silverman, 2000). McCracken (1988) presents a five-stage analysis process to guide the researcher through this problematic procedure, thereby creating a record of the processes of analysis to be used by the researcher that can also be kept to check reliability. McCracken's five stages are shown below to illustrate the process undertaken by the researcher to analyse the data collected for this research:

*Stage 1:* Analysis is centred upon the individual things that are said, with little concern for their larger significance. The transcript is read carefully, with attention to how the researcher reacts to what is said; here the intuition of the researcher is important to interpretation in the latter stages.

*Stage 2:* The observations made in stage 1 are expanded and developed to allow the implications and possibilities to be played out, these possibilities are then related to the transcript.

*Stage 3:* Observations are developed on their own accord, and then related to other observations. Attention shifts from the main body of the transcript, references are only made to confirm or discourage developing possibilities, patterns or themes. General properties emerge from the transcript.

*Stage 4:* General themes that emerge from particular sections of the transcript are worked on to draw out implications and themes. When this is completed for all parts of the text, the researcher asks whether any of these themes interrelated? Can some themes be eliminated? Is there a hierarchy of themes? Are there any contradictions?

*Stage 5:* Stage 4 themes are reviewed in relation to other interviews, the researcher looks for general themes, thoughts and actions: "one is no longer talking about the world as the respondent sees it. One is now talking about the world as it appears to the analyst" (McCracken, 1988).

The schema developed by McCracken (1998) presents a series of analytical devices employed in this research that enabled me to undertake the process of analytic generalisation described above. McCracken's (1988) five stages do not detail how to cross-sectionally index and analyse the data. For this purpose guidance was taken from Mason's (1996) book *'Qualitative Researching'*. The book contains detailed accounts of how to work with qualitative interview data. Following her example, the data was 'sliced

up' and theme coded cross-sectionally within each interview transcript, and across all transcripts. The themes that emerged from the data formed an 'index' or overview of the data. Data codes included definitions of social enterprise, meeting objectives, contracted work, welfare change, and partnership working. These codes or categories were designed to be broad and open, and include all references within each data bag. This type of indexing is most appropriate when the data is mostly textual; the researcher wishes to gain an overview of the data set; the researcher wants to locate themes where they do not appear sequentially in the text; the researcher is beginning to create interpretative, conceptual or analytical accounts of the phenomena; and, the researcher wants to establish whether and how well the data address the research questions (Mason, 1996). Slicing up the data set in this way created a theme coded 'bag of data' that was very useful in the preliminary stages of data analysis. For example, a data bag containing all references to defining the social enterprise was created, and was subsequently used in chapter three. This approach allowed themes to be drawn out from the particular to the general, and created a 'grounded' interpretative account of social enterprises in welfare change.

The approach, however, does have some limitations, as Mason (1996) discusses at length. It should be noted that attributing themes the data is not an analytically neutral activity; decisions are constantly made concerning what is thought to be important, and what is less so, in terms of the research questions. Complex processes identified in this study, where themes were varied and interlinked, were difficult to code, especially where the themes did not sit neatly in a 'data bag'. For example, it was difficult to code sections of text where interviewees expressed concerns over the appropriateness of the social enterprise model, as these concerns could have been categories in many data bags. Such references were eventually grouped in a data bag that questioned the notion of social enterprise. Likewise, some themes occurred in lengthy sections of text that could not be neatly tagged under a convenient heading. In addition, there was a constant danger that by coding the data in this way the data could be 'decontextualised' (Scheurich, 1997), and the intended meaning distorted. In an effort to counter these difficulties, I returned time and time again to the research questions, and to the original transcripts to ensure

data was not taken out of context.

The data analysis employed here aimed to move *beyond* description to “expose intra- and interagency tensions, difficulties and contradictions” (Scott *et. al.*, 2000, p2). The role of data analysis was to create an interpretation of the situation that allowed people who did not directly observe the phenomenon (social enterprise) to have a deeper understanding of them (Feldman, 1995). Analysis thus determines categories, relationships, and assumptions that inform the respondent’s view of the world (McCracken, 1988), shedding light upon the particular, whilst resonating more general interpretation. It is important to note also that analysis is not an end in itself but an aid to the ultimate process of interpretation (Feldman, 1995, p68); *interpretation* is therefore concerned with understanding and explaining meaning in specific contexts (Eyles, 1988). According to Scott *et. al.* (2000), interpreting qualitative data involves two sets of tensions. Firstly, the researcher has to ‘know’ the context well enough to ensure the accounts are truthful and illuminating, and secondly, the researcher must balance truthful representation with simplification, to enable analytic generalisation (Yin, 1994). Consequently, the researcher undertook a process of ‘thick description’ (Eyles, 1988), where detailed description was combined with a system of analysis that enabled generalisations to be made, where the informants’ actions and own interpretations of events formed the basis of the research (Johnson, *et. al.*, 2000). As a result, the chapters that follow are based upon the views and experiences of those involved in the research (primarily those running social enterprises), and the interpretation presented here is from their perspective.

Throughout the process of data collection, analysis and interpretation, checks had to be in place to ensure the account of the research was reliable and valid. It is to these issues we now turn our attention.

### ***Reliability, validity and rigour***

Ensuring that the data collected, the analysis, and interpretation are reliable is



controversial when conducting qualitative research. Controversy arises because qualitative techniques achieve reliability and validity via different mechanisms from those of traditional or scientific methods. For example, replicability is a key validity strategy in scientific research. In qualitative research, replicability can be very difficult because the research methodology does not aim to control the situation (Marshall and Rossman, 1989). Scientific research aims to control and repeat a situation to establish a truth. In contrast, social interactions, such as the qualitative interview, cannot be replicated because the real world changes, and it is the complexity of these changes the research seeks to interpret. Consequently, qualitative methods are often criticised because the criteria employed in checking validity and reliability are inappropriate to the methods employed in qualitative research.

Grounded theory approaches ensure reliability, validity and rigour in data collection and analysis through a process of negotiating the terms of reference and themes in the field. Reliability in the research is improved when the researcher demonstrates that the methods of data collection and data analysis are the most appropriate to answer the research questions (Mason, 1996) and when discussion about the data collection and interpretation is explicit and made clear to the reader (Eyles, 1998). Specifically, validity and reliability are ensured when interpretations are justified in terms of the evidence presented; there is coherence of argument, reasoning, consistency and honesty in the interpretations made; and, evidence that does not support the interpretation is not suppressed. Data that does not 'fit' is searched for, and used to question the assumptions the interpretation is based upon because disconfirming evidence and the search for counterfactual arguments are important procedures in the process of validation (Eyles, 1988, p12). The analysis presented in subsequent chapters has followed these guidelines, and particular attention has been paid to ensuring that counterfactual arguments are presented and discussed.

It can be argued that the validity of meaning is context dependent, that people know what they mean, but they are not always clear in communicating that meaning to others (Eyles, 1988). As Scheurich explains:

“The relationship between language and meaning... is contextually grounded, unstable, ambiguous, and subject to endless reinterpretation” (1997, p62).

Scheurich continues to argue that the complexity and uniqueness of the interview interaction should not be underestimated. The meanings and interpretations generated from the data were viewed with this in mind. The ‘meaning’ was not considered constant, but in flux, both in the mind of the informant and in the mind of the researcher. These issues were taken into account both when undertaking the interview, and in analysis and interpretation. The constant flux in meaning could, for some, be taken as a shortcoming. Contrary to this view, the changing and developing meanings provided fertile ground for this type of interpretative research, as it was this complexity the researcher wished to reflect.

Where research themes emerge and change, and meanings evolve and are contested, it is important that the research procedure is *rigorous*. Marshall and Rossman (1989, p148-9) argue that rigour in qualitative research can be assured by following these principals:

1. Data collection methods are made explicit.
2. Data are used to document analytic constructs.
3. Negative findings are displayed and accounted for.
4. Bias is discussed.
5. Strategies for data collection and analysis are explicit.
6. Field decisions, strategy and focus changes are documented.
7. Competing hypotheses are presented and discussed.
8. Data are preserved.
9. Participant’s truthfulness is assessed.
10. Theoretical significance and generalisability are made explicit.

They suggest that if these ‘checks’ are adhered to, rigour will be built into the research design, analysis and interpretation. These principles were adhered to through the process of analysis and interpretation in this research where possible.

### ***Researcher positionality***

An important issue in undertaking this type of research was a consideration of the positionality of the researcher, the impact the researcher and the researched had upon the research process, as Scott *et. al.* (2000, p4) explain:

“Data collection for the interviewer and interviewee alike is... never an unproblematic, purely technical affair; it is embedded in social relationships which, when revealed, can illuminate and give depth to the case study”.

This discussion is related to broader debates in human geography and the social sciences concerning the nature of the knowledge produced. A reflexive notion of knowledge questions “what we know, how we know it and what difference this makes both to the type of research we do and who participates in it with us” (McDowell, 1992, p399-400). McDowell continues to argue that we must always take account of our own position as researcher, as well as the position of the researched and “*write this into our research practice*” (1992, p409, original emphasis).

Understanding my own positionality within this research has been something that I have struggled with, particularly in terms of how I express that positionality and its influence upon the research. This lack of clarity stems from my openness of mind concerning the research subject at the outset of the research project. At the start I knew very little about the notion of social enterprise, and this is reflected in the first research question: what is meant by the term social enterprise? As my understanding and experience grew, the research goals to understand the role that social enterprises were undertaking in welfare change and the implications of such developments emerged. At one level, my openness of mind has allowed the issues at hand to be explored relatively freely (as is the intention in grounded theory research). On the other hand, this openness led to a lack of clarity and direction in the analysis and interpretation. Finding the ‘story’ has been difficult. This lack of clarity has been reflected in the many drafts of chapters,

and the fears of both myself, and my supervisors, that I lack critical distance from the research subject.

The issue of critical distance is an interesting and important one in a discussion of researcher positionality. Much academic research presents itself as objective, distanced and critical from the research subject. Undertaking this research required the researcher to become involved with the research subject, and to develop personal relationships with those interviewed to gain their trust to access their (sometimes sensitive) views. What is clear is that the demand for critical distance in the research situation is difficult to achieve. This tension lies at the heart of much qualitative research. It is impossible for me to claim that I did not become 'involved' with the research subject and those who contributed to the research. I do not feel that the picture presented in the chapters that follow present an overly 'rosy' image of the social enterprise; quite the reverse. It is argued here that, although effective in meeting the needs of some individuals, even the most successful social enterprises are highly dependent upon the local context, the skills of particular individuals and, as a result, are unlikely in my view to become a major welfare service provider in the future.

This methodology chapter is an attempt at fulfilling McDowell's wishes for the researcher to be open and honest about the process and production of research, however, as Rose (1997) suggests, achieving such reflexivity in research is difficult, and is only possible to a certain degree because the researcher may not be able to *see* all the agency and power relations that make up a discourse. Without promising confidentiality, for example, or allowing respondents to view the transcript following the interview, it would have been impossible to collect interview data. In addition, the researcher can never know all the implications of his or her actions during the research process, or how the work will be perceived and interpreted by others (Maxey, 1999), and as such, the goal of reflexivity can only be achieved to a certain extent. As a result, the research process is a 'balancing act of considered risk' (Bradshaw, 2001), balancing the need for confidentiality with the need for enquiry. For example, the decision to reveal the names of the organisations, but conceal the individual respondents and refer only to them

directly by their transcript number (for example, T2), is an example of how these risks were balanced. Some respondents would not have been as open had confidentiality not been guaranteed. Related to these issues is the need to consider how research subjects were selected to be involved in the study.

### **Selecting organisations to be included in the study**

Locating, identifying, and selecting social enterprises to be included in the study required the development of a 'sampling' or selection strategy that was rigorous, but sensitive to the exploratory nature of this work. The 'population' of social enterprise was unknown at the beginning of the project, and remains difficult to quantify, although work is currently being undertaken by agencies such as Social Enterprise London (SEL) to map the scale and scope of the social economy and social enterprises.

At the national level, the companies register identifies businesses by what they produce, the type of goods or services, and in the case of the register of charities, data is collected upon the mission of the charity, such as assisting the homeless. Neither register contains information on the methods used by the charity to achieve either its social mission, or the reasons *why* a business is engaged in commercial activity. At the local level, directories of social economy organisations for particular areas have begun to emerge, but at present there is no way of verifying the accuracy of these directories. As a result, a 'random' or 'representative' study was not feasible. A random study would assume that each organisation was similar, and at the outset of this research such an assumption could not be supported. Additionally, a random sample survey would have assumed that the existing knowledge base was good, and that the end results could be predicted to a certain extent; this too was not the case in the study of social enterprises. More importantly, a survey of this kind would have been unable to respond to the interpretative research questions described in previous sections of this chapter.

In consequence, a different approach was developed within a grounded theory framework that was suitable for investigating a relatively unknown entity. Organisations

included in the study were selected to reflect the characteristics of social enterprises (to be expanded upon in chapter three). This selection approach was more akin to *purposive sampling* techniques where the sample is ‘hand picked’ for inclusion in a study. The researcher has some prior knowledge about the situation, and deliberately selects particular instances because they are seen as likely to produce the most valuable data (Denscombe, 1998; Kidder and Judge, 1986). In this research, organisations were selected with a particular purpose in mind, with the question at hand being: ‘*Given what is already known about the research topic and about the range of people or events being studied, who or what is likely to provide the best information?*’ (Denscombe, 1998, p15). Individual social enterprises were selected upon the basis of their ability to reveal information about the unknown population. This approach is particularly suitable where there is insufficient data to conduct a larger survey, and conventional methods of gaining information about the ‘population’ were unavailable.

Chapter three describes and defines the social enterprise. The discussion focuses our attention upon organisations that are in business to achieve social goals. This group of enterprises seemed to have the greatest capacity for growth, employment (McGregor, *et. al.*, 1997), and financial self-sustainability within the third sector. It was also this group of enterprises in which New Labour appear to be most interested for their potential to provide a greater proportion of welfare services. Some social enterprises were identified as *donor organisations* primarily providing services and support to other social enterprises, and achieved their social mission through supporting other social enterprises. Focusing upon donor organisations would have limited the ability of the study to respond to the research questions in full, but excluding donor organisations altogether would also have been detrimental to the study due to their distinctive perspective gained from supporting organisations, rather than providing services to the community themselves. Donor organisations provide vital support to other social enterprises, contain a wealth of relevant information, and hold a perspective that enriches our understanding of the role social enterprises play in service delivery and political discourse. As a result, five of the eighteen organisations involved in the British study were donor or support-providing social enterprises.

A comment must also be passed on those organisations that were excluded from the bounds of this study. Co-operatives were excluded, as they were distinguished from the rest of the third sector by their distinctive legal status. There already exists an extensive literature upon the scale, scope, nature and contribution of co-operatives to individuals, communities and the economy (much of this literature is Canadian, see Quarter, 1992 for more detail). This is not to undermine the importance and relevance of co-operatives to any broader discussion of the social economy, but reflects the desire to focus attention where little academic work has been conducted, and upon welfare service provision. As one respondent commented:

“There are many crossovers [with co-operatives] at either end of what we do, what the co-operative development movement do [and what we] do are actually quite different, although there is a lot of mix in the middle” (T14 p5).

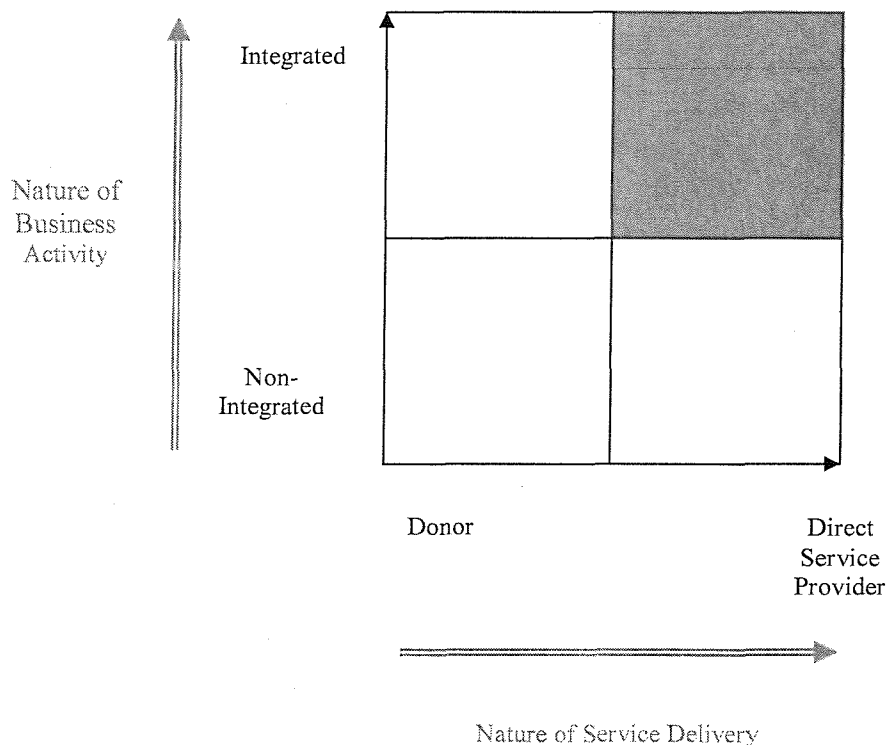
The decision to exclude co-operatives from this study reflects distinctions within the social economy that social economy practitioners highlighted which became increasingly apparent during the interview process, as these quotes demonstrate:

“There is a long heritage of co-ops in this country which have been trading for a social purpose. But not very many of them are trading for a social purpose, except that to show that you can do things democratically and mutually, but there is no other social return from that activity” (T29 p8).

“[Many co-ops] have totally abandoned their market place as they have drifted up market to meet the needs of today’s consumer” (T28 p11).

This study, like that of McGregor *et. al.* (1997), also excluded organisations not primarily concerned with social issues such as those interested in promoting the arts, reflecting the focus of this study upon social enterprises as a means to deliver welfare-type services to the community.

The organisation selection framework is shown below in figure 2.1. The nature of the (social) service provision is shown on the bottom axis. This axis incorporates the whole range of social missions, from childcare to assisting the homeless that may be achieved through the scale of donor/support to direct service provision. The focus of this study is upon organisations to the centre right of this scale, primarily those organisations involved in some form of direct service provision to the community. The other axis refers to the nature of the business activity. Here the commercial venture can be very wide ranging, from woodwork to embroidery, and is directly related to the social mission. The mission and venture may be termed *integrated* when the two objectives are achieved simultaneously (for example, selling recycled white goods to help the environment and cut waste, whilst providing employment and training in household appliance repair for formerly homeless people). This definitional process is described in more detail in chapter three, however, organisations involved in the study are indicated in the grey shaded section of figure 2.1:



**Figure 2.1:** Identifying social enterprises to be included in the study by the nature of their service provision and the level of integration between the business and social mission.



The organisations were selected to reflect the diversity of the sector using a simple ‘check-box’ table of characteristics of social enterprise that draws upon existing literature, and discussions with practitioners discussed in chapter three (an example of which is given in appendix 2.2). Preliminary work with practitioners found that social enterprises could be grouped under organisational types that correlated with the contours of the social enterprise sector as described by practitioners, forming a typology of social enterprises also described in more detail in chapter three. The categories were designed to be flexible enough to allow organisations that did not conform to these types to be included in the study if they fitted the selection criteria. Each category was not mutually exclusive, and in reality most organisations incorporated elements from more than one category as demonstrated in appendix 2.3. Constructing a typology or model allowed the differences and similarities between these organisations to be explored and provided a language to do so. Social enterprises were selected on the basis of their organisational form: the type of social enterprise, the nature of their social mission and the type of business venture undertaken. For example, Café Nova was chosen because it was a ‘social firm’ social enterprise, the Children’s Discovery Centre was chosen because of its focus upon the education and welfare of young children, and the Ethical Property Company was chosen because of its innovative business practices. In addition to considering how organisations were selected to be involved in the study, how the ‘unit of analysis’ was developed was also considered. The study focused upon the individual enterprise level of analysis. Where the social enterprise was an independent entity this was relatively straightforward. Where the enterprise had spunout of another organisation, or was part of a broader programme of work undertaken by a parent organisation (for example, StreetCred), this was more difficult. Where this was the case, the unit of analysis was taken to be the social enterprise project within the organisational whole.

By producing and explaining the selection criteria, it is hoped that selection decisions are made explicit. The contact process can be likened to a process of ‘snowballing’; we now consider the implications of this upon the research.

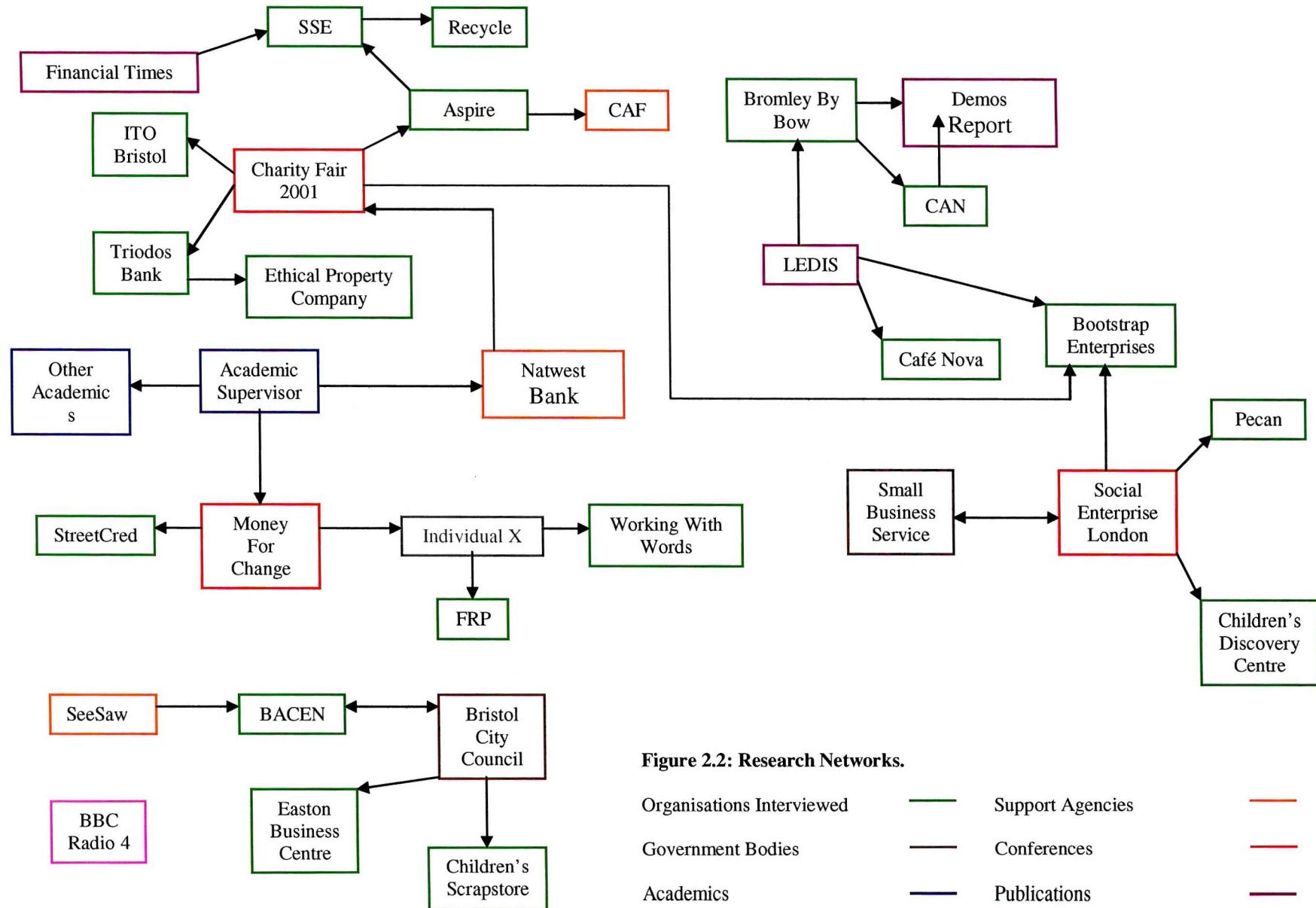
### ***'Snowballing'***

Contacting individuals and organisations for involvement in the research can be likened to a 'snowballing' sampling strategy. 'Snowballing' describes a process of obtaining research contacts, using one contact to recruit another contact, and using that contact to recruit another respondent (Valentine, 1997). Owing to the emerging nature of the field and lack of existing data when the project was in the design phase, word of mouth and scanning 'trade' publications for features on social enterprises were the only viable ways of making contact with those in the field. This approach can be problematic as the group of people contacted may bias the story heard because of their interconnectedness. To help overcome this problem, organisations that appeared to be relatively unconnected were approached, as much as was possible. In reality, this proved to be quite difficult owing to time constraints, and the small geographical area the study could include, together with the highly interconnected nature of the sector itself.

It seems that the anticipated limitations were not in evidence. The social enterprises involved were found to be diverse, served very different markets, and practitioners held a variety of different perspectives. Snowballing benefited the research because it helped to overcome issues of trust when contacting organisations/individuals to participate in the study because a mutual contact was used as an introduction. Snowballing also allowed the researcher to seek out likeminded individuals or organisations, allowing the research to target data collection where the data was richest.

To ensure that the network of contacts which led to practitioners and organisations' being involved in the study was open and explicit, the 'research network' is shown in figure 2.2. In order to preserve confidentiality, some identities the network has been made anonymous, but otherwise remains true to the network created. The chart demonstrates that the sector is highly interconnected, the outcome of which meant that in reality, identifying 'independent' contacts was very difficult.

The creation and maintenance of the network was vital to understanding the sector, and to undertaking this type of exploratory research. Without these networks, a qualitative in-depth study of this nature would not have been possible. The network that developed through the project emerged from a variety of sources, some related, others not. Attending key conferences such as the Social Enterprise London conference in May 2001 '*Social enterprise, social economy: moving ahead*' (SEL, 2001); '*Charity Fair 2001*' organised by the *Directory for Social Change* and *The Guardian*; and the '*Money for Change*' conference held in Birmingham in July 2001, was essential for gaining contacts. Other key contacts have been in relevant local and national Government offices such as the Small Business Service. Agencies such as BACEN and SEL, which support the social enterprise sector through advice, promotion and publications, were also great sources of information and provided contacts in the sector. Finally, academic supervisors and other academics have also assisted in building the network of contacts. This network of contacts is shown in figure 2.2.



The colour-coded boxes in figure 2.2 demonstrate the nature of the contact made. The diagram can only begin to touch upon the complexity of the social enterprise sector. As the diagram shows, sources of information and contacts came from a variety of sources; it is also apparent that the sector, although appearing from the outside to be disconnected, was in fact highly interconnected. Breaking into this network was the only way to begin to answer the research questions: however, breaking into the network also meant that the researcher could affect its operation.

**(d) Conclusions.**

This chapter aimed to explain how the research project was designed and undertaken. In doing so, the chapter has addressed some of the practical, ethical, and theoretical issues apparent in undertaking qualitative research. It has been shown how, through a grounded theory approach, qualitative research methodologies have been utilised to elicit information about the role practitioners saw social enterprises undertaking in welfare service provision and welfare change. Due consideration during the research process was also paid to ensure that the methodology was reliable and rigorous, and the research process as open and explicit as possible. The chapter has provided a detailed description of how the research was designed and implemented, and how the research questions evolved. It is to the first of these research questions: what is meant by the term social enterprise? We now turn our attention in chapter three and consider how social enterprises can be identified and defined, and how social enterprises achieve their goals.

## Chapter three: Understanding social enterprises

### (a) Introduction

“[Social] Enterprise is wonderful. Nobody can define it, which is probably a good thing” (T3 p7).

“Social enterprises are ill-defined and very complicated, [have] multiple stakeholders, [and are] far more complicated than a commercial organisation” (T4 p7).

Identifying and defining the social enterprise is a complex task, as the quotes above demonstrate. Understanding that social enterprises are hybrid organisations which display little conformity to traditional understandings of either charities or conventional businesses is the point from which we start our discussion. This chapter responds to the first research question: what is meant by the term social enterprise? and will explore how others have identified and defined the social enterprise and the extent to which these definitions are useful in the context of this research. Following this discussion, we then consider how social enterprises are defined and understood by those involved in this study. From the material presented, a working definition or typology of social enterprise is formulated. This discussion responds to the research question set, but only partly completes the first research goal: to understand what social enterprises do, and how they achieve their goals. In order to understand how social enterprises achieve their goals we examine the tension between the social and business objectives (the social/business dichotomy), and how those running social enterprises manage these tensions.

### (b) What is meant by the term social enterprise?

At the outset of this research it was noted that there was much confusion over what was meant by the term social enterprise. The difficulties appear to stem from many actors using the same term to describe different organisational entities, few of which correspond to the definition that those running social enterprises adhere to. Brodhead *et.*

*al.* (1990) in their study of local development organisations, found that hybrid economic institutions (or social enterprises) were midway between the conventional businesses and conventional nonprofit social institutions, possessing characteristics of both. In some ways it is therefore easier to identify a social enterprise by what it is not. At a very basic level, social enterprises are not public sector bodies; nor are they private forprofit businesses; but, neither are they pure voluntary sector organisations, as these practitioners explained:

“We are not a charity, although our aims are broadly charitable” (T12 p5).

“The outputs, or the outcomes, are charitable if you like, but the way to sustain it is commercial” (T18 p4).

The hybridity of social enterprises crosses over simplistic sectoral boundaries between the public, private and third sectors, formulating a structure and mandate that is unique to each organisation. Social enterprises are created in response to a specific set of circumstances in particular localities. For this reason, identifying what is meant by the term ‘social enterprise’ is inherently problematic.

Definitions of social enterprise reflect an author’s positionality and motivation for discussing social enterprises; consequently, the resulting definitions emphasise the attributes the author wishes to promote. For example, definitions that emphasise the principals of empowerment and local ownership created by social enterprises have their origins in the Community Economic Development (CED) movement. In addition to these difficulties, defining the social enterprise is notoriously difficult because social enterprises operate in many different sectors of the economy and they take many different legal forms; they may be registered as charities, limited companies, nonprofit organisations, Community Development Corporations (CDCs), Industrial and Provident Societies, or Community Development Financial Institutions (CDFIs).

Despite these difficulties, those involved in the third sector recognise that there are a distinct group of organisations that bear a form of ‘family resemblance’ (Grimes, 2000) to one another that are known as social enterprises. There are many actors

interested in welfare reform, including the Government, think tanks, and the third sector. Each of these actors have identified social enterprises as playing an important role in those reforms and have developed their own meanings of the term, resulting in many differing definitions of social enterprise. In an attempt to categorise these definitional approaches, they have been grouped into the following categories: the purpose or role of the organisation; business objectives and business ethics; business characteristics and finance; and, labour market and employment.

### **The purpose or role of the organisation**

The activities of most social enterprises cross over traditional sectoral boundaries between the public, private and voluntary sectors. The social enterprise also crosses boundaries between sectors of economic activity. The nature of business activity undertaken by social enterprises is therefore multi-functional and the organisational form the social enterprise takes to deliver those business functions is highly varied.

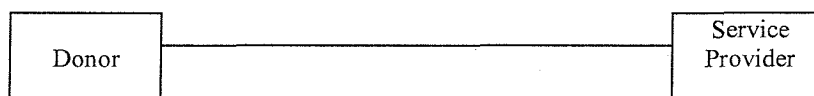
The ‘purpose’ of a social enterprise - its social mission - can be equally as diverse as the sector within which the organisation primarily works. The purpose of an organisation has been successfully utilised in the past as a means to distinguish social organisations. For example, Geiger and Wolch (1986, p355) defined social organisations by their *functional purpose*, where the nature of their social goals or mission was assigned to one of seven categories: religion, education and research, international activities, health, general (multi-purpose) charity, the arts, and social welfare and community services. Although largely descriptive, this approach is useful as it recognises the diversity of the social goals, and focuses our attention upon the *activities* undertaken by an organisation. Geiger and Wolch (1986, p355) admit, however, that functional purpose is only a broad indicator of an organisation, and that in reality the picture is far more complex; organisational structures are also affected by donor practices, client-service demands and needs, business opportunities, finance from local communities and local/national government. The functional purpose approach is therefore useful for identifying and defining social enterprises as it focuses our attention upon what the organisations actually do, but otherwise has little to contribute towards



defining the social enterprise.

A similar approach takes into account the *role* the organisation undertakes in the third sector. For example, an organisation may act as a direct service provider, donor or support agency. The OECD (1998) report '*Fostering Entrepreneurship: entrepreneurship in the new social economy*' recognises the role of the 'new social economy', its entrepreneurs and organisations as being involved in three general areas: firstly, as the social enterprise which can tap into underused resources and reintegrate those excluded from the labour market; secondly, social enterprises can act as social service providers, for example, day care for the elderly where social responsibility is redirected towards increased user participation and decreased government intervention; and thirdly, the social enterprise is understood to take on a development agency role where they can bring together key actors from the public, private, and third sector to work in 'partnership' to achieve social change. The approach described above does not define the social enterprise in a way that enables us to distinguish the organisational form, but it does provide a useful description of the purpose of many social enterprises.

Returning to Geiger and Wolch (1986), their study of the voluntary sector in Los Angeles reveals a distinction between *donor* and *service providing* organisations. *Donor* organisations were identified as organisations, such as foundations, which made grants and provided support to other third sector organisations. *Service providing* agencies used funds from donor groups and other sources to provide services for the final customer or client. Although many organisations perform both roles and act simultaneously as donor and service provider, this approach is useful because it focuses our attention on the nature of the core business activities of the social economy organisation, particularly when visualised as a sliding scale as shown in figure 3.1.



**Figure 3.1:** Sliding scale between donor groups and service providing agencies, adapted from Geiger and Wolch (1986).

Depending upon the nature of an organisation's core activities, the organisation can be categorised on the scale accordingly. Organisations providing support and advocacy would be closer to the left of the diagram, whilst service providers would to the right of the diagram. Those with a combination of donor activities and direct service provision would therefore be placed centrally on the scale. By using a sliding scale between donor and service-providing organisations this approach provides a template to compare organisations that are undertaking different sectoral activities, and allows us to consider the role the organisation is playing within the social economy.

In summary, the role or purpose of the social enterprise is a useful point from which to begin to identify and define what is meant by the term social enterprise. These approaches tell us very little about the characteristics of the organisations themselves. To understand these we need to consider the business objectives and business ethics of the organisation.

### **Business objectives and business ethics**

The focus upon objectives and ethics reflects the CED traditions from which social enterprises have emerged. The businesses aim to 'include' the community and improve goods or services provision within the community. Social enterprises are owned, controlled or run by the 'local community' (however that community is defined) (DETR, 1999), and are understood to be active agents in "economic development *by* the community, *for* the community that distinguishes these initiatives from... development *in* the community" (DeRoche, 1998, p211, emphasis added). Social enterprises are therefore understood to be associated with the ethics of 'bottom-up' local economic development. In this approach, social enterprises are understood to be distinctive owing to their focus upon serving the local community, guided by the principals of CED (self help, altruism, empowerment, and the importance of the locality).

Organisations that are underpinned by the CED principles, such as social enterprises, can be separated into two groups - *liberal* - those that work with the situation

as given; and - *progressive* - those that seek to change the situation for their client group (DeRoche, 1998). *Liberal* practice aims to repair the economic fabric of the private sector, create jobs and promote entrepreneurship. The underlying belief is that organisations undertaking such activities will induce economic growth that will 'trickle down' to the whole community. Liberal practice extends the involvement of public and private bodies in underdeveloped communities (MacSween, 1998, p87), often through 'public-private partnership', underpinned by the belief that economic stimulation is the best solution to decline. For example, East Bristol Enterprise, an organisation involved in this study, can be understood as an example of this type of liberal practice in social enterprise because they support mainstream small businesses in the Easton area of Bristol as a means to boost the local economy and provide employment.

*Progressive* practice goes the beyond economic solutions to decline that liberal practice implies. Such initiatives aim to integrate social and economic development with improvements to the local environment and local service provision. Progressive organisations recognise that the market place leaves many needs unmet and therefore seeks to meet needs by empowering the community. Aspire, one of the organisations involved in this research, could be described as a progressive organisation because it recognises the need for 'real work' for homeless people, as opposed to traditional charitable approaches that provide shelters and support. Progressive organisations often utilise 'alternative' or 'non-traditional' methods to fulfil the requirements of the community, usually the community to be 'empowered'. Such organisations are also intended to be representative of, and accountable to, the community (DeRoche, 1998).

Nova Scotia's New Dawn is the classic example from the social enterprise literature of a progressive social organisation. New Dawn is a multi-faceted, third sector, nonprofit social enterprise based in Sydney that aims to improve the quality of life in the region. It was understood by the organisation that the established system was inadequate, and so New Dawn aimed to restructure the old order and build a new system based in community institutions (MacSween, 1998) or social enterprises. Local responses such as these are grounded in the belief that free-market capitalism cannot provide solutions to all the social and economic problems faced by communities. It is clear that progressive

social enterprises are characterised by their desire to change the conditions within which they work. Many of those running social enterprises that were interviewed for this research reflect this ethic in their work, as this quote demonstrates:

“Underlying that [the work of the organisation] is a sense of wanting to transform, of wanting to see an area that was oppressed, impoverished, right at the bottom, changed and brought up” (T4 p2).

The business ethic ‘to serve the community’ is characteristic of social enterprises. Such organisations produce and sell services (or goods) for a *collective interest* (Amin, Cameron, and Hudson, 1999). This communitarian perspective within social enterprise emphasises how practitioners involve local people, build local capacity, respond to local needs, and are linked to a web of local voluntary organisations (Mayo *et. al.*, 1998). Progressive social enterprises encourage community participation and emphasise the capacity of the social economy to promote social inclusion (CEiS, 2000). These attributes have become attractive across the political spectrum because of their community focus and self-help approach (Hayton, 2000), with the added advantage of being highly cost effective (Mayo and Craig, 1995).

The ethics that underpin the business objectives offer a definitional approach to identifying social enterprises as organisations that are in business to serve the local community. This definitional approach is very abstract, and is perhaps best utilised alongside other means to define the social enterprise. The ‘grey’ literature of the social enterprise sector frequently distinguishes the social enterprise from other third sector organisations because they have developed specific business characteristics, particularly in the financing of the organisation. It is these definitional approaches we now consider.

### **Business characteristics and finance**

The business characteristic approach to identifying social enterprises emphasises the formal or legal business structure of the social enterprise. The business characteristics of the organisation are thus an important way of distinguishing between social enterprises

and other actors in the social economy<sup>1</sup>.

Social enterprises can be registered as charities, limited companies, nonprofit organisations, Community Development Corporations (CDCs), Industrial and Provident Societies, or Community Development Financial Institutions (CDFIs) and are often jointly registered depending upon the legal structure the organisation has developed. Emerson and Twersky (1996, p6) attempted this classification based upon the business characteristics of the organisation to distinguish between 'nonprofit enterprises' in the United States and they produced this schema for grouping types of social enterprises:

- *Sheltered* where the organisation benefits from formal contracts from Government and therefore participates in a 'sheltered market' where organisations are able to gain key 'anchor' contracts to secure their work;
- *Open Market* the organisation has no preference/priority in the award of contracts, and operates without preferential treatment in gaining Government contracts;
- *Programme Based* the enterprise has grown directly out of the activities of a social service organisation and the enterprise originates as part of the programme, but is then 'spun out' to become an independent revenue generating social enterprise; and,
- *Co-operative* the workers own and control the enterprise, and the organisation operates along the lines of a traditional co-operative.

This definitional approach is confusing because it combines several methods in order to compare social enterprises within one classification. The *sheltered* and *open market* categories are market-based definitions; they use the type of market that the enterprise participates in, and level of competition encountered to differentiate between organisations. The *programme-based* category refers to the historical development of the enterprise, whereas the *co-operative* refers to the legal structure of the organisation. As a result, the approach developed by Emerson and Twersky (1996) is in danger of telling us more about the markets within which the organisations operate than the organisation itself. Each category tells us something about the business characteristics of the organisation but is difficult to apply in practice to real organisations as many cross over the boundaries between these categories. For example, a programme-based organisation may 'spinout' to operate independently in an open market, as has been the case at Sofa

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<sup>1</sup> See Glossary for definition.

and FRP. Although there are difficulties, this approach does reveal that social enterprises are hybrid business entities. Indeed, it may be this very hybridity that characterises social enterprises and makes them fundamentally different to the remainder of the third sector. In consequence, any definition of 'social enterprise' must respect the hybrid nature of these organisations.

Focusing upon the markets the organisations serve allows us to look at social enterprises primarily as businesses. In doing so, the tensions between generating profit and achieving social mission are revealed. In social enterprises, the tactics of the private sector are utilised to solve social problems (McLeod, 1997). In this sense, a social enterprise is a "businesses run for a social objective, rather than for shareholder profits" (PAT 3, 1999, p14). Social enterprises can therefore be characterised thus:

"First, they do not function simply to earn money but rather to serve a social purpose. Second (and related to this point), there are no shareholders who, in the sense of a private sector business, must be satisfied by business profits. These organisations either operate without shareholders or, in the case of co-operatives, have shares with a relatively constant value that are analogous to a membership fee. Rather, surplus earnings are applied to improving or broadening the availability of the service (the primary objective of the organisation)" (Quarter, 2000, p57).

Quarter identifies the key distinguishing feature of social enterprise as the desire to *earn money for a social purpose*. Social enterprises are not "subordinated to the profit-maximising imperatives of the market" (Levy, 2000, p84), and often operate at points below profit maximisation to increase social benefits. Those interested in promoting the notion of social enterprise argue that generating income from profit making activities allows an organisation to maintain a higher degree of managerial autonomy (Amin, Cameron, and Hudson, 1999), in comparison to charitable organisations that rely upon grants and donations. Social enterprises are therefore identifiable by their "judicious mix of partial subsidies and trading income" (Mayo, 1999, p1).

Social enterprises are generally understood to be independently financially self-

sustaining, a feature that some, including Mayo 1999, would argue distinguishes the social enterprise from the rest of the third sector; however, this position is contentious. Ross and Usher (1986, p64) state, “in some cases, a Government department will virtually ‘own’ an organisation since it provides the major source of funding”. Therefore, definitional approaches that rely upon financial independence as a characteristic of social enterprises must be used in conjunction with other approaches. Ross and Usher are again helpful in this respect, understanding the financing base of the organisation either to be *narrowly* or *widely held*. A *narrowly held* organisation is understood to be one where funding is primarily from a single source, such as a contract to provide services for the local council, or a grant. The organisation must adhere to strict guidelines, and has little or no financial or managerial autonomy. The danger for narrowly held organisations, as they lack financial and managerial autonomy, is they often have to change their structure and activities as Government programmes change. A *widely held* organisation is characterised by a broad funding base, ranging from public money, private donations, activities of the enterprise, and membership fees. In such cases, the funds available to the organisation can be distributed as the organisation wishes, and the organisation has financial and managerial autonomy.

The definitional approach developed by Ross and Usher is useful in the context of identifying and defining the social enterprise. The ‘ideal type’ social enterprise should possess a financial structure akin to Ross and Usher’s (1986) widely held organisation, and enjoy financial and managerial autonomy. The business characteristics and finance approach to defining and identifying the social enterprise has much to offer. This approach enables us to consider the type of business developed, and the nature of the market operated within; the reasons why the organisation is in business and what it intends to do with any profits generated; and, how the organisation should be financed in order to secure financial and managerial autonomy. These approaches leave out one of the primary objectives of many social enterprises: to act as an Intermediate Labour Market (ILM) and provide employment to those excluded from the labour market.

## **Labour market and employment**

The labour market and employment approach to identifying social enterprise focuses our attention upon the capacity of such organisations to deliver employment services and act as an employer of marginalised people. Social enterprises are often seen as distinct owing to their capacity to create jobs (CEiS, 2000), and to promote training opportunities and skill enhancement (DETR, 1999) to “foster pathways to integration for socially excluded people” (Mayo, 1999, p2). The OECD (1998) gives prominence to the ability of social enterprises to act in the labour market and engage with those traditionally excluded from the labour market, for example, those with long-term illness, those with physical or mental disability, or those lacking skills and/or education. The OECD categorisation of social economy organisations focuses upon the type of service organisation formed, but takes a narrow view of social enterprise confined to welfare, economic development, and employment.

The OECD defines the social enterprise very explicitly as an “economic entity whose main aim is to integrate low-skilled, high-risk people into the labour market” (OECD, 1998, p119-120). Social enterprises are understood to be different from other social economy organisations because they offer the unemployed and excluded “a bridge into the mainstream labour market” (OECD, 1999, p76). As a result, social enterprises are related to welfare-to-work programmes and welfare reform more generally. Although social enterprises should be understood as being a broader concept than purely ILMs, this definitional approach provides us with another important subgroup within social enterprise: those that are in business primarily to provide employment, training and skill development. Those running social enterprises interviewed in the course of this research were concerned that definitional approaches such as those used by the OECD focus too heavily upon the employment capacity of social enterprises as job creation programmes, viewing social enterprises as “purely being a stepping stone to getting a real job” (T28 p10). In spite of these concerns, social enterprises can be identified and defined by the role in the labour market.

Labour market and employment definitional approaches are particularly useful



when considering the consumer/survivor business and the social firm. Consumer/survivor businesses employ individuals who have been in, or are currently engaged in, the mental health system. They are businesses owned and run by, and who only employ, 'psychiatric survivors'. These are businesses that challenge notions of professionalised care and medical discourse (Croft and Beresford, 1998) with self-help models. The businesses respond to the problems faced by psychiatric survivors, which include lack of employment history and the resulting high levels of unemployment, and the need for flexible employment and a supportive work environment (Hartl, 1992). Much of the consumer/survivor business literature has emerged from businesses created in Toronto and Southern Ontario. These are independent social businesses that are not managed by mental health professionals, and are based upon competitive rather than sheltered models of work. The focus is upon those employed to use their skills and talents to develop 'real' work for themselves and others in similar situations (Trainor and Tremblay, 1992). The consumer/survivor business therefore forms a distinctive form of social enterprise. In the United Kingdom the consumer/survivor business movement is weak, however, there is a significant social firm sector that can also be considered part of the social enterprise movement.

Again, the identification of social firms is useful in defining, identifying and forming a typology of social enterprise. A social firm is a business created with the dual aim of generating profits and offering employment to disadvantaged people, usually the mentally ill or disabled. The social firm is market oriented in its approach, but is qualitatively different from consumer/survivor businesses. The social firm is not owned and run exclusively by the disabled, mentally ill, or those with learning disabilities. The social firm employs some professional staff in key positions. This does not exclude the disabled, mentally ill, or those with learning disabilities from those positions, but puts in place management and care structures believed to be necessary for the business to be successful (Edinburgh Community Trust, 2000). Both consumer/survivor businesses and social firms engage with the employment needs of marginalised people, and to a greater or lesser extent operate as an ILM. Labour market and employment definitional approaches therefore enable us to identify those social enterprises that focus upon engaging marginalised people in the labour market as a distinct sub-group of social

enterprise.

It has been shown how others have defined and identified social enterprises on the basis of their role or purpose, their business objectives and ethics, the business characteristics and finance, and their role in the labour market. The discussion above has provided some useful insights into how social enterprises can be understood. It is clear that social enterprises, although guided by a social mission, are hybrid business entities which have complex legal and financial structures that seek to include the excluded and improve facilities, goods and services for the community. These approaches to definition are little more than surface descriptions, perhaps because they have been developed from outside of the social enterprise sector. In addition, those who have produced these definitions, for example, the OECD, have often done so for a particular purpose in pursuit of their own objectives. This has resulted in a lack of agreement concerning what is meant by the term social enterprise. In light of this critique, this research aimed to understand what is meant by the term social enterprise, what social enterprises do and how they do it, drawing on the experience and knowledge of those running social enterprises. Building upon the understandings developed above, social enterprise practitioners were asked to describe and explain what being a social enterprise meant to them and their organisations. From these discussions we can now build a picture of the characteristics of social enterprises that informs this research.

### **(c) Identifying the social enterprise**

It has been shown above that the meanings of social enterprise are plural, diverse and contested, therefore identifying and defining the social enterprise is a difficult task. The definitions given provide a framework to identify social enterprises, but first and foremost social enterprises are best understood as organisations that use commercial ventures to achieve social goals. The definitional approaches discussed highlight the difficulty of characterising these unique and hybrid organisations which occupy the ground between conventional business and conventional non-profit organisations since they are largely descriptive and anecdotal. Much has been written on social enterprise,

social entrepreneurs, and the social economy over the last decade, with the majority of writers struggling to establish common definitions<sup>2</sup>. Difficulties occur because different actors, including practitioners, the voluntary sector, politicians, policy makers, and social commentators each view the role and activity of social enterprises, social entrepreneurs, and the social economy differently, and each has vested interests to pursue.

Consequently, definitions are diverse and reflect these different agendas (described in more detail in chapter four). A review of the literature reveals that social enterprise, for example, can include anything from self-employment or business support, to creating enterprises for social gain. The discussion that follows will tighten these understandings and build a definition and typology of social enterprise based upon the organisations involved in this study (full organisational profiles are given in appendix 3.1), in an effort to understand more fully what social enterprises do, and how they achieve their goals. We begin with a distinction between ‘social enterprise’ and ‘social enterprise activity’.

### **Social enterprise and social enterprise activity**

The term ‘social enterprise’ is understood here as an umbrella term that includes differing elements. Each organisation under the social enterprise umbrella bears a family resemblance (Grimes, 2000), displaying similar characteristics, but like family members, each having their own identity. Within this, social enterprise practitioners identified a distinction between ‘social enterprise’ the business model, and ‘social enterprise activity’.

Many agencies and organisations can undertake social enterprise activity, but it occurs primarily within the third sector. In one sense, any commercial activity that an organisation undertakes for social ends could be classed as social enterprise activity. For example, Quaker Social Action (QSA), within its mandate to tackle homelessness, unemployment, and debt for low-income individuals, oversees the StreetCred programme. StreetCred is a micro credit project that helps unemployed women in east London to develop their own businesses through a combination of small loans and mutual support. StreetCred utilises capital generated by QSA to develop a loan fund to support low-income women entrepreneurs. The organisation has dispensed around 29 loans since

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<sup>2</sup> See chapter 1 for a review.

the first loan was issued in June 2000. The women are brought together, and loans issued using unconventional methods for security and collateral (for example, StreetCred does not use credit scoring). Loans are used to develop business ideas, through which the women gain skills, confidence, and become less isolated and socially excluded. StreetCred was developed by QSA as means to provide women with the freedom and support they needed to develop small businesses to support them and their families. This organisation is a good example of programme-based socially enterprising activity.

Social enterprise can also be understood as an organisational form or business model, where a business is formed to achieve a social mission. For example, The Industrial Therapy Organisation (ITO) Bristol, is a social firm that provides employment and support to people with mental health difficulties and learning disabilities. Through the direct mail, printing, packaging and distribution services business, ITO offers training in catering, office administration, quality inspection, warehousing and distribution. They achieve their mission by “employing people who would otherwise be beneficiaries”. Similarly, Aspire is a business developed to provide steady employment to homeless people, and is based upon the Betterware catalogue business model. Aspire provides full-time work, training and support for homeless people through the sale of fairly traded catalogue goods. Employees are paid £150 - £170 per week for their work, are also provided with support services to address any personal issues they may have. Aspire works with their employees to enable them to rebuild their lives, providing them with a stable income, and an employment record. In this sense, the business is a means to achieve stability in the lives of homeless people.

At one level, the distinction between social enterprise as a business model and social enterprise activity reflects the developmental process of an organisation. Social enterprises are brought into existence for many reasons and develop in many different ways. Some social enterprises are established as part of a broader programme of work, as was the case at StreetCred, and may remain under the umbrella of the parent organisation or become an independent entity. For example, Working with Words has retained strong links with the development agency that established the organisation, but the business itself is now relatively autonomous. For other social enterprises, social enterprise activity

has 'spun out' of a parent organisation, with the social enterprise gaining independence over time. For example, Café Nova (LAM Catering) is a social firm established in 1998 by Lambeth Accord to provide training and employment opportunities for people with learning disabilities in the catering industry. Lambeth Accord ceased to exist, but LAM Catering, which has now become Café Nova, has continued to grow and develop independently.

In summary, the distinction between social enterprise and social enterprise activity is largely dependent upon the developmental process and goals of the organisation, but understanding these subtle differences is useful in building and understanding what is meant by the term social enterprise. Likewise, the nature of the commercial activities undertaken by an organisation also has a role in identifying the social enterprise.

### **The commercial activity of social enterprises**

The commercial activities of the social enterprises involved in this study were diverse. The definitional approaches discussed in section (b) focused upon the type of the commercial activities and the sector of the economy operated in. For example, providing social services was identified by the OECD as an important definitional feature of the social enterprise, however, this approach can be problematic owing to the wide variety of commercial activities undertaken by social enterprises as they operate in many different sectors of the economy, and may operate a number of commercial activities simultaneously. Instead of focusing upon the *sector* of commercial activity, it is suggested here that the *nature* of that activity should be considered. This allows us to consider not only the sector of the economy the organisation operates in, but also *the interactions within and between* the commercial activities undertaken by an organisation, and provides a framework through which the activities of different organisations can be compared. Discussions with practitioners reveal that the nature of the commercial activities generally falls into one of the following areas: direct service provision, services provided under contract, managed workspace, financial services, and, goods production and/or sales, and often social enterprises operate multiple activities at any one time.

These distinctions are very useful in building a typology of social enterprise.

### ***Direct service provision***

Interviews with those running social enterprises revealed that direct service provision is the most common form of commercial activity undertaken. Direct service provision is where organisations provide services either to a community of interest, or to a geographically defined (spatial) community. The nature of service provision varied greatly, but was generally in the field of childcare, personal care, advice and support services, or education and training. For example, Easton Community Nursery provides high quality, affordable childcare to parents in the Easton area of Bristol, serving a spatial community. The parents of the children who attend manage the nursery, and the nursery aims to provide high quality affordable pre-school care for children from six months to five years of age, providing a constructive learning environment with fully trained professional staff. Bristol Area Community Enterprise Network (BACEN) on the other hand, serves primarily a community of interest - third sector organisations - although they are constrained to the Bristol area. Alternatively, a social enterprise may provide services for a community of interest, where like-minded people are linked across space. For example, Triodos Bank provides financial services to 'ethical' organisations all over the country, although their offices are in Bristol. Understanding the nature of the community that the organisation serves is important in understanding what is meant by the term social enterprise and the services they provide. Direct service provision can be further sub-divided to include services provided under contract, financial services, and, managed workspace. Each displays distinct characteristics within service provision, and therefore distinct types of social enterprise.

### ***Services provided under contract***

Forest Recycling Project (FRP) describes itself as a not-for-profit community business, and works in the London Borough of Waltham Forest and the surrounding areas. FRP aims to encourage environmental awareness to 'help create a sustainable society' by providing a range of recycling services to the local community. The Forest Recycling Project (FRP) clears the waste and rubbish from around local authority recycling centres - bottle banks, paper banks, book and clothing banks - under contract to

the local council. This activity provides a steady income stream for FRP, which is then used by the organisation to support other projects. For FRP, contractual services are not the core activity of the organisation, as is the case for Pecan. Pecan provides employment and skills training under contract on behalf of the employment service, and aims to help people who were excluded by existing provision to overcome the barriers to employment. Pecan runs a variety of courses that includes basic skills training, English as a Second Language, and IT training.

Contractual service agreements play different roles in the commercial activities those social enterprises undertake. Interviewees explained that for some organisations these agreements formed their core activities because undertaking contractual agreements were the most appropriate means to achieve their social mission. For others, contractual agreements were used to generate income that allowed their organisations to achieve their mission in a more comprehensive manner. Social enterprises generally use contractual agreements as a means to balance the needs of the business with their social mission. For example, Sofa works to alleviate poverty through the provision of affordable furniture and domestic appliances for people on low incomes in Bristol. Alongside those activities, Sofa delivers some services under contract to the local authority, and participates in the New Deal to provide work experience for the long-term unemployed. Sofa also removes CFCs from fridges and freezers under contract to the local authority. Contractual agreements provide a valuable income stream that enables them to operate other services, such as free collection and delivery of household appliances and furniture to their customers. For Sofa and many other social enterprises involved in the study, deviation from core activities in the form of contractual agreements is necessary to ensure organisational viability and achieve the broader goals of the organisation.



### *Managed workspace*

Many of the social enterprises involved in the study provide managed workspace to support other social economy organisations or conventional businesses. For example, East Bristol Enterprise (EBE), The Ethical Property Company, and Bootstrap Enterprises each manage space for other organisations to work within. Bootstrap Enterprises is a community-based organisation specialising in employment training, workspace provision, mentoring and advice in Hackney, London. Bootstrap supported the local community and economy through training and skill development, and working to promote business activity in Hackney, and provided units within its premises to house, service and support small businesses. EBE manages a large business centre that provides a full range of business services to licensees. EBE provides training, business services, and business support services in order to support enterprises and employment in the local economy.

The Ethical Property Company has taken the managed workspace concept a stage further. The Ethical Property Company supports charities, co-operatives, community and campaign groups, and ethical businesses by developing properties specifically designed for their needs. Building upon initial investments in property, the company issued shares to generate capital to invest in new properties. These properties are let to third sector organisations and businesses. The practitioners interviewed explained that developing and managing workspace as part of their business activities ensured they could generate a regular, independent, and sustainable income stream. For EBE and The Ethical Property Company, however, managed workspace was their core activity.

### *Financial services*

Social enterprises often provide financial services for third sector organisations and disadvantaged people and places. For example, Triodos was constituted and regulated as a bank, but is also a social business. The bank aims to make a profit to ensure the business is sustainable, but was explicit in its goals to only support organisations working in an environmentally sustainable way and for social benefit. Triodos offers individuals and organisations the chance to save with the bank; savings are

then invested according to the ethics of the bank. Financial services can therefore form the core of what an organisation does, as at StreetCred and Triodos, or can be delivered by a social enterprise financial institution known as a CDFI.

### ***Goods production and/or sales***

Social enterprises trade goods or services in order to achieve a social mission. For example, Aspire sells catalogue gifts, Café Nova caters for conferences, Sofa sells household appliances and furniture, and FRP supplies offices with recycled paper goods and fairly-traded coffee and tea. This trading activity provides organisations with revenue streams that are used to support the organisations core services. For example, The Children's Scrapstore provides low-cost quality play materials and art supplies to groups working with children in Bristol. Scrapstore Enterprises Ltd. operates the art and craft store where members can purchase quality arts and craft goods at reduced prices. Profits generated by the art shop are covenanted to the charity, where they are used to achieve the broader charitable objectives of the organisation.

Those interviewed explained that crucial to understanding the social enterprises was understanding that all trading activity was strongly related to the core goals and social mission of the organisation. This was compared to other organisations; for example, many charities trade in goods and services unrelated to their core activities, such as Christmas cards or tea towels in order to generate income. For social enterprises like FRP it would be unthinkable to sell Christmas cards, as this would counter their goals promoting sustainable use of paper and other resources. Similarly, Aspire has made the decision to only sell goods in their catalogue sourced from within the European Union or through fair-trade agreements owing to the founders' beliefs that the business should not support working practices that did not protect workers. It was felt that it was counter-productive for the organisation to employ homeless people in the United Kingdom, if the working practices developed at Aspire were not reflected in their supply chain. For social enterprises, their trading activities and social mission are inextricably linked, making them unique organisations within the third sector.

The discussion above has enabled us to understand what it is that social enterprises do, and reflects the perspective of those running social enterprises. This results in a typology of social enterprise that can address the nature of the commercial activities undertaken by social enterprises. In addition to the commercial activities undertaken, social enterprises often intend to develop the employability of those they employ. It is to their role in employment we now turn.

### **Employment, training and skill development in social enterprises**

Employment, training and skill development were understood by practitioners to be key characteristics of social enterprises. It has already been shown how the OECD (1998; 1999) identified social enterprises as playing an important role in the labour market. Although some social enterprises, for example, Aspire, Pecan, Café Nova, and ITO Bristol, focus explicitly upon employability, the majority of the social enterprises involved in this study aim to enhance the employability and skills of their employees and/or the community implicitly (perhaps with the exception of The Ethical property Company, FRP and Triodos). Practitioners described how employment and training were achieved as by-products or positive externalities to their commercial activities. For example, Children's Scrapstore intends to enhance the skills of the volunteers and employees of their organisation in addition to the skill development of those whom they supplied with arts and crafts supplies and their service users.

The employment, training and skill development is characterised by a symbiotic relationship between the commercial activity, employment and training, and other social missions. As a result of this synthesis, social enterprises appear to be very good at engaging people and integrating low-skilled, high-risk individuals into the labour market. As a consequence, social enterprises are perhaps best defined by this blend between their commercial activities, service provision, social mission, and employment strategies.

### **The characteristics of social enterprises**

The term social enterprise encompasses a variety of organisations linked by a

common belief: that commercial activity is the most appropriate means to achieve a social mission. Commercial ventures are a means to an end, and any profits that are generated benefit the community. Social enterprises are progressive organisations that intend to promote change in their community, and proving in practical ways that commercial activity can be harnessed to achieve social goals. Those social goals tend to be focused on disadvantaged people and places. Specifically, social enterprises undertake primarily the following activities: support other third sector organisations; promote education and learning, particularly for children; enable people to access skills, training, and employment opportunities; provide goods and services; promote enterprising activity; enable individuals and organisations to access appropriate finance; and, promote of environmentally and socially sustainable activities.

‘Social enterprise’ is understood to include both social enterprise activity within a parent organisation, and social enterprise as an independent business model. Commercial activities include service provision for a defined community providing services under contract to an external body, the provision of appropriate financial services, managed workspace, and goods production and/or sales. Within these common characteristics are distinct organisational types:

- **The social firm** Café Nova, ITO Bristol, and Working with Words are examples of social firms. Social firms are in business to provide employment, skills, training, and a richer life experience for people with learning disabilities and long-term mental illness. A social firm can only take the form of a social enterprise business, but the firm may be affiliated to an organisation or charity which provides other services to that community.
- **Community service provider** These organisations deliver services needed by the community either through a social enterprise, or through social enterprise activity (e.g. Easton Community Nursery).
- **Support service provider** CAN, The Ethical Property Company, and BACEN each provide support services to businesses and enterprising individuals in the third sector, or, in the case of EBE, to conventional businesses. Support services can be provided either as an activity of an organisation, as is the case at BACEN, or, in the

organisational form, as is the case at The Ethical Property Company and EBE. The support service provider is distinctive in the social enterprise sector by its *indirect role in social change*. These are organisations that are driven to achieve their social mission through supporting others to work more effectively.

- **Financial service provider** StreetCred and Triodos provide tailored financial services to meet the needs of their communities. This can take the form of social enterprise activity, as is the case at StreetCred, or as a business model as is the case at Triodos. Financial service provision is seen as distinctly different from other social enterprise owing to the distinct sector of the economy within which they operate.
- **Employment and training organisations** ITO Bristol, Café Nova and Aspire are distinctive because they act as agents in the labour market, performing an ILM function. These can either take the form of a social enterprise, as is the case at Aspire, or, as social enterprise activity, as is the case at Working with Words.
- **Multiple purpose** These social enterprises use commercial ventures to meet a number of goals, for example: learning, education, recycling and reuse, and achieve those goals through a variety of commercial and non-commercial activities (for example, FRP, Sofa, Children's Scrapstore, and Children's Discovery Centre). These are perhaps the most difficult of the social enterprises to characterise due to their varied structures and activities. All are bound by a commitment to achieve (multiple) social and environmental objectives through commercial activities.

The typology of social enterprise presented above is not intended to be exhaustive, but does reflect the distinctions expressed by those involved in this research. It is a useful definitional approach because it enables clear distinctions to be drawn between social enterprise activity within other organisations, and clarifies that the social enterprise is a distinct organisational form. In addition, understanding the similarities and differences within the social enterprise sector enables reflection upon the nature of the activity that organisations undertake, and how organisations use commercial ventures to achieve social goals. The typology and language developed here provides a frame of reference that allows debate on 'social enterprise' to move beyond what people understand by the term, allowing the roles which the social enterprise is playing in current debate to be unpacked and explored. In order to do this we must first understand

the tension between the business and social objectives that social enterprises endure, as practitioners too see these as unique to the social enterprise.

**(d) The social/business dichotomy**

Understanding the tension between social mission and business objectives, termed here the social/business dichotomy, lies at the core of understanding social enterprises, and how they achieve their goals. Understanding these tensions assists us towards understanding why social enterprises are significant in welfare reform. Identifying the tensions between social mission and business objectives is perhaps best explained through the use of an example:

“If you’re a community café, it’s this issue of mission and money - if someone spends an hour over a cup of tea that costs 20p, well, do you kick them out? Well of course you do if you’re trying to make an economic or monetary return on it. And of course you leave them there if you’re trying to be a social project. At some point you’ve got to take that position” (T26 p9).

The quote above exemplifies the dilemmas of many social enterprises. The tension lies between achieving a business bottom line without diluting the social benefits. By setting the *social* and the *business* as diametrically opposed, the contradiction within the term *social enterprise* is captured.

There is a danger, however, that this may overplay these tensions at the expense of the synergy within social enterprises between the social and business. It is important to note that many believe that it is this synergy which drives the organisation (Blakebrough, 10/09/02). The argument here is not that social enterprises are so full of tensions and contradictions that they are doomed to failure, as some are more inclined to suggest (Amin, Cameron, and Hudson, 2002). Instead, by describing the social/business dichotomy, the aim is to show that the balance between the social and business objectives are in a constant state of flux that are continuously being renegotiated within the organisation.

This research reveals that tension between the social and the business objectives appeared to be greater in some organisations than in others. For example, The Ethical Property Company had a simple approach to balancing the business and social objectives. The investor was “not looking for the return they might get from an ordinary investment” but instead sought to preserve the value of their investment with a small return in exchange for broader social benefit. The company made a profit, and was able to meet their business objectives whilst simultaneously meeting their social mission because their ‘ethical’ tenants benefited from rent at 85 per cent of the market rate alongside flexible terms and conditions. For The Ethical Property Company, the needs of the business and the needs of the community served were met through a simple market transaction: workspace for rent. Therefore, the tension between the business and the social objectives was excessive.

For other organisations however, the tensions were more intense, particularly where the ‘transaction’ between the goods or services sold in return for social benefit was less easily defined. For example, organisations such as Working with Words, ITO Bristol, and Aspire found it difficult to draw a simple line between achieving the business and social objectives; the social and business objectives were interdependent. As a result, balancing the social/business dichotomy was more difficult, as one respondent commented:

“At the end of the day, unfortunately, it all comes down to money... It is a very fine balancing act between, we want to do a lot of things, whether we can get the money together to do them is a different matter” (T16 p6).

For this organisation, ‘getting the money’ was dependent upon the business objectives being met, but the business objectives were dependent upon achieving the social mission. A situation such as this faced many of the social enterprise practitioners involved in the research. Where the social mission and business objectives were interlocked in this way, balancing the tensions between them was a complex task, a balance between social and business bottom line. The practitioner from East Bristol Enterprise expressed the reality of the business bottom line in his social enterprise, where he spoke about whether or not

the organisation should focus on providing managed workspace for new and developing businesses and, within set a timescale, move existing tenants into conventional business premises. From a purely commercial point of view this would be ‘bad’ business sense because:

“We have a £150,000 bank loan and we can’t afford to do that... From a commercial point of view we need people here to service this loan”.

The respondent quoted above demonstrated that, at least in the short-term, the business objectives had to override the social mission to ensure organisational survival. For the social enterprise, financial viability and sustainability has to take priority over and above the social mission at all times, as the representative from East Bristol Enterprise continued to explain:

“The Board very much like to be involved in as much of that [regeneration work] as possible... We still have to run this [business], and anything we can get on top of that is great, but this still has to run, this is the core, *this is the foundation from which it all stands, because, if you lose this you go back to square one and that defeats the object totally*”.

The quote demonstrates that at the heart of the social/business dichotomy there is the understanding that in order to provide good products and services, and support the community, the (social) business must be as effective as possible. The quote above is a good example of how social enterprises use the business as a tool to achieve social goals, but also the tensions this can create between the short and long-term management of the organisation. Without a strong business at the core of the social enterprise, broader social missions cannot be achieved. The respondent expressed in no uncertain terms the view that if the social enterprise was not running as an effective business, the long-term social benefits could not be realised. Prioritising the business objectives over the social aspects raises questions concerning the ‘appropriateness’ of the social enterprise business model in social welfare.

Many of those interviewed were, however, at pains to not sound too ‘hard-headed’



in their business-like approach, as this manager explained:

“You have to be a commercial organisation... But as I say that, that sounds very hard-headed, but that it is not [hard-headed] if it is *balanced*” (T15 p6).

The respondent did not want to appear to prioritise the business over the social, and considered them to be equally important. She saw being ‘commercial’ as a negative term, associating the organisation with being uncaring, and was very uneasy about being considered too business-like. The practitioner above, like many of those involved in the study, wanted her work to be considered business-like without negative power-driven, profit-motivated connotations this may have carried. Those interviewed were concerned that they should not be associated with the negative social implications of conventional business practices. Practitioners countered these fears by emphasising the more ‘social’ characteristics of the business practices of social enterprises, for example, the presence of inclusive decision-making and managerial strategies where service users/employees were represented at Board level. Inclusive decision-making was also extended to include what has been termed the ‘triple bottom line’ (Black, 10/09/02), where financial, social and environmental considerations were incorporated into the practices of the organisations. For the social enterprises involved in this study, the market and financial considerations were rarely the only inputs into decision-making within the organisation; for most, decision-making had to incorporate social benefits for the community and often the environmental impacts of their work. These acknowledgements demonstrated that those running social enterprises did not see a clear distinction between the social mission and the business. For most, the boundary between them was blurred.

Where the boundaries between the social and the business objectives were blurred, achieving a balance between the social and the business objectives was found to be problematic, particularly where the social mission placed additional financial and managerial burdens upon the organisation. For social enterprises where the service recipients/employees demanded a great deal of support or training, this placed heavy demands upon the social mission of the organisation. As the quote below demonstrates, in ensuring that the organisations social care requirements were reached, the business

could suffer:

“Where are we? I think we are stuck in a grey area... Our primary focus [should be] on the business side of what we do, probably, rather than on the secondary side, which is providing training for the troops and the social care that we do. Unfortunately the social care takes up more of our time than does the business getting-together side” (T5 p11).

The nature of the community the social enterprise served shaped the level and type of demand for the social care element of the social enterprise. In social firms in particular, the social care burden can be very high, as ensuring that employees receive the level of assistance they require can be time consuming, personnel intensive, and costly. Achieving a balance between the social mission and the business objectives was found to be especially difficult where the organisation worked with vulnerable people (for example, the homeless, drug dependent, or mentally ill) who were prone to suffer personal crises that impinged upon business activities, as this practitioner explained:

“We have so many different models and spread sheets and things about how it is going to work [the business]... But it always has the hammer of the human element... It is just the human aspect of it, and it is just something you have got to deal with” (T12 p6).

Employees suffering personal crises (for example, losing their home) can have knock on effects for the business, particularly affecting its capacity to follow the business plan and meet targets set. In spite of these difficulties, practitioners were keen to highlight that the ‘human element’ was characteristic of undertaking social enterprise. This is why it is a challenge, and why it can be very rewarding when such problems are overcome. What is important to note here in terms of understanding the social/business dichotomy was that overcoming personal and social problems were a *by-product* of the business activity, and that the link between the social benefits and the good/service transaction was often mediated by other goods or services provided to the market. For example, at Café Nova the catering firm provided a space for this exchange or transaction to take place. The consumer purchased catering services from the organisation, which in turn employed people with learning disabilities, and that employment provided them with income, skills

and work experience. For firms attempting to balance the social/business dichotomy in such instances, this balance was complex. Organisations in such situations often sought external funding (grants or contracts to provide training and support) that enabled them to balance the tensions between their split objectives.

Some other social enterprises involved in the study took the external funding approach to managing the social/business dichotomy one step further, by providing services to a community that were paid for on their behalf by another body. For example, BACEN was established to provide business advice and support to social enterprises in the Bristol area. The organisation applies for money from sources such as local and regional Government, charitable trusts, and Europe (for example, ESF), in order to pay for service packages for social economy organisations. Situations such as these make balancing the social/business dichotomy very complex as BACEN acts as an intermediary for many organisations. Not only does BACEN have to balance the needs of the organisation with the needs of the community, it also has to balance those needs with the demands of the funders or contracts for services placed.

It is clear from the discussion above that balancing social missions and business objectives within social enterprises is a difficult and complex task. Practitioners have devised specific management strategies to assist the balancing act. It is these strategies we consider now.

### **Management strategies**

Social enterprises have multiple and complex strategies designed to manage the tensions between the social and the business objectives. The creative tensions between the social and the business objectives at the heart of the social enterprises create unique managerial problems and solutions, which can also be found in other third sector organisations (see Brinkerhoff, 1990, 1994a and 1994b for further explanation and proposed solutions). From discussing these issues with those running social enterprises it became clear that the key to managing the tension between the social and business lay at the strategic level of the organisation: the way in which the organisation framed their

social mission against their business objectives. To illustrate, one respondent commented:

“If you look at it, you have to say *the business is a charitable objective*. So in order to fulfil the charitable objectives we run [the organisation] as a business, the one is not detached from the other... If you have commercial disciplines, in the sense of how to operate cost effectively and all those sorts of things, if you get that right you can actually provide good charitable service” (T18 p5).

By considering the business as a charitable objective of the organisation, being a good business became *one* of the objectives for the organisation, alongside the social mission, financial viability, and organisational development. By viewing the business as a charitable objective at the strategic level, social enterprises were able to focus the organisation upon providing ‘good charitable service’, defined as providing high quality goods or services to their customers, employees, and the community, as these quotes demonstrate:

“It’s quite a challenge because what we want to do is create very high quality provision” (T11 p5).

“In terms of trying to balance the two things [we] have always focused on, or have always tried to focus on providing two things: quality of service for people who come here... And that we provide the best that we can for our customers who are paying us” (T5 p7).

Inherent within these social enterprises, and the social enterprise movement as a whole (Blakebrough, 10/09/02), is an understanding that second best is ‘not good enough’ therefore, the drive to ensure the organisation is well managed, and efficient and effective ran through each organisation’s ethos into the management and execution of the business and social objectives. How effective social enterprises are in providing high quality service provision in comparison to other service providers remains open to debate, but is an issue that the Government is seeking to address (DTI, 2002). Focusing upon ‘quality’ service provision is important for managing the social/business dichotomy, because the focus upon quality shifts the emphasis away from cost and quantity towards the broader

benefits of business activity. This thinking allows the social enterprise to put social benefit above the absolute cost of service provision or the goods provided. This is played out in the market place where, for example, an investor in The Ethical Property Company accepts lower dividends, or orders are placed with Aspire or FRP because the customer is attracted by the added social benefit of doing business with the social enterprise. By focusing upon quality and social benefit as the 'unique selling point' social enterprises ensure that the balance between the social mission and business objectives is achieved.

Some social enterprises have developed highly specific strategies for managing the social business dichotomy. Many have developed innovative employment practices to manage these tensions. In social firms, the tension between providing employment and training for people with learning disabilities or mental health problems and being an effective business is managed by mixing those with and without disabilities in the workplace, as this practitioner explained, the balance could only be achieved:

"By mixing able and disabled, that is the only way, I find that it is the only way... People with learning difficulties, they can never be front of house, and they understand that themselves, they cannot cope with the speed of the till, they cannot cope with the demands of the customer... But they are behind the scenes, they see reality, and they help. So mixing is the most important, I find that if everyone is disabled it doesn't work".

Social firms mix their employees between able bodied and disabled people; this management strategy results in fewer opportunities for the disabled, but a more realistic working environment in a successful business rather than a sheltered workshop. For communities that have permanent and wide ranging disabilities and where their needs are much greater, greater 'social' demands are placed upon the social enterprise, particularly in terms of training and support. Managing the tension between social and business objectives in social firms and other social enterprises in such instances is a personnel issue.

In order to manage the social demands upon an organisation, social enterprises often employ specific staff to support employees to ensure their social needs were met.

The 'support worker' role is crucial to the effective management of the social enterprise because it separates business issues from social care issues within the organisation. Such organisations have also developed strategies to separate the costs associated with this type of social support from the business revenue, as this quote explains:

"About 10% of our funding is still grants, and that... pays a support worker whose role is to look after that [social needs], it is not a business related cost because we don't want a situation where you say *'Well OK, sales are down, so do we sack the support worker?'* or whatever. It is not an option because it is absolutely vital" (T12 p6).

This separation of costs means that the social enterprise does not compromise support for employees where it is needed, for business objectives.

In addition to personnel management, those interviewed felt that having clear organisational goals and remit was vital in managing the social/business dichotomy. Establishing a clear organisational remit was felt to be dependent upon having open and effective consultation procedures with all stakeholders in the community. As the quote below demonstrates, practitioners are keen to emphasise the openness of their managerial practices:

"The business is run on a lot of consultation" (T15 p5).

Many social enterprise practitioners pride themselves on their ability to consult widely with their staff and their community in an effort to be democratic and representative, with the intention that the social enterprise is open and responsive to their needs. Consultation is understood to be an effective strategy that enables organisation to stay 'on track' and remain true to their founding principals and social mission. Although an effective management strategy, it was noted that there might be some unintended consequences for the organisation as stakeholders try to influence the direction of the organisation. Or perhaps more dangerously, those interviewed felt that being open could direct attention away from meeting the goals set:

"You can spend a lot of time talking to individuals, groups,

local communities, other organisations, and actually not be achieving your outputs” (T14 p8).

In order to balance business and social objectives, social enterprise practitioners make critical decisions concerning where their social responsibilities for their employees and their community lie. It was felt, however, that many social enterprises lacked the organisational capacity to manage these tensions effectively. This problem is often compounded by a lack of managerial skills in a context of high community needs. Practitioners explained that balancing the business objectives with social goals is especially difficult where they are developing new markets, such as recycling. This resulted in many social enterprises having very long business development periods. Social enterprises often undertake extensive preliminary work to establish and maintain a market; such work requires significant amounts of business development resources (time, energy, and money) and makes it very difficult to achieve social and business objectives in the short-term. These issues are inextricably linked to issues concerning the viability and sustainability of social enterprises explored in chapter seven.

Compounding these issues highlighted by practitioners, are ‘cultural’ problems. Practitioners describe how balancing business and social objectives can be difficult because social enterprises have a different culture, centred on the meaning of ‘time’. In the social enterprise the meaning of time contrasts with that of caring organisations such as charitable or local authority service providers:

“Time in day centres is there to be wasted. In a real business it is there to be gained, not to be wasted, every minute counts” (T10 p3).

Social enterprises confront this conflict everyday, particularly when employing people disadvantaged in the labour market (long-term unemployed, people with disabilities or mental health problems), or those who have volatile life-styles (the homeless, drug/alcohol abusers) and who are less able to maintain a routine of work. If service recipients or employees have become accustomed to a caring environment, such as a day centre, time is something to be filled with activities. When confronted with a situation where time ‘matters’ those running social enterprises describe a clash of cultures. Those

from a caring background often found the pressures of business-time difficult. It was not only employee/clients that suffered from this clash of cultures, but also the management team of the social enterprises, particularly where they are shifting from charitable, voluntary and community, or nonprofit approaches towards social enterprise. On the one hand, those in the social enterprise sector fear the uncaring, pressured, and money motivated intonations of the social enterprise rhetoric. Practitioners also argued that the pressures of business-time introduce a discipline that may have been lacking in an individual or organisation. Those managers employing members of their community stated time and time again that one of the principal benefits of working for a social enterprise over and above receiving other forms of care was that it gave people a purpose, as these two quotes demonstrate:

“People come in, they have to work and they have to produce or deliver a service” (T18 p4).

“It is very good training for the people that work here because it is reality... Now by coming here they have a place to come, they have a meal, they have a break... I think that the quality of their lives has improved tremendously” (T10 p4-6).

Having a place to go, a purpose, socialising, finding useful activities or employment, accessing training, increasing personal income, and accessing opportunities for personal development were understood to be the positive outcomes of the more business-like approach and culture of the social enterprise.

It seems that the social/business dichotomy is the creative tension driving the social enterprise, which requires careful management. Understanding the social/business dichotomy is vital to understanding what is meant by the term social enterprise. The latter stages of the discussion above has drawn our attention away from defining the social enterprise, towards an assessment of what they do, and how they do it, and completes our response to the first research question.

## **(e) Conclusions**



This chapter has explored how other researchers and practitioners have identified and defined the social enterprise in an effort to understand what is meant by the term. The definitional approaches presented in section (b), although useful to a certain degree, were found to be unable to clearly identify the social enterprise. In response to these limitations, I set out to understand what the term social enterprise meant to those running such organisations. This approach was successful in gaining a fuller understanding of the term. The findings suggest that the social enterprise is understood to be an organisation that uses a commercial venture as a tool to achieve social change. Within this broad definition, we were then able to identify different types of social enterprise dependent upon the business structure, the commercial activities undertaken, and their role in the labour market. This discussion, therefore, has enabled us to understand what social enterprises do. In addition, those running social enterprises revealed that crucial to understanding the social enterprise was an understanding of the social/business dichotomy. Understanding the social/business dichotomy within social enterprises revealed the management strategies used to run such an organisation, allowing us to understand how social enterprises achieve the goals set. By appreciating the social/business dichotomy we can understand more about *how* social enterprises work. Framing debate in this way leads us to ask interpretative questions concerning the role social enterprises may be taking in welfare reform, how social enterprises may be seeking to change the way in which we think about service delivery, and whether the social enterprise can live up to the expectations placed upon them. It is these issues, and the second of our research objectives, to examine and understand the role that social enterprises are undertaking in welfare change, we now consider.

## **Chapter four: Social enterprises and welfare change: the discourse of social enterprise**

### **(a) Introduction.**

Despite their enormous diversity of structure, funding sources and interest groups, social enterprises share the common purpose of welfare service delivery. In doing so, social enterprises, their practitioners and supporters of the social enterprise movement are actively seeking to shape welfare provision in the United Kingdom. The notion of social enterprise can be therefore understood as a discursive strategy. The discourse of social enterprise has become increasingly powerful as the notion of social enterprise has been ‘talked-up’ through publications, the media and at conferences. This chapter introduces the discourse of social enterprise with a view to examining and understanding the role that social enterprises are undertaking in welfare change.

The ‘turn to discourse’ in the social sciences is attributable to broader shifts in the economy, society and culture that have radically altered the flow of information across societies (Wetherell, Taylor and Yates, 2001). This ‘turn’ is understood as an epistemological stance that reflects broad shifts in culture and intellectual debate and is emblematic of postmodernism (Wetherell, 2001). Discourse analysis provides further insight into research goal (b) to examine and understand the role that social enterprises are taking in welfare service delivery and reform, and enables us to consider the different strands, versions, or stories within the discourse. Using this approach allows us to explore the conflicts and continuities between these strands and enables us to take a more in-depth look at *how* the discourse of social enterprise is constructed and *how* ‘social enterprise’ is shaped by discourses of welfare reform. Before going any further we shall first investigate the notion of discourse and how it is used here.

### **Discourse and discourse analysis**

Discourse can be defined as ‘language in use’, and how this language is used to produce meanings and shared understandings of the social world (Wetherell, Taylor and Yates, 2001). Language is used for communication and must, therefore, communicate in a manner that is recognised by the receivers as coherent (Cook, 1989). In consequence, discourse is dependent upon shared meanings and understandings that occur in a particular context. These contexts and meanings are embedded within a particular time: the ‘truth’ is contextual (Hall, on Foucault, 2001). Therefore, the ‘context’ is defined as the situation within which the discourse is embedded. This includes the linguistic context (the actual language used) and the non-linguistic context (the type of communicative event, purpose of event, setting and so on) (Nunman, 1993). The meanings within a discourse are generated in relation to the context and other understandings of the social world and are not a fixed interpretation, but are in a constant state of flux and negotiation (Wetherell, 2001). To add complexity, people use different language to express different versions of the discourse dependent upon the context (Potter and Wetherell, 2001). The meanings constituted within discourse shape social practices and interactions within communicative events.

Discourse analysis refers to a methodological approach used to uncover and interpret the meanings within a discourse. Critical Discourse Analysis (CDA) refers to a methodological framework within which the researcher can move beyond identifying and describing the meanings within a discourse, to consider the broader contexts of dominance and power (Fairclough, 2000, 2001; Chouliarki and Fairclough, 1999). Discourse analysis involves the interpretation of the communicative event (for example spoken language or written language) in context (Nunman, 1993). The role of the researcher, therefore, is to interpret the relationship between the meanings and the purposes of the language expressed in discourse. Discourse analysis is therefore “concerned with the meanings that events and experiences hold for social actors” (Wetherell, Taylor and Yates, 2001, p1). Wodak (1996) suggests that within these events and meanings there are ‘disorders in discourse’ – misunderstandings, conflicts,

differences in interpretation – and that researchers can examine these disorders to reveal the social world. This is because language in discourse enables multiple versions of a perceived reality and creates an argumentative and rhetorical context that is:

“Designed to be persuasive, to win hearts and minds.  
The study of rhetoric is, in part, the study of the  
persuasive work and the organisation of discourse to  
that end” (Wetherell, 2001, p17).

As Wetherell states, discourses are designed to be persuasive. The analyst’s role is to break down this rhetoric and interpret the meanings, implications and connotations, and how they are related to the broader context. This approach opens up a ‘discursive space’ (Wetherell, 2001, p25) to the researcher where *different strands of discourse* are played out.

The notion of discourse provides an insight into why a subject in this case social enterprise becomes important. This is because, for the discourse analyst, the *subject* of study itself is an issue of contention. The focus upon the subject has its roots in the writings of the French theorist Foucault who asserts that the subject is *produced within discourse, cannot operate outside of discourse* and must, therefore, be *subjected to discourse*:

“It [the subject] must submit to its rules and  
conventions, to its dispositions of power/knowledge.  
*The subject can become the bearer of the kind of  
knowledge which discourse produces.* It can become  
the object through which power is relayed” (Hall, 2001,  
emphasis added).

That the ‘subject’ can become the bearer of the kind of knowledge that the discourse produces has implications for the study of social enterprise. Following Foucault’s logic described above by Hall, the social enterprise is understood to be produced within the discourse of welfare reform. It is simultaneously subjected to it and actively contributes to it. As such, the discourse of social enterprise must conform to the rules and

conventions of the discourse of welfare reform. Likewise, those caught within the grasp of the discourse of social enterprise must conform to that discourse, are constituted by it, and contribute to it. Because the subject (social enterprise) is defined as important by the discourse (of welfare reform) it follows that the social enterprise bears the kind of knowledge the discourse seeks (for example, how to deliver services effectively and efficiently).

Using Wodak's (1996) understanding that there are disorders in discourse (i.e. conflicts and continuities in discursive space), this chapter will analyse these different versions of the discourse of social enterprise, explain what social enterprise means to the main players in the field, how they link together to form a dominant discourse of social enterprise, and how these meanings are then related to discourses of welfare reform. This chapter will focus upon analysing the use of language within the strands that make up the discourse of social enterprise, and reveal these conflicts and continuities. The analysis will primarily be based upon interview transcripts that present the views of the Government (T24<sup>1</sup>), the pro-social enterprise movement (T1<sup>2</sup>) and the social enterprise practitioners (T3<sup>3</sup> and T12<sup>4</sup>). Publications, ministerial speeches, policy documents and newspaper reports will also be used where appropriate to support the analysis. The interrelated nature of the texts means that it can be difficult to ascertain where the boundaries between the strands of the discourse lie: the boundaries of discourse are contested (Nunman, 1993). However, this is not necessarily a problem. Wodak (1996) argues that discourses are marked by their 'intertextuality'; they are always related to other discourses and their texts and are influenced by them. The defining characteristic of a discourse appears to be one that suggests a 'meaningful whole' or attempts to convey a complete message. Discourse analysis in this research allows us to consider how the

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<sup>1</sup> This individual (T24) is a high level official within the government with specific responsibility for enhancing the role of social enterprise within the current welfare agenda. They are therefore well placed to reflect and comment on the pace and direction of welfare reform in relation to social enterprises.

<sup>2</sup> This individual (T1) is a key player amongst those lobbying government for a more substantial role for social enterprises in welfare service delivery and has substantial experience in running social enterprises.

<sup>3</sup> This individual (T3) has had a long and varied career in the third sector and is head of a large, well respected social enterprise, and is known to speak out against change seen as detrimental to the sector.

<sup>4</sup> This individual (T12) is comparatively new to the sector and heads up a large, high profile social enterprise. Although keen to promote the value of social enterprise, s/he questions the direction of change.

idea of social enterprise is constructed, by whom and for what purposes. Discourse analysis will be used here to uncover how these strands or understandings of social enterprises come together to form a dominant discourse of social enterprise.

**(b) Introducing the discourses of social enterprise**

This section introduces the three key players in the discourse of social enterprise: first, the New Labour Government; second, the pro-social enterprise movement who dominate the discourse; and third, the social enterprise practitioners. The pro-social enterprise movement refers to those organisations and individuals interested in promoting social enterprise, the social economy and social entrepreneurship throughout society, and includes think tanks (Demos and NEF) and other non-governmental organisations that are not social enterprises. The distinction between the discursive strands from the Government and the pro-social enterprise movement were identified by those interviewed for this research as important. This distinction serves here as a useful device through which we can analyse the conflicts and continuities between these versions of the discourse of social enterprise, taking into account that in reality the boundaries between them are more complex. We begin this introduction by focussing our attention upon New Labour, followed by the pro-social enterprise movement and ending with the social enterprise practitioners.

**New Labour**

New Labour has embraced the notion of ‘social enterprise’ as a means to pursue their political objectives. The current Government believe that social enterprises have the ability to solve social problems where others (the public, private and other third sector providers) have failed. In order to understand the link between the social enterprise and welfare reform we need to understand a little more about the political ideologies that underpin the Government’s perspective on welfare reform, and where the concept of social enterprise features within that perspective.

New Labour came into power in 1997 following a landslide election victory, with a commitment to change throughout government. This commitment was cemented in the modernising government agenda and backed by their 'third way' ideology. New Labour aimed to 're-invent' national government, improve its image and effectiveness, clarify goals and solutions, whilst being more open and responsive to the needs of citizens (Blair, 1998). The modernising government agenda can be understood in terms of shifting the patterns of governance within the United Kingdom. The term governance is used here to indicate a shift away from direct government (bureaucratic) control, towards indirect control via diverse non-governmental organisations (Painter and Goodwin, 1995; Knox and Pinch, 2000) of which social enterprises are one. The social enterprise can be understood as an actor in this plural system of governance, interacting with the local and national state, the private and third sectors, citizens groups, individuals and funders. These shifts in governance are integral to the Governments reforms to public services of which social enterprises are a part.

The modernising government and welfare reform agendas aimed to 'put people's needs at the heart of service reform' (The Cabinet Office, 2000). These agendas have resulted in a wave of community consultations and focus group work to uncover problems and seek solutions, and are related to the active citizenship and active communities agendas. Putting the '*Citizen First*' in public service provision, as stated on the front cover of the Government's '*Modernising Government Annual Report 2000*' (The Cabinet Office, 2000), is complemented by the citizen taking greater individual responsibility for welfare provision. Within these reforms lie a renegotiation of the obligations and responsibilities of both the state and the citizen in relation to welfare rights and welfare provision. The '*Citizen First*' report not only aims to put the consumer at the heart of service provision, but, importantly in terms of this research, looks to organisations outside the state to work in partnership to provide sustainable services to the community. In return, the community is expected to be engaged and work within this partnership structure. For example, tenants groups are expected to be involved in the regeneration of their housing estates.

The third way acts as the ideological backbone to these reforms. Although contested in terms of its integrity, third way thinking accepts that there has been significant macro and micro economic change, and that the welfare settlements of the previous Fordist era are no longer adequate. The dilemmas politicians must resolve centre around the following contradictions: the wealthy will not tolerate higher taxes; public services need restructuring due to spiralling costs; welfare fraud is perceived to be high and needs to be reduced; and relationships between individuals, the family and the community are changing (Lloyd, 1998, p33). The third way views these changes as opportunities to promote entrepreneurial activity in all sectors of the economy and society. Novak (1998) sees the third way as part of the evolution in socialist thought and argues that socialism in the latter part of the Twentieth Century has come under threat from declining birth rates, an increased elderly population, advances in healthcare technology increasing the cost of health provision and decreasing ratios of active workers to pensioners. These changes, alongside the issues highlighted by Lloyd, have meant that social democratic parties such as New Labour have sought new policy responses that promote enterprise and job creation (i.e. the third way). The promotion of social enterprise can be understood in this context. The third way incorporates and attempts to respond to new right criticisms of social welfare<sup>5</sup>, blurring the boundaries between the traditional Left and the traditional Right, particularly in the public service arena (Lloyd, 1998).

Early discussions within New Labour examined the potential role of the social economy to deliver public services. Welch and Coles (1994) wrote an influential paper for the Left wing think tank, The Fabian Society pamphlet *'Towards a social economy – trading for a social purpose'* which suggested that British politicians should engage with the idea of the social economy and use it as a “catalyst to open up and reconceptualise [Britain’s] stagnant economic thinking”, a suggestion that New Labour have taken on board. In an attempt to move away from traditional distinctions between the public and private sector, New Labour have promoted the idea that trading for a social purpose is a powerful tool to reconsider the *way* in which services were delivered. Backed by third

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<sup>5</sup> See chapter five for a more detailed discussion of welfare reform in the United Kingdom.



way ideologies, the social economy offered new ways to conceptualise welfare service delivery to New Labour (Cangiani, 2000).

In 1998, Anthony Giddens, Director of the London School of Economics and Political Science, published his influential book '*The Third Way: the renewal of social democracy*' (Giddens, 1998a) arguing that welfare provision in the United Kingdom was in need of a *radical rethink* (at the same time as Leadbeater published his influential pamphlet '*The rise of the social entrepreneur*'). According to Giddens, welfare should "contribute to the entrepreneurial spirit, encourage the resilience necessary to cope with a world of speeded-up change, but provide security when things go wrong" (1998a, p29). Through the lens of the third way, the social economy was constructed by Giddens and New Labour as a tool to fill the gap between private, public and voluntary sector welfare providers, and act as an alternative service delivery mechanism.

Blair's third way is built upon four principles: equal worth, opportunity for all, responsibility and community. These principles have penetrated the reforms initiated by New Labour, and have promoted the state as the 'enabling force' that supports a strong community (Blair, 1998). New Labour's policies can be characterised by their pragmatism in achieving these goals (Blair, 1998; Lloyd, 1998). The pragmatism inherent in the third way is reflected in New Labour's support for hybrid organisations that blur the boundaries between public, private and third sector to develop (social enterprises included), and is legitimised by a line of thought that argues that people have a right to welfare services but that the state does not have to be the principal provider (Welch and Coles, 1994). This *radical rethink* of welfare involves more than looking for ways to cut welfare budgets, and considers changing the role of the state in welfare to a position where Government:

"Enable[s], not command[s], and the power of the market is harnessed to serve the public interest: the reinvigoration of civil society, partnership government and international co-operation" (Finlayson, 1999, p271).

In order for the ‘enabling state’ to be established, the third way argues that there needs to be a cultural shift in the public and third sectors. The Government is promoting a culture of ‘public sector enterprise’ (*The Guardian*, 06/07/01; Leadbeater, 1998) headed by public sector or policy entrepreneurs who provide tailored service provision to meet the needs of customers/recipients. The discourse of social enterprise again provides a vehicle through which the Government can communicate its ‘enterprising solutions’ message in the public and third sector. The Government’s intention is to promote the creation of an enterprise culture that encourages business and enterprise, not through nationalisation or subsidy (old Labour), but through the promotion of business attributes and practices in welfare.

The Government has followed these ideological shifts with policy. In 1999, the Policy Action Team (PAT) 3 Report was published (SEU, 1999). This report laid the foundation stones for the social enterprise agenda and established that social enterprises had the potential to tackle the combined problems of social exclusion, particularly in deprived communities. The report recommended that, with the right support from Government, social enterprises could provide employment, stimulate local economies and provide local services. Following this report, the SBS was given an expanded remit to provide business support services to social enterprises (SBS, 2001) within a broader role for the DTI who were given the responsibility to:

“Encourage more ‘social enterprises’ to be set up specifically to meet the needs of deprived areas and to encourage inclusion and innovation in the community as well as new business growth” (DTI, 2001, p11).

These developments coincided with the publication of ‘*The National Strategy for Neighbourhood Renewal*’ (SEU, 2001) that put into place a national framework for tackling the problems in deprived communities. At the heart of this strategy was financial support for social enterprises (The Phoenix Fund) and social entrepreneurs (The Community Development Venture Fund). In the autumn of 2001 the Social Enterprise Unit was established within the DTI, alongside the appointment of a new Minister for

Social Enterprise, Douglas Alexander MP. Since that time, the Unit and the Minister have been active in the promotion and development of the social enterprise sector, particularly in the development of the Coalition for Social Enterprise (CSE).

The most recent development has been the publication of the Government's strategy for social enterprise: '*Social Enterprise: a strategy for success*' (DTI, 2002). The strategy fleshes out the vision for social enterprises over the next three years, and makes it clear that social enterprises are understood by the Government to be able to: improve the productivity and competitiveness of the United Kingdom's economy; contribute to 'socially inclusive wealth creation'; enable individuals and communities to work towards representing their local neighbourhoods; show new ways to deliver and reform public services; and, help to develop a more 'inclusive' society and promote active citizenship. Most significantly in terms of this research into social enterprise is the statement that:

"The Government believes there is significant potential for more *public services to be delivered by social enterprises*" (DTI, 2002, p9, emphasis added).

The social enterprise is believed to be able to provide services that are 'close' to the customer, high quality, cost effective and innovative. The Government constructs the discourse of social enterprise as a means to link together political objectives of welfare pluralism and modernising government, active citizenship and active communities, Corporate Social Responsibility (CSR), social inclusion, and the promotion of an enterprise culture. The position of New Labour appears to be visionary and high level, giving little consideration of the views of those running social enterprises. The discourse of social enterprise promoted by the Government appears to be heavily influenced by that of the pro-social enterprise movement.

## **The pro-social enterprise movement**

Included under the umbrella term the ‘pro-social enterprise movement’ are a number of diverse but interrelated actors. These actors are linked by a common belief that social enterprises *should* play a greater role in society, particularly in the delivery of welfare services. The pro-social enterprise movement includes the think tanks, New Economics Foundation (NEF) and Demos, as well as organisations representing the third sector, specifically the National Council for Voluntary Organisations (NCVO) and the Charities Aid Foundation (CAF) who are assisted by *The Guardian* newspaper in promoting a particular version of social enterprise.

### ***Think Tanks***

NEF and Demos have been highly influential and have a vested interest in creating and maintaining a discourse of social enterprise in relation to welfare reform<sup>6</sup>. They have primarily been concerned with putting the notion of social enterprise into the mainstream of social policy. The work of Demos has focused upon participatory democracy, entrepreneurship in the social and knowledge economy, active citizenship, and public service reform:

“Demos is an independent think tank and research institute based in London. Launched in 1993, its role is to help reinvigorate public policy and political thinking and to develop radical solutions to long term problems<sup>7</sup>”.

By contrast, NEF has focused upon supporting the local economy, promoting enterprise, particularly in deprived communities. In addition, NEF has also focused on CSR, and community development finance:

“The New Economics Foundation is the radical think tank. It is unique in bringing together the ideas, people, resources

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<sup>6</sup> Both have links to New Labour.

<sup>7</sup> See the Demos website for further information on their work: <http://www.demos.co.uk/>

and influence to challenge business-as-usual. We create practical and enterprising solutions to the social, environmental and economic challenges facing the local, regional, national and global economies<sup>8</sup>”.

NEF has focused upon providing research-based recommendations to Government on how social enterprises can be supported to develop (Collin *et al.*, 2001a; Collin *et al.*, 2001b; Conaty, 2001). The approach of NEF bears strong continuities with the New Labour Government, particularly in the promotion of enterprise as a means to tackle social exclusion (Westall *et. al.*, 2000; Ramsden *et. al.*, 2001). To a large extent, Demos has focused upon the contribution of individuals to social change, whereas NEF has taken an organisational approach.

Demos has been largely responsible for the individualist strand to the discourse of social enterprise following the publication of *‘The rise of the social entrepreneur’* by Charles Leadbeater in 1997, and Paul Brickell’s *‘People before structures’* in 2000<sup>9</sup>. NEF’s report *‘Practical people, noble causes: how to support community-based social entrepreneurs’* (Thake and Zadek, 1997) coincided with Leadbeater’s (1997) *‘The rise of the social entrepreneur’*, and later the PAT 3 Report that contributed to the emergence of a discernable discourse of social enterprise. NEF has been the key driving force behind propelling the social economy, and social enterprise in particular, into public debate and political discourse on the future of welfare service provision through publication, the media, and conferences. NEF often works alongside SEL, the London Rebuilding Society, Natwest Bank (Royal Bank of Scotland), the SBS, DTI and Social Enterprise Unit and as a result is a powerful actor in shaping the discourse of social enterprise.

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<sup>8</sup> See the NEF website for further information about their work: <http://www.neweconomics.org/>

<sup>9</sup> Paul Brickell is now the Head of Regeneration at the Bromley-by-Bow Centre (formerly run by Andrew Mawson), which featured heavily in the Leadbeater publication. Andrew Mawson now runs the Community Action Network, which is housed in the same offices as Demos who published Leadbeater’s *‘The rise of the social entrepreneur’* in 1997.

### ***The Third Sector***

The third sector is an umbrella term for a large number of diverse organisations that includes charities, nonprofits, community, voluntary and faith-based groups, who are represented by the National Council for Voluntary Organisations (NCVO) and the Charities Aid Foundation (CAF). The third sector is an important player in social welfare provision, both through formal service provision and informally through support and social interaction. Specifically in relation to welfare, the role of the voluntary sector in welfare has shifted over the last century from being supplementary, to complementary, to the present situation where it is considered to have the potential to be an alternative welfare provider (Lewis, 1999). The NCVO and CAF have worked alongside the Government negotiating the role of the sector in relation to welfare reform and have been at the key players at the interface between the third sector and the social enterprise movement.

Social enterprises are understood by the third sector to offer models for organisations to become less dependent upon grant income, through the generation of income through trading activity (CAF, 2000; NCVO, 2001). The sector can utilise the language of social enterprise to develop and promote its work, overcoming problems of funding fatigue and grant dependency associated with traditional charitable approaches. However, the transition towards enterprising approaches in the third sector, embodied in the discourse of social enterprise, has raised a series of issues that the sector has had to address.

One such issue has been whether or not the third sector should act as an alternative service provider to the state. Increasingly, third sector organisations have played a greater role in service provision under contract to the local or national state. The impact of contractual arrangements upon third sector organisations has been substantial. Page (1999, p313) argues that many voluntary organisations have been “forced to accept highly questionable funding and administrative arrangements demanded by central

government sponsors in order to survive”. There are fears that embracing social enterprise may have negative impacts upon an organisation’s mission, management and governance (Lewis, 1999), and that contractual arrangements may compromise the independence of the sector (*The Guardian*, 18/07/01), in effect nationalising the third sector. The NCVO and CAF, on behalf of the sector, have opened a public debate on the future of the third sector in relation to utilising entrepreneurial approaches for social benefit. These discourses intermingle with those of social enterprise and are related to broader discourses that question the respective roles of the third, public and private sectors in welfare provision, broader discourses that are played out in the discursive space created by *The Guardian* newspaper.


### ***The Guardian***

*The Guardian* newspaper is a key player within the pro-social enterprise movement, and has been instrumental in placing the notion of social enterprise in the forefront of discussions concerning social exclusion. *The Guardian Society* is the United Kingdom’s most widely read newspaper supplement focusing specifically on public services and the voluntary sector. NEF in particular has been heavily dependent upon *The Guardian* for communicating its version of the discourse of social enterprise. A quick web search of the archives over the past two years reveals fourteen articles authored, with comments by, or referring to, Ed Mayo the director of NEF, and thirty-two directly associated with the work of NEF. These articles focus upon a range of issues including mutuality, inner-city regeneration, NHS reform and Foundation Hospitals, welfare reform, ecologically sound business activity, social enterprise ‘solutions’ in childcare, tax credits and reform of charitable law, social entrepreneurs, social auditing, third world debt, time banks, and social enterprise case studies. Full lists of the articles cited are provided in appendix 4.1.

*The Guardian* has sponsored social enterprise conferences, and provided coverage in the newspaper of other social enterprise events, is the major recruitment advertiser for the sector, and provides advertising space for social enterprise services. As this

advertisement below for 'The Cat's Pyjamas', an organisation that provides training for social enterprise practitioners, demonstrates:

**There's no Business like Social Business**

**the cat's pyjamas** 

**A unique opportunity to visit 6 leading edge social businesses, learn from 12 years experience in 72 hours, on Merseyside.**

From 11th - 13th June 2002 we are again throwing open our doors, for an intense three day residential programme on Social Business. We are radical, cutting edge and leaders in our field. We have a passion for developing commercially viable businesses that address social needs. In short ....

we are The Cat's Pyjamas!

We will share our successes and our mistakes. Visit us to explore how we got here, how we stay successful and what our future plans are.

There is a great deal of discussion in the regeneration world regarding the development of social enterprises as a solution to create sustainable jobs.

But are we simply unique interesting one offs or are we mapping out a new way of doing business that can be replicated across the UK? Come and find out for yourself and make up your own mind.

If you are intrigued, passionate about finding business solutions to social problems or wanting to move from grant dependency to sustainability we want to hear from you.

The programme will include guest speakers, visits to social businesses and quality time spent with social business leaders and managers. Accommodation will be provided at a city centre hotel. If you want to learn all about us and take our learning back into your work we want to hear from you! For a Cat's Pyjamas Information pack, including prices please call:

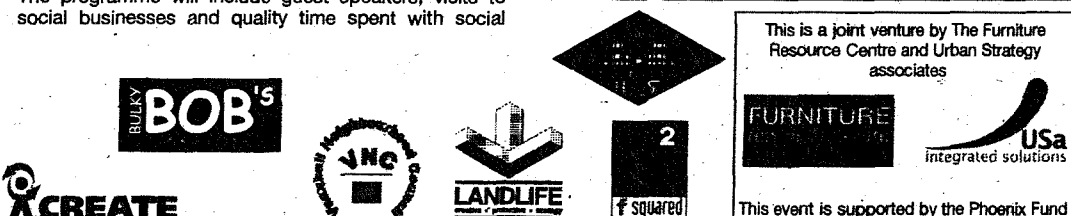
Kelley Sutherland on 0151 702 0564  
e-mail: k.sutherland@the-cats-pyjamas.com  
or for further information [www.the-cats-pyjamas.com](http://www.the-cats-pyjamas.com)

If you are unable to make the event but are still interested, then tell us. We will be running the programme again during 2002.

*"Terrifically Inspiring. Tremendous enthusiasm on the part of the Cat's Pyjamas crew and amongst the delegates. I think this was fantastically organised and thought out and refreshingly candid. Great to see what could be in the future for many social enterprises with commitment, vision and creativity."*

**Jo Crellin, Social Enterprise Unit, DTI**

There are a small number of free places for individuals from deprived communities. For further details about these places call Kelley on the above number.



This is a joint venture by The Furniture Resource Centre and Urban Strategy associates

**FURNITURE** **USA**  
integrated solutions

This event is supported by the Phoenix Fund

Figure 4.1: Advertisement for 'The Cat's Pyjamas' published in *The Guardian Society*, 24/04/02.

This advertisement was placed by a consortium of organisations that have come together to provide training to third sector practitioners on the business practices of social enterprises. The consortium is made up of high profile social enterprises that have positioned themselves as experts in social enterprise and who wish to impart their knowledge. Advertisements such as these are important tools through which organisations and individuals seek to shape the discourse of social enterprise, and in turn



are shaped by it. *The Guardian* is therefore an important vehicle through which the dominant players in the discourse of social enterprise can reach practitioners. The newspaper often provides considerable advertising space for ‘showcase’ social enterprise events such as the National Social Enterprise Award, ‘Enterprising Solutions’:

The advert shown above in figure 4.1 is an example of how the key players in the discourse of social enterprise influence the broader social sector through *The Guardian*. Through the newspaper, the DTI, SBS and the Natwest (Royal Bank of Scotland), supported by key individuals in the pro-social enterprise movement, all seek to identify “imaginative, entrepreneurial, sustainable businesses” that are “passionate about social change” and promote them as best practice examples to the sector. The most prestigious of these Guardian articles are published as a double page spread (pages two and three of *The Society Guardian*), less prestigious but similarly prized articles feature on later pages of the supplement. *The Guardian* has positioned itself as the key discursive space of the discourse of social enterprise. For practitioners this is considered vital for success:

“You constantly have to raise your profile, you’ve got to get the *Guardian* article” (T5 p14).

The ‘Guardian article’ the practitioner refers to above is an in depth write up of an organisation’s work in addressing problems such as crime, social exclusion or urban decay. These articles place the organisation centre stage (if only briefly) and hold them up as examples or flagship organisations, and communicate their ethos, approach and strategy to the readership, an example of which is provided in figure 4.2.

**dti**  
Department of Trade and Industry

# ENTERPRISING SOLUTIONS

## enterprisingsolutions

THE NATIONAL SOCIAL ENTERPRISE AWARD

The Enterprising Solutions Award aims to recognise and celebrate the best social and community enterprises - imaginative, entrepreneurial, sustainable businesses... passionate about social change.

The winner will receive a cash prize of £10,000.  
The runners-up will each receive £5000.

We are looking for applications from enterprises regardless of legal structure (charitable, non-profit distributing, mutual, co-operative, community or socially directed)

- ◆ with a turnover of less than £3million
- ◆ which have a 3-year (or longer) track record of financing over 65% of their work through enterprise
- ◆ who are based in the UK
- ◆ and can show evidence of their commitment to social justice, social change, through seeking to tackling any of the complex social, economic and environmental problems facing our society.

**For an application form call 0800 777 888**

Open: 8am-8pm Monday to Friday and 9am-6pm Saturday\*  
Textphone: 0800 917 0526.

**JUDGING PANEL**

◆ CHAIR - BARBARA PHILLIPS, DIRECTOR, SOCIAL ENTERPRISE UNIT, DEPARTMENT OF TRADE & INDUSTRY ◆ VICE CHAIR - ANDREW ROBINSON, HEAD OF COMMUNITY DEVELOPMENT BANKING, NATWEST & THE ROYAL BANK OF SCOTLAND ◆ DEBRA ALLCOCK TYLER, DIRECTOR, DIRECTORY OF SOCIAL CHANGE ◆ LIAM BLACK, CHIEF EXECUTIVE, FRC GROUP ◆ JONATHAN BLAND, DIRECTOR, SOCIAL ENTERPRISE LONDON ◆ AUDREY BRONSTEIN MBE, UK POVERTY PROGRAMME DIRECTOR, OXFAM ◆ GERRY HIGGINS, CHIEF EXECUTIVE, SOCIAL FIRMS UK ◆ ANNE MCNAMARA, CHAIR, F SQUARED ◆ ED MAYO, EXECUTIVE DIRECTOR, NEW ECONOMICS FOUNDATION ◆ KEN POULTER, DIRECTOR OF ENTERPRISE, SMALL BUSINESS SERVICE ◆ BARONESS GLENYS THORNTON, CHAIR, UK COALITION FOR SOCIAL ENTERPRISE ◆ SOPHIE TRANCHELL, DIRECTOR, THE DAY CHOCOLATE COMPANY ◆ RUTH TURNER, DIRECTOR, VISION 21 ◆ ALLAN WATT, HEAD OF PUBLIC AFFAIRS, ROYAL BANK OF SCOTLAND GROUP ◆ HELEN WILDSMITH, DIRECTOR, UK SOCIAL INVESTMENT FORUM ◆ STEVE WYLER, DIRECTOR, DEVELOPMENT TRUST ASSOCIATION

**Social Enterprise**

**small business service**

**The Royal Bank of Scotland**

**NatWest**

\*We may monitor and record your calls with us in order to maintain and improve service.

Figure 4.2: 'Enterprising solutions', published in *The Guardian* 08/05/02, resized.

*The Guardian* has been instrumental within the pro-social enterprise movement in identifying, defining and disseminating information upon 'flagship' social enterprises, a



tactic that has also been used successfully by the think tanks and Government, but the wide readership of *The Guardian* has placed its *Society* pages at the apex of the communicative devices of the discourse of social enterprise. The photograph featured below in figure 4.3 communicates the values at the heart of the discourse, the emphasis upon the individual ('YOUR'); the importance of the locality as the site and scale for action ('COMMUNITY'); and the importance of business practices through which these goals can be achieved (the 'COMMUNITY SHOP'):



New hybrid organisations with a business-like approach to selling services are being championed by the government. **Roger Cowe** on how profit fuels social provision

## Flagship enterprise

**Figure 4.3:** Headline from *The Guardian Society* article 'Flagship Enterprise' (13/03/02).

The 'Guardian article' typically features a picture such as the one above, alongside a story of an organisation's development, which typically follows a 'triumph over adversity' structure and outlines how the organisation utilises business structures and practices to achieve social goals. It is through like this that *The Guardian* offers a

means for those wishing to promote the notion of social enterprise to the sector as a whole.

### **Social enterprise practitioners**

The social enterprise practitioners form the third group whose version of the discourse of social enterprise will be analysed here. Practitioners at present lack a coherent and identifiable ‘voice’ within the discourse. The social enterprises are the least vocal group in the discourse of social enterprise in comparison to the pro-social enterprise movement and the Government. Admittedly, there are a handful of practitioners who are major players in the dominant discourse, for example, Andrew Mawson and Liam Black, whose opinions are often sought by *Guardian* journalists, who sit on advisory panels for the Government, and whose thoughts and organisations are often represented by, and published in, think tank publications. However, these individuals belong in the pro-social enterprise movement more than they do with ‘everyday’ social enterprise practitioners. ‘Everyday’ social enterprise practitioners are excluded from the dominant discourses of social enterprise because they are often too busy running their enterprises to engage with these broader discursive activities and lack a representative body through which they can communicate their views.

In an attempt to reveal more about the discourse and the significance of social enterprise within broader discourses of welfare reform, the version of social enterprise held by social enterprise practitioners will be compared to the versions constructed by the Government and the pro-social enterprise movement; it is to these different strands or versions of social enterprise we now turn.

**(c) Versions of social enterprise**

Based on the understanding we already have of the nature of the discourses promoted by New Labour, the pro-social enterprise movement and social enterprise practitioners, we shall now explore whether these different versions or notions of social enterprise are apparent in the data collected for this research. The following analysis is primarily based upon four interview transcripts, supplemented by other documents where appropriate. The different versions, or strands, of the discourse presented by the Government (T24), the pro-social enterprise movement (T1) and the social enterprise practitioners (T3 and T12) will be compared around three themes: first, definitions and use of language; second, finance and accountability in the third sector; and third, welfare reform and the enterprise culture. These themes emerged from the data as being important areas of contrast between these players. Two practitioner transcripts were chosen because they present two very different understandings of social enterprises in welfare reform. Practitioner T3 has strong roots in the voluntary and community sector, and this positionality is reflected in her critique of social enterprise. In contrast to T3, T12 presents a version of social enterprise that situates itself closer to the dominant discourse of social enterprise, aligning itself with strands of the pro-social enterprise movement, whilst remaining critical of it. Before considering the conflicts and continuities between the strands of the discourse we shall first consider the definitions and use of language within each text.

**Definitions and use of language**

Although definitional issues have already been covered in some depth in chapter three, it is worth returning to some of the debates exposed previously. If a discourse is understood to be a set of common and shared understandings or meanings and associated social practices, then how a text defines terms or the issues at hand is important. For the Government, the most important definitional text concerning social enterprises is the

PAT 3 Report (PAT3, 1999). The definitions or shared meanings expressed in the PAT 3 Report dominate the discourse of social enterprise because the document “didn’t just offer the words, but [it] actually explained what they meant” (T24 p8). Moreover, it set out a policy agenda for Government to pursue. For the Government, the advent of the report set solid “common understanding[s]” (T24 p12) of social enterprise:

“I think *we* are now at the stage where *we* do have a much better common understanding of what *we* are talking about” (T24 p12, added emphasis).

The ‘we’ in this instance incorporated “everyone who [was] interested in social enterprise [with]in Government and outside” (T24 p12) of Government. The PAT 3 team drew upon a central group of individuals and organisations (pro-social enterprise) whose meanings were incorporated. The report set the agenda for social enterprise and defined the role that the Government should undertake. Specifically, social enterprises were constructed to:

- Address the problems associated with deprived communities through enterprise promotion;
- Promote independent income generation within the third sector;
- Provide jobs – particularly for those traditionally not involved with the labour market; and,
- Provide local services.

All of this was to be done within the remit of social inclusion. The report was vital in setting the social enterprise as the solution to the problem of social exclusion:

“[PAT 3] shows the power of words and the power of repetition. It isn’t that long ago when most peoples’ perception of a social enterprise, if indeed they had one, was worthy people doing good things in probably a fairly folksy sort of way, stumbling around in open toed sandals and eating brown rice being awfully wholesome, but not necessarily very cutting edge. I don’t get that sense any more [following PAT 3]... We are in a shifting environment” (T24 p8).

Following the publication of the report, the Government has been instrumental in creating and maintaining a discourse of social enterprise and in creating and maintaining the relevance of social enterprises to welfare reform. As a discursive strategy, the PAT 3 Report was highly successful in generating shared understandings and shared goals for social enterprise.

However, these understandings are not necessarily ‘shared’ by all. A case in point is how the Government official interviewed for this study defined social enterprise. Her view of what constituted a social enterprise was broad and included co-operatives, development trusts, credit unions and social firms (T24). In this sense, the term ‘social enterprise’ was used as an umbrella term to refer to any organisation that uses enterprise for social benefit. In addition, the Government defined the social enterprise as being no different from any other small business (T24 p2). For the pro-social enterprise movement, the notion of social enterprise was understood to be even broader: an entrepreneurial organisation that brings in revenue (T1 p9). This loose definition was related to the broad goals of the pro-social enterprise movement to promote cultural change in welfare amongst public and third sector welfare service providers.

The definitions used by the Government and the pro-social enterprise movement were very different to those employed by the social enterprise practitioners who defined the social enterprise very specifically as a particular form of organisational structure and associated business practices. The practitioner (T3) was very careful in her use of language, particularly when speaking about enterprise and entrepreneurship in the social sphere. The practitioner did not refer to the term ‘third sector’ through out the interview, preferring instead the terms voluntary and/or community sector, and defined her organisation thus:

“We are currently structured in the way a development trust would be structured, we are a charitable company limited by guarantee and we have a trading arm... We are a social enterprise” (T3 p6).

This definitional approach was more specific and legal than the notion of social enterprise employed by the Government and pro-social enterprise movement. Although the organisation identified strongly with the notion of ‘being a social enterprise’, the practitioner was far more cautious in her use of the language. Being entrepreneurial in her terms was much more specific than the cultural project described in T24 and T1. Being entrepreneurial was defined as being engaged in a “contract”; providing a service; striving for constant improvements or “up-scaling”; having a management board; seeking the “money or resources or the wherewithal to do what we want to do”; and, perhaps most importantly, “developing citizenship” (T3 p7). Being an entrepreneurial organisation was understood to be:

“An extension of good networking..., networking effectively so that you know the right people who can help you put it together at the right time”,

And being able to:

“Hold the vision there, and put together the bits that get there by being in the right place at the right time” (T3 p9).

Most importantly, being entrepreneurial was defined as “sharing information and not being secretive” (T3 p9). For the practitioner, being entrepreneurial was about being open with what you were doing, how and why, reflecting the values of the third sector. Her careful use of language suggested a deep-seated unease with the dominant discourse of social enterprise.

Differences in defining the notion of social enterprise lie at the heart of understanding the differences between the various strands of the discourse constructed by the Government, the pro-social enterprise movement and the practitioners. The Government and the pro-social enterprise movement understand social enterprise as a notion that encourages enterprise in welfare provision, whereas the practitioners understand it more specifically as a set of business practices.



The role of language in communicating the discourse of social enterprise has already been introduced when we considered the role of *The Guardian* in the pro-social enterprise movement. Like *The Guardian*, the pro-social enterprise movement as a whole relies heavily upon ‘storytelling’ as a means to communicate their strand of the discourse. The story is used to communicate ideas to a broader audience and has been a very effective strategy for pushing social enterprise high on to the welfare reform agenda. The practitioner T1 is a key actor within this strand of the discourse of social enterprise and uses storytelling to communicate his ideas concerning welfare reform:

“Publish the story and then they’ll understand, they won’t understand all this political nonsense” (T1 p5).

‘They’, in this instance, refers to all those interested in reforming welfare. By telling stories about the individuals and organisations that are understood to be entrepreneurial, the underlying ethos of the discourse promoted by the pro-social enterprise movement infiltrates the dominant discourse. This strategy has been highly successful. The ‘big’ flagship social enterprises (Furniture Resource Centre (FRC) in Liverpool, Greenwich Leisure, The Big Issue, and the Bromley-by-Bow Centre) are frequently referred to, and have had their stories told, many times again as a means to communicate the underlying principles of social enterprise in publications, the media, and at conferences. Each time the story of these social enterprises is told the same pattern is followed: the struggle to put the project together, the hard work of one or two individuals without whom it would not have been possible (the social entrepreneurs), the break-through where key contracts/funding/markets were developed, then steady growth and a commitment to the broader social enterprise cause.

The Government also engages in storytelling as a means to communicate the values they wish to promote. Government documents, such as the social enterprise strategy (DTI, 2002), feature a series of case studies in boxes that tell the story of key social enterprises. The case study below (figure 4.4) is typical of the kind published not only by Government, but also by SEL, NEF and Demos. Initially, a picture is painted of

the ‘problem’ (in this case a deprived neighbourhood), followed by how the social enterprise is constructed as the ‘solution’ because of its combined approach. The tone is visionary and proud, for example, there are “opportunities for learning”, and uses vocabulary such as “boasts”.

**The Bromley-by-Bow Health Centre**

Bromley-by-Bow is one of the most deprived areas in the UK. The Bromley-by-Bow Centre is a community enterprise which runs a variety of integrated projects linking health with education, training and family support.

The centre boasts a community café, a health centre where GPs and other health professionals are integrated with community projects, a nursery for local children, opportunities for learning and skills development for over 150 people at one time, community care and opportunities in arts and sports for young people.

**Figure 4.4:** An example of a case study box published in the DTI publication ‘*Social enterprise: a strategy for success*’ (2002).

This pattern, or genre, was set out initially in Leadbeater’s (1997) publication ‘*The rise of the social entrepreneur*’ and has become characteristic of presentations at social enterprise conferences (SEL, 2001a; 2002) and publications (SEL, 2001b) and it continues in current publications (for example, *The New Statesman*, 03/06/02). These stories are understood to hold ‘the keys to social policy’:

“Those stories about human beings, in these micro-stories are the keys to social policy” (T1 p6).

The social enterprise provides a vehicle, a context and a subject through which the ideologies of the pro-social enterprise movement can be communicated in a seemingly neutral and acceptable way. These stories are visionary, persuasive and promotional in style. The visionary language used in the stories about social enterprise was not just a feature of the pro-social enterprise movement and the Government, but was also a strategy utilised by social enterprise practitioners, as demonstrated here by practitioner T12 when describing the potential for his social enterprise:



“*And it can grow!*” (T12 p4).

The phrase above was spoken with great force, indicating potential, if only it could be harnessed. The social enterprise was clearly understood by T12 as the way forward. In contrast, visionary language was used by the practitioner T3 to divert attention away from the dominant discourse of social enterprise, towards her own:

“[The organisation] was started by two or three very *inspired* people who had very clear *visions* that people who were unemployed were socially excluded” (T3 p2).

Visionary language was very important to how practitioners constructed their version of social enterprise. For the pro-social enterprise movement, the visionary language was coupled with a moralistic crusade against the welfare state. The tone of the text T1 was confrontational, demonstrated by the use of phrases such as “we’re building an army” (T1 p4). The language was very direct, challenging, moralistic and blaming:

“I know that if we leave this stuff to the politicians and civil servants *they* will get it *wrong*, *they* have got it *wrong* every time before” (T1 p4-5).

Here the politicians and civil servants were constructed as being responsible for causing the problems welfare provision now faces. The social enterprise, on the other hand, is constructed as being the ‘right’ way forward for welfare and as having the moral upper hand over those who have got it ‘wrong’ in the past.

The use of visionary language is important to understanding how the discourse of social enterprise is constructed and maintained. It is through such visionary language that the powerful stories of the discourse are communicated. These stories promote the discourses, ideas and objectives and, more importantly, define the subjects of the discourse. We shall now investigate how the strands of the discourse of social enterprise are intertwined with these broader discourses. The dominant discourse focuses its attention upon two key subject areas: the role of social enterprise in the third sector as a

means to generate income and ensure financial viability and accountability; and, the social enterprise as a means to promote the values of enterprise within the welfare sector as a whole. These two key subjects are expanded on in the sections that follow.

### **The third sector: finance, accountability and values**

The Government has been very clear in stating that it sees the social enterprise business model as being associated with changing the way in which third sector organisations that provide welfare services are funded. The Government aims to:

“Achieve a *change in culture* of social enterprises and voluntary sector, away from grants and towards loans”  
(SEU, 1999, p117, emphasis added).

Social enterprises are understood by Government to be instrumental this cultural shift. Enterprising activity is favourable because it allows ‘activities’ to become “more self-sustaining, less reliant upon grant” (T24 p4) which means that organisations are in a better position to be able to explore market opportunities. By focussing on changing the culture associated with the voluntary and community sector, the values of the sector are undermined by the Government’s support for social enterprise:

“They [the voluntary and community sector] do see themselves, and take pride in the fact that they are amateur, and a bit homespun, and they work on goodwill, and that is fine and good. But it isn’t good if it gets in the way of something working more effectively for these people who are the customers, [the] people using the service” (T24 p14).

The grant dependent, ‘amateurish’, voluntary and community sector also came under attack from the pro-social enterprise movement. The pro-social enterprise movement believed that the voluntary sectors approach to financing its activities distorted their mission:

“So many voluntary sector organisations spend their lives looking for money, and they are possibly more likely to lose sight, or to be unable to meet their particular charitable objectives” (T1 p9).

The notion of social enterprise was offered as a solution to these critiques of dependency because social enterprises are understood to be organisations that brought in revenue and are entrepreneurial in the manner in which they did so. Constructing a negative image of the voluntary and community sector has the effect of rejecting the traditional values of the sector, reciprocity and altruism, prioritising the customer, and service quality. The voluntary and community sector was being encouraged by Government to “take the best of business methods and apply them to their own organisations without losing sight of the stuff around the edges or the core that makes them different” (T24 p15). The discourse of social enterprise was being used as a promotional device for changing the practices of the voluntary and community sector to ensure they were not dependent on grants, were customer focused, and fulfilled their objectives.

For the social enterprise practitioner T12, the social enterprise business model was understood to be “viable” (T12 p4) as opposed to ‘dependent’, allowing for expansion through sources of finance, notably loans and equity, which were unavailable to charities. Social enterprise approaches were understood to offer an alternative to the traditional ways in which the third sector generated income:

“Social enterprise, if it is to be done in its truest sense, it’s trying to get away from grant dependency, and towards loan and equity financing” (T12 p9).

“Traditional notions of charity that is just a handout have gone” (T12 p15).

The grant dependency attributed to the charitable sector was constructed as being the opposite of the business approaches utilised by social enterprises. Charitable and other organisations in the third sector were understood to “hoover up” (T12 p9) grant finance

because there were no incentives to look for finance elsewhere because the current system created and maintained dependency:

“You might as well be a charity at this stage, or a voluntary organisation” (T12 p9).

Like the pro-social enterprise movement, the grant dependency culture was understood to divert the mission of an organisation. The practitioner used an example from his own organisation to exemplify the dangers associated with grant chasing:

“I think that one of the dangers that there is, that often groups can, if they are not careful, find themselves chasing funding. The current criteria are towards training and NVQs; and in terms of the training grants, if we had been chasing that money we might have found ourselves being more of a training provider, rather than an employment creator. And that wouldn't really have been true to what we are trying to do. There [are] lots of cases where whatever the current targets are, or where the funds are, people will go for that kind of funding and divert what ever attention to it that way” (T12 p10).

Charitable approaches were not only understood by the practitioners interviewed for this study to promote dependency and divert an organisation's attention away from its mission, but charities were also perceived to be highly regulated, an attribute that confined their activities. The efficiency, effectiveness and dependency critique of the charitable and third sector demonstrated continuities with new right critiques of the charitable sector. The new right believes that private enterprise is more efficient and effective than public organisations and that 'public service' conceals bureaucracy and professionalism, which hinders efficiency and effectiveness (Clarke, *et. al.*, 1998). In the context of social enterprise, this critique implies that the private sector approaches utilised by social enterprises (for example, utilising loans and equity finance) mean that the social enterprise is more effective and efficient. The private enterprise ethos active in social enterprise counters the bureaucratic professionalism that characterises other third sector organisations.

However, in spite of constructing a very negative view of what it meant to be a charity, the practitioner did display and identify with the core values of the charitable sector, most notably ‘openness’ and altruism:

“We are really open to see people... I can remember times when people have done stuff, and they have been so helpful, so if we can help... someone else with one of their projects, we would rather do that because it is part of the whole thing... We would like people to know about it, there is not too much secrecy” (T12 p12).

Where perhaps there is a misunderstanding, rather than conflict, is over the expression of the values of the third sector within social enterprise. Although the third sector comes under heavy criticism from the discourse of social enterprise, the social enterprise practitioners involved in this study did see the social enterprise as playing a role within the sector. The social enterprise practitioner (T3) understood her organisation’s role in the third sector as supporting “people in the voluntary sector into becoming more [financially] self-sufficient” (T3 p6) and “supporting them into being more entrepreneurial in the approach” (T3 p10). This supportive role was understood to be achieved through providing support services to the sector as a whole and being open about their own approaches and business practices. Rather than rejecting the values of the third sector, the social enterprise practitioners embrace them. The openness expressed here is very much a characteristic of social enterprise. This openness closely models the values of the voluntary and community sector, and that contrasts with the negative ‘secrecy’ associated with the private sector and the pro-social enterprise movement, whose flagship organisations often charge fees to pass on their know-how to the rest of the sector<sup>10</sup>.

Although there were differences in how ‘social enterprise’ was defined by actors in the discourse, there are clear continuities in their critiques of the third sector, specifically in accusing the third sector of grant dependency, and the impacts of

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<sup>10</sup> Issues and critical questions that emerge from this discussion are addressed in chapter seven.

dependency upon efficiency and effectiveness. All three actors support the social enterprise as a model for third sector organisations to follow in order to address these criticisms. Using Foucault's approach, to analysis it is clear that the attributes of social enterprises (for example, independent income generation) have been identified by the dominant discourse as valuable. Social enterprises harbour the knowledge that the dominant discourse of welfare reform desires. Following this logic, Foucault's approach shows us how the notion of social enterprise is defined by the discourse as important, because of the attributes they display. It also shows how social enterprise has been picked up by the discourse of welfare reform, thus making social enterprises visible and significant actors within the discourses of welfare reform. These different versions of social enterprise constructed by the Government, the pro-social enterprise movement and the social enterprise practitioners in relation to the third sector are clearly related to broader debates concerning the future of welfare, which we now consider in more detail.

### **Welfare reform and the enterprise culture**

The Government, the pro-social enterprise movement and social enterprise practitioners each offered different versions of the role social enterprises should undertake in welfare reform. For the Government, this version was interwoven with third way political ideology. At the heart of third way politics is the belief that rights to welfare come in return for responsibilities. This thinking also applies to social enterprises. The Government construct social enterprises as being able to 'get people off their butts' from benefits and into to work (T24) and, as a result, social enterprises have received considerable support from Government.

In return for Government support, social enterprises have the responsibility to develop "market opportunities" they have not yet explored (T24 p9):

"I think it is quite clear that there are sectors [in] which social enterprises themselves see potential: healthcare, eldercare, childcare, environment management, housing perhaps, leisure. And there are probably others, but they



are the main ones. But *obviously it's incumbent upon the sector to be very active in that*" (T24 p13, original emphasis).

The Government wants the social enterprise sector to take a greater role in providing welfare services in healthcare, care of the elderly and children, environmental management (for example recycling), socially oriented housing, and leisure service provision. These are all arenas where the welfare state has traditionally (before the Thatcher/Major welfare reforms) been a major service provider and, at present, in spite of these reforms, is still a major player.

The Government sees itself working with the sector to "realise" (T24 p3) the potential of social enterprise. Within this emerging welfare environment where enterprise is prized, the role of Government has also been renegotiated:

"This whole approach to encouraging enterprise in whatever shape or form it manifests itself [is] to offer support and help and guidance" (T24 p7).

Through the discourse of social enterprise the Government is aiming to move away from direct service provision and towards a supporting or enabling role.

The *collaborative* effort to improve welfare service provision promoted by the Government was in stark contrast to the role of social enterprise in welfare promoted by the pro-social enterprise movement. Rather than collaboration, the pro-social enterprise movement wanted to see the state withdraw from welfare and replaced by social enterprises and the private sector. Academics, welfare professionals and politicians were constructed by the pro-social enterprise movement as being responsible for the demise of the welfare state:

"Politicians and academics... they are all up in theory land, but they never get their hands dirty on the detail" (T1 p1).

“I know that if we leave this stuff [welfare] to politicians and civil servants they will get it wrong” (T1 p4).

By constructing politicians and academics as not understanding the detail of service delivery, the immediate effect was to elevate those who *did* understand the detail or had the knowledge (i.e. social enterprises). The respondent described welfare bureaucrats as “dinosaurs” (T1 p2) who created bureaucratic “seaweed” (T1 p2) that made it very difficult for other welfare actors to operate. In essence, the Government was understood to be “part of the problem, not part of the solution” (T1 p2).

The pro-social enterprise movement can be understood as being ‘enthusiastic welfare dismantlers’ (Leonard, 1997). The discourse of social enterprise presented in T1 represents broader ideological shifts in welfare characteristic of the postmodern era:

“People don’t believe that Governments can deliver” (T1 p4).

“People are wanting answers to things, they want things to happen” (T1 p4).

The understanding that the ‘people’ do not believe that the Government can deliver on its promises for better service provision legitimises the direction of change expressed by the pro-social enterprise movement. This lack of faith in the state holding the solutions to welfare can be understood as a part of postmodern discursive shifts where the ‘old’ values embodied in the welfare state (universality, full employment and increasing equality) are “proclaimed to be a hindrance” and are “castigated as ideas which have outlived their usefulness” (Leonard, 1997, p113). The welfare state was understood to stifle individualism, self-help and freedom:

“I think it has to do with *individuals wanting more control* and wanting to see things happen” (T1 p4, emphasis added).

“We have to build for ourselves our own *self-help* environment” (T1 p5, emphasis added).

“We want to take over the running of schools, we want to take over health services, we want to have the *freedom*” (T1 p8, emphasis added).

The neoliberal themes of individualism, self-help and freedom combine with new right thinking surrounding consumer sovereignty, efficiency and effectiveness, and entrepreneurialism, and amount to a substantial critique of the welfare state to which the social enterprise was understood to respond. Social enterprises were understood to be able to respond because they operate on the principle of consumer sovereignty:

“The customer is the acid test, it is the choice of people buying services” (T1 p10).

“If our customer list... had gone from 1000... to 500... that would be the test” (T1 p11).

The strand of the discourse represented by T1 presented a version of welfare in which the consumer has the control, governing the services they need and use, utilising a market-based transaction for welfare services ideally delivered through social enterprises. Because social enterprises were constructed as having the ability to ‘deal with the detail’ of service delivery, and because service provision was tailored to the needs of that individual, social enterprises were understood to be the key institutions of welfare reform.

The social enterprise practitioners interviewed throughout this research emphasised the importance of delivering services that is tailored to the needs of individuals and localities. The social enterprise practitioner (T3) demonstrated this when describing the services her organisation provides as offering a “friendly face” and “support” (T3 p5). With a clear focus on the individual, the organisation would:

“Help *you* identify *your* skills”

“Help *you* prepare *your* CV”

“Help *you* match *your* CV to jobs” (T3 p5, emphasis added).

The emphasis is very much upon an individual tailored service to ensure the unemployed are 'employment-ready'. Aside from the centrality of work that is demonstrated here, there is a deep-seated philosophy of individualism that places the responsibility upon the individual to get themselves into work with the assistance of the social enterprise. The continuity between the Government, the pro-social enterprise movement, and the social enterprise practitioners was apparent. This continuity centred on the concepts of individualism, self-help and promoting individual responsibilities in welfare.

The pro-social enterprise movement contributes considerably to the dominant discourse of social enterprise within the discourse of welfare reform, particularly in promoting discussion concerning who is providing what welfare services and through which organisational means. The text T1 uses an analogy that likens welfare provision to a jigsaw puzzle, where the role of the social enterprise is to take the box of welfare jigsaw pieces, turn them the wrong way up and then try them round in different configurations (T1 p7). Central to this notion was the shifting of the boundaries of service provision between the public, private and third sectors. The pro-social enterprise movement has been highly successful in advocating this kind of blurring of the boundaries between service providers as a means to open up 'space' for social enterprises to become major service providers.

The social enterprise practitioner T3 emphasises the need for a more plural system of welfare. This pluralistic vision of welfare, one that provides more tailored services to recipients through an organisational structure that is appropriate, displays strong continuities with the version presented by the Government. The social enterprise practitioner does not dismiss the role of other service providers (including the public sector):

**SE:** "And the employment side of things traditionally would have been provided by the job centre?..

**T3** ...And still is, but people don't go to the job centre, that was recognised" (T3 p4-5).

"In terms of our programme, bits of it will be provided by other providers, we can't do it all, and we concentrate on the bits we are good at" (T3 p6).

For the social enterprise practitioner, it was important that service providers focused on the types of service provision. The practitioner saw the need for statutory service provision and felt the role of social enterprises was to fill gaps in service provision, where people fall through the welfare safety net. Service providers should concentrate 'on the bits they are good at': tailoring services to the needs of individuals and communities. There is a great deal of continuity between the practitioner (T3) and the Government (T24) on this issue. Both the Government and the social enterprise practitioners reject the idea that the state should withdraw from welfare, instead believing that the social enterprise model should be applied "if it is appropriate" (T24 p10).

The pro-social enterprise movement, on the other hand, challenges the social democratic foundations of the welfare state, arguing that the principles upon which it was established are now outdated:

"[The] Government... they want it all to be fair and equal, but if you follow the detail of *fairness* and *equality* you find that it means in the health service that you are paying lower wages" (T1 p5, emphasis added).

"...The state is going to have to dump silly ideas about equity and fairness. Equity and fairness lowers things to the lowest common denominator" (T1 p9).

The notions of fairness and equality (in principle at least), which were central to the 'old' welfare state, are discounted on the grounds that they do not make business sense because they limit the level of reward staff can receive for good work. For the pro-social enterprise movement the solution to the 'welfare problem' was understood very clearly:

“Government back-off” (T1 p2).

The state withdrawing from welfare would provide a space free of the constraints on the existing welfare state:

“Government needs to back off because we need space to swim in” (T1 p10).

“You back off completely, just give us the budget” (T1 p8).

The state, in the eyes of the pro-social enterprise movement, must “find ways of moving out” (T1 p2) of welfare. The vision for welfare and social enterprise constructed by the pro-social enterprise movement, advocated for Government to withdraw from welfare and leave the ‘space’ open for social enterprises and the private sector to fill:

“I hope that social enterprise will get strong enough to take over, to form partnerships, [and a] whole complex diverse range of things around practice” (T1 p9).

The pro-social enterprise movement holds a vision for the social enterprise to ‘take over’ welfare from state provision in partnership with the private sector. The withdrawal of the state from welfare aimed to change the culture of welfare provision:

“We are clearly laying the foundation stones of a new entrepreneurial culture in the social sector, with business and some colleagues with experience in the public sector” (T1 p4).

The pro-social enterprise movement prioritised the knowledge of the business sector over the knowledge of the social sector and, as a result, those who hold the knowledge (for example, social enterprises) are constructed by the movement as having the ability to change the culture of welfare provision.

The enthusiasm of the pro-social enterprise movement for working *with business* on a broader project of making the social sector more entrepreneurial, indicates the closeness of the ideologies of the new right to those of the pro-social enterprise movement. Encouraging an enterprise culture is understood to be essential to achieving these broader goals. The enterprise culture incorporates new right thinking in the context of social enterprise. This is because the new right prioritises the private over the public; believes that private interests should suppress public interests; asserts that private enterprise is more efficient and effective than public organisations; and, that the ethos of public service conceals bureaucracy and professionalism hinders a more effective and efficient system of welfare (Clarke *et. al.*, 1998). Consequently, a more private system of welfare where individuals make decisions about their own needs and the market and private sector provide welfare services is favoured over the social democratic welfare state. The new right emphasises the development of alternative providers of social welfare, welfare pluralism and the consequent withdrawal of the state from welfare, with an increased emphasis upon ‘self-provisioning’ or self-help in welfare.

Social enterprise was understood by the Government official to be integral to changing notions of welfare reform in the United Kingdom. Social enterprises were a part of changing the culture of welfare:

“I do definitely feel a very real sense of change... there has been a sea change in attitude” (T24 p6).

The cultural change that the Government is seeking is caged in visionary language concerning the prospects for the future, referring to the current period as being “on the crest of a wave” (T24 p14). The cultural shift described above is embodied in the changing languages of welfare reform: the text identifies a shift in terminology from “welfare to work” towards “benefit to business” (T24 p6). The shifting language demonstrates how the meaning and ideologies within the Government’s discourse on welfare reform have changed. The discourse centralises business and enterprise and attempts to move away from the negative connotations associated with welfare-to-work strategies (see Peck, 1998 and Lightman 1995, 1997 for more detailed critiques of

‘workfare’ strategies). The benefit-to-business rhetoric is designed to be more “inclusive”, to “recognise human potential”, promote a “fair and just but economically sound society” and to promote “economic opportunities in areas of deprivation” (T24 p6). Social enterprises are, therefore, woven into the discourses of the third way. Social enterprises also represent these shifts because they display the attributes needed to take advantage of the opportunities (entrepreneurial approaches) and harness the potential of disadvantaged people and places (working in areas where the private sector and the public sector has failed and working with and employing people traditionally considered unemployable).

The promotion of social enterprise by Government was aimed at changing the dependency culture and thereby accepting entrepreneurial approaches in welfare. The promotion of enterprise in welfare has changed the frames of reference of ‘the problem’, the policy responses and the social practices:

“Politically it is something that has to be taken seriously...[the] culture has changed, there is a very different sense of purpose, and a real recognition that there is more than one way to skin a cat!” (T24 p12).

Here, the Government official was referring to changes in the way in which welfare solutions are being sought. Social enterprises offer a new mechanism to deliver services outside of the public, private and third sectors. The means through which these objectives are being pursued are difficult to detect, but as the respondent explained:

“It is much more to do with the words, and the manner, and the attitude” (T24 p7).

The respondent referred to changes in the language and practices in the discourse of welfare. Through the vehicle of social enterprise the language and underlying ethos of welfare is being repositioned, the meanings and the social practices that stem from these meanings are being renegotiated as the words, manner or practices and attitudes change.



Government constructs social enterprises as “very powerful agents of change” (T24 p7). What needs ‘changing’ in the eyes of Government goes far deeper than deprived urban areas or service provision, and enters into a programme of cultural change. Enterprise was understood to be important in welfare because of its ability to encourage individuals to take responsibility for their own social welfare and blur the boundaries between business and the social:

“The ultimate aim is that there should be a real blurring of the lines, and a much greater read across from one to the other, from social enterprise to mainstream business” (T24 p15).

The continuity between the Government, the pro-social enterprise movement and social enterprise practitioners is strong, each believing that social enterprises are significant in welfare reform because they offer a model for ‘blurring the boundaries’ between ‘business’ and the ‘social’ spheres.

#### **(d) The discourse of social enterprise**

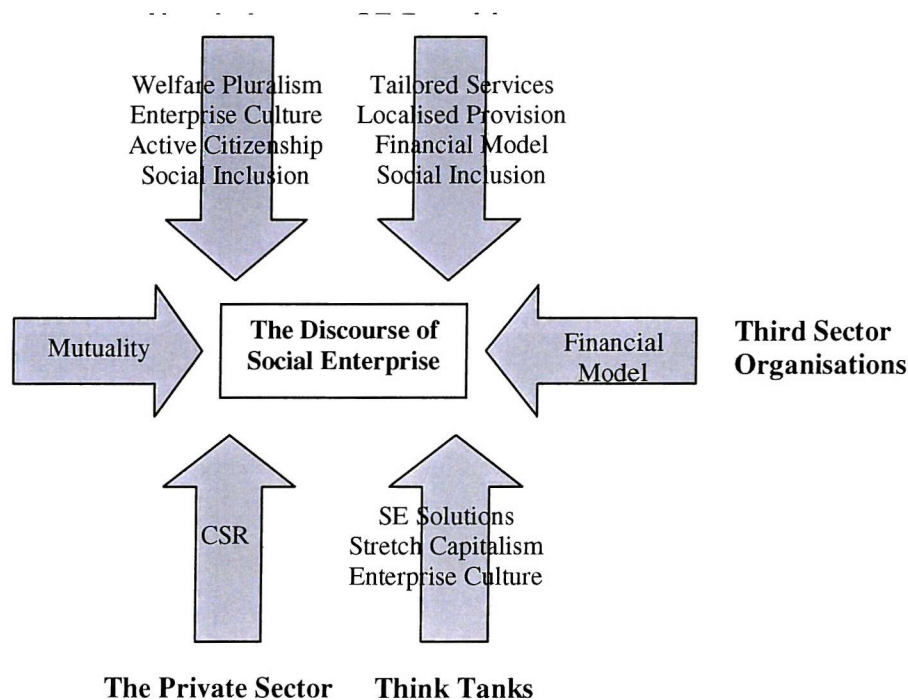
The above discussion has highlighted a series of conflicts and continuities between the different strands of the discourse of social enterprises presented by the Government, the pro-social enterprise movement and the social enterprise practitioners. Table 4.1 summarises the main points of each strand of the discourse. The continuities between these strands are indicated in blue, conflict in black. In spite of definitional disagreements, the discourse as a whole is critical of traditional charitable approaches towards tackling social problems and prioritises business practices over those approaches. Social enterprise practitioners are nervous that this may be detrimental to the movement as a whole, viewing the values of the third sector as central to undertaking social enterprise activity. The vigour with which the pro-social enterprise movement rejects the state as a service provider is balanced by the Government and social enterprise

practitioners who advocate social enterprise as a social policy option that should be encouraged.

	<b>Government</b>	<b>Pro-social enterprise movement</b>	<b>Social enterprise practitioners</b>
<b>Definitions</b>	A social enterprise is an umbrella term that includes co-ops, credit unions, social firms.	A social enterprise is a socially entrepreneurial organisation that brings in revenue.	A social enterprise is a specific business structure that applies business practices in a social setting.
<b>Third sector, finance, and accountability</b>	<p>The third sector is grant dependent and, therefore, ineffective and inefficient. Social enterprise is needed to encourage more enterprising activities to increase effectiveness and efficiency.</p> <p>Reject the values of the third sector.</p> <p>Business practices should be applied where appropriate.</p>	<p>The third sector is grant dependent and therefore, ineffective and inefficient. Social enterprise is needed to encourage more enterprising activities to increase effectiveness and efficiency.</p> <p>Reject the values of the third sector.</p> <p>Business practices should be applied throughout welfare.</p>	<p>The third sector is grant dependent and, therefore, ineffective and inefficient. Social enterprise is needed to encourage more enterprising activities to increase effectiveness and efficiency.</p> <p>Embrace the values of the third sector. The Government and the pro-social enterprise movement have misunderstood the importance of these values to social enterprises.</p> <p>Business practices should be applied where appropriate.</p>
<b>Welfare reform</b>	<p>Pragmatic approach, outcomes more important than the motivation.</p> <p>Social enterprises are the key to changing understandings of how welfare services can be provided.</p> <p>Government to work in collaboration with the social enterprise sector to deliver a greater proportion of welfare services on the Governments behalf.</p> <p>Tailored service provision that encourages self-help.</p> <p>Promotes social enterprises and social entrepreneurs, favouring an organisational approach.</p> <p>Social enterprises a vehicle for cultural change in welfare.</p> <p>Social enterprises blurring the boundaries between 'business' and 'social'.</p>	<p>Social enterprises are the key to changing understandings of how welfare services can be provided.</p> <p>Social enterprises to take over welfare from the state.</p> <p>Tailored service provision that encourages self-help and promotes individual freedom to choose.</p> <p>Embraces the individual social entrepreneur and key agent of change.</p> <p>Social enterprises a vehicle for cultural change in welfare.</p> <p>Social enterprises blurring the boundaries between 'business' and 'social'.</p>	<p>Motivation vitally important as it is the driving force of the organisation.</p> <p>Social enterprises one provider amongst many.</p> <p>Tailored service provision that encourages self-help.</p> <p>Focussing upon the entrepreneur too individualistic, more collective approach needed, reflecting the values of the third sector.</p> <p>Social enterprises blurring the boundaries between 'business' and 'social'.</p>

**Table 4.1:** Conflict and continuity in the discourse of social enterprise.

What is clear from analysing these different versions of the discourse is that social enterprises are a part of broader changes in welfare. The discussion has demonstrated that the notion of social enterprise is related to programmes of reform that cross political divides, and incorporate elements that are attractive to the middle (social democratic) ground as well as the new right. Returning to Foucault's analysis enables us to see how the subject (the social enterprise) has been identified as important by these broader discourses of welfare reform. Social enterprises are significant actors in welfare reform because they are understood to have the ability to change the culture within the welfare sector, as well as deliver services, by means that address the key criticisms of the current system of welfare. The strands of the discourse shown above chart the discourse of social enterprise that coalesces to form the dominant discourse (highlighted in blue). This discourse combines with broader discourses of social enterprise promoted by the new mutuals and the private sector (shown in figure 4.5 below) to produce a fluid and dynamic entity that feed off one another:



**Figure 4.5:** Elements of the discourse of social enterprise.

Within the discourse, the actors above pursue their own objectives. Through the discourse the social enterprise becomes a vehicle to pursue CSR, mutuality, social inclusion, welfare reform, independence for the third sector, promote a culture of enterprise and the creation of a new vision for the economy and society based upon a fairer version of capitalism. Together table 4.1 and figure 4.5 show how strands of the discourse combine to form a dominant discourse of social enterprise within broader discourses of welfare reform.

#### **(e) Conclusions**

This chapter began by considering the notion of social enterprise as a discourse. The notion of discourse and the discourse analysis undertaken here has provided valuable insight into how social enterprises are a part of broader shifts in welfare. The discourse analysis has shown that those promoting social enterprise (the Government and the pro-social enterprise movement) believe that social enterprises hold the knowledge of how to address social problems and the problems associated with welfare delivery through enterprise. These attributes have been shown to be highly attractive to the Government and the pro-social enterprise as they are akin to the political objectives they wish to pursue. Specifically, the analysis of the discourse of social enterprise suggests that politically social enterprises are intended to promote:

- Enterprising and entrepreneurial welfare services;
- Effective, efficient, tailored service provision within communities.

This new vision for welfare proposed by the discourse of social enterprise presents a series of challenges to public and third sector welfare providers. It is to these postmodern challenges we now turn.

## Chapter five: Social enterprises: reconfiguring social welfare?

### (a) Introduction:

Social enterprises appear to be a part of a discursive strategy that aims to reconfigure welfare. This chapter considers the nature of past and current forms of welfare, and then looks forward to consider future configurations of service provision in what some have termed the postmodern era. The first part of this chapter looks back on the development of the welfare state and how it has changed from its original form. These theoretical discussions are useful in developing our understanding of the role social enterprises may be taking in the reconfiguration of welfare. The discussion expands our understanding of the role social enterprises may be playing in welfare change, and provides a framework within which we can relate how practitioners view their work to broader reconfigurations of welfare provision.

Since the advent of the 'welfare state' following World War Two, welfare provision has been reconfigured. This chapter guides the reader through some theoretical interpretations of change in welfare and the transition from 'modern' welfare systems to the present day 'postmodern' incarnation of the welfare state. The content and nature of these stages are contested, but most agree welfare has passed through *something* (Carter, 1998). It is suggested here that social enterprises are representative of these changes, and that they are integral to these reconfigurations. The contribution of social enterprises to these changing patterns of service delivery is explored in an effort to ascertain if their contribution to service provision can account for the intense political interest in social enterprise as a means to reconfigure welfare provision.

**(b) Welfare reforms post-1945: 'modern' and 'postmodern' welfare**

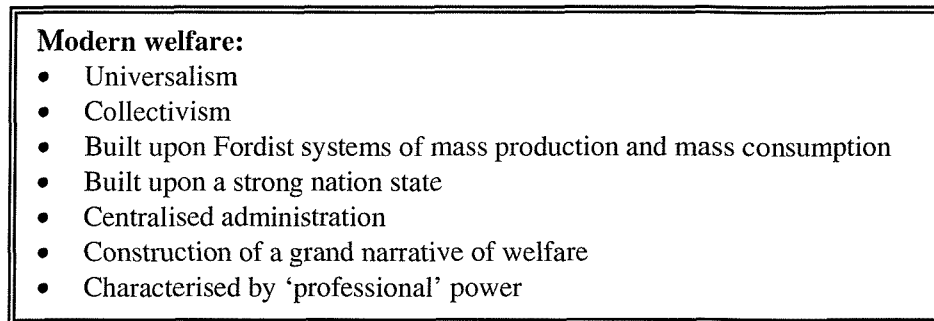
The term 'welfare state' has many different and contested meanings and interpretations. However, the welfare state in this context is understood to be:

"A set of institutions and social arrangements designed to assist people when they are in need because of factors such as illness, unemployment and dependency, through youth and old age" (Pinch, 1997, p150).

In the United Kingdom, the 'welfare state' is synonymous with the state or the public sector being the main service provider, with services supplemented by the private and third sectors. The starting point for our discussion is the development of the welfare state following the Second World War, the 'modern' welfare state.

**'Modern' welfare**

The development of the 'modern' welfare system in the United Kingdom was a political project to unite people with a common purpose, and express national sovereignty (Fraser, 1984). The post-war period provided an opportunity for social policy to be constructed to address the inconsistencies of welfare provision in the pre-war period. The Beveridge report, published in 1942, built upon policy developments during the war years and set as its goal the elimination of the 'five giants' of Want, Disease, Ignorance, Squalor and Idleness through a system of social insurance, a comprehensive health and education service, and the maintenance of full employment (Dorling and Tomaney, 1995; Cloke, 1997). The system aspired to provide uniform and universal services to all. The development of the welfare state coincided with a long period of economic growth, where mass production was coupled with mass consumption (Fordism) combining to form what has been termed by regulation theorists the Keynesian Welfare State or KWS. The key features the modern KWS are summarised below in figure 5.1.



**Figure 5.1:** Key features of 'modern' welfare.

This phase of capitalism, or regime of accumulation, known as Fordism by regulation theorists, was an industrial system based upon the mass production of standardised goods and services, coupled with steadily growing mass consumer markets, regulated by Keynesian demand management. Labour was supported by an extensive social welfare infrastructure – the welfare state. In addition, the modern welfare state was built upon the foundations of the “stable, patriarchal nuclear family in which the male breadwinner brought home a family wage to meet the many of the basic needs of his dependents” (Ginsburg, 1998, p267). However, economic and social changes in the 1970s altered the balance between welfare and employment.

Regulation theory offers a lens through which change in the political economy can be analysed. Regulation theory originated from the French social theorist Michel Aglietta whose ideas were first developed in the 1970s (Dunford, 1990). Aglietta’s aim was to “explain how capitalist social relations came to be reproduced through time and across space despite the fact that they are marked by contradictions which threaten that reproduction” (Painter, 1991, p23). The provision of welfare services by the state are understood to be an instrumental means to balance the needs of society, and in particular labour, with the needs of capitalist business. Regulation theory is useful because of its ability to account for changes in capitalism, and within those changes, change in welfare provision forms an integral part. Regulation theorists argue that capitalism has passed through a number of phases, linked together by periods of transition. These theorists also



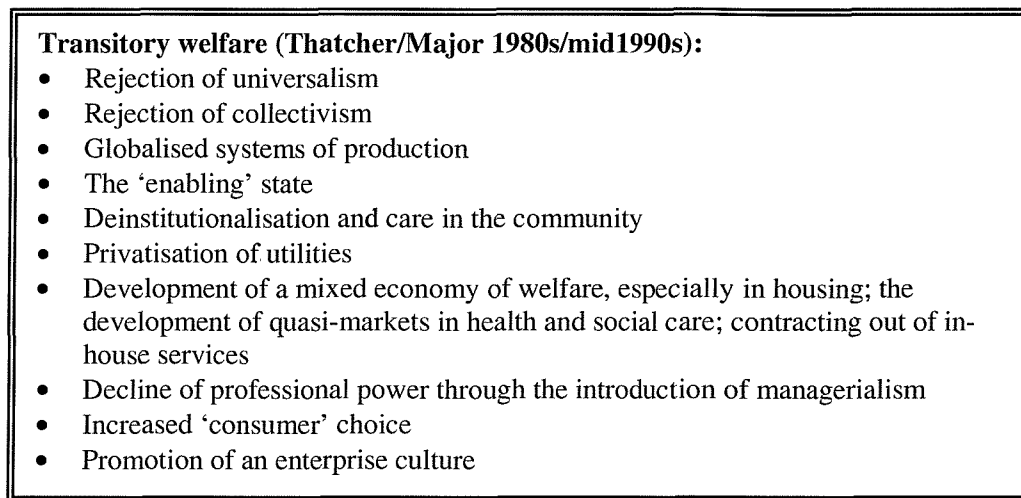
argue that we are currently in a period of such transition. The current period of transition is said to have begun in the early 1970s (Tickell and Peck, 1992). Regulation theorists offer explanations of these changes or crises, and argue that the current crisis is accompanied by a crisis of welfare. Regulationists suggest that during this crisis the Keynesian inspired models of welfare have no longer been able to meet needs of the changing economic environment. The economic environment of the 1970s was characterised by high and rising unemployment, stagflation, and escalating oil prices; these pressures overcame the dominant features of capitalism that had balanced the conflicting elements for most of the twentieth century. As welfare settlements were put in place to balance these conflicting elements in capitalism, the crisis of Fordism has been coupled with crisis in the welfare state.

Crises, according to Dunford (1990, p307), are triggered by external factors such as war, natural disasters, changes in the growth rates of an economy, or, when the mode of regulation has exhausted the model of development (structural crisis). Economic and social changes in the 1970s increased the number of people drawing on welfare, increasing the cost of provision in the form of unemployment benefits, at the same time as the size of the active (earning or employed) population was shrinking. The lens of regulation theory allows us to understand how these pressures have led to the welfare reforms initiated in the 1980s and 1990s.

### **Welfare reform**

During the 1980s and 1990s the Thatcher and Major Conservative administrations set out to radically restructure Britain's post-war welfare state (Rao, 1996). The reforms aimed to increase consumer choice and introduce market disciplines to public welfare services as a means to increase cost-effectiveness. These reforms ran parallel with policies to increase home and share ownership through the privatisation of public housing stock and the privatisation of public corporations such as British Telecom and British Airways. The Conservatives introduced market discipline into public services through the imposition of Compulsory Competitive Tendering (CCT) and the creation of internal

markets. The Conservative reforms of public services began to have significant impacts upon the integral fabric of the modern welfare state with the imposition of quasi- or internal markets in health and social services (Rao, 1996), and the imposition of the National Curriculum in education (Carter and Rayner, 1996). This transitory period for the welfare state is characterised below in figure 5.2:



**Figure 5.2:** Welfare in transition during the 1980s/1990s.

Perhaps the most profound impact of these reforms was to change the relationship between the public sector and the voluntary sector. The reforms involved the reconfiguration of core-funding grants made by local authorities to the voluntary sector to deliver services to the community on behalf of the state. Grants were replaced with contracts for services delivered. These reforms laid the foundation stones for the development of a more pluralistic system of welfare. One such reform is illustrated by the implementation of Service Level Agreements (SLAs)— contracts for social care between social service departments and voluntary organisation providing social care. Charlesworth *et. al.* (1996) in their study of the changing relationships between the social service departments and the voluntary sector, found that the imposition of SLAs formalised and commodified the relationships between the local social services departments and the voluntary sector. As attention was focused upon contractual service delivery the impacts of the SLAs ranged from being positive, where the boundaries

between contractor and provider were formalised; to negative, resulting in the loss of organisational autonomy, advocacy roles, and innovative service activities.

The creation of a mixed economy of care, therefore, redrew the relationship between the statutory sector and the voluntary sector, formalised structures under contractual agreements, and initiated changes in the management, balance of activities, and identity of the voluntary sector (Lewis, 1993). The imposition of SLAs and other reforms were part of broader concerns of the Conservatives to introduce CCT in public services in an effort to increase market sensitivity, choice, and efficiency. The implications of the mixed economy for the voluntary sector were significant:

“The process of creating the mixed economy has [had] profound implications for relationships between different types of providers and between providers and purchasers, and for *the future shape of the voluntary sector*” (Lewis, 1993, p191, emphasis added).

The introduction of the mixed economy of welfare fundamentally altered the way in which the sector viewed itself. The sector developed a split personality becoming contracted to the state, whilst at the same time attempting to maintain a critical eye on public policy and acting as the research and development wing of welfare. These changes led to two major developments within the voluntary sector. Firstly, organisations questioned their role and identity (were they a contracted agency providing services, an advocate, a critic, or new service developer?). And, secondly, many developed enterprising and business-like structures to enable them to navigate the new business-like welfare system. It is in this context that social enterprises emerged as a key player in welfare. Social enterprises acknowledge the new business-like welfare environment, and present a third sector response to those changes. This is not to argue that enterprising or business-like organisations did not exist prior to these events, but instead to suggest that these changes brought the notion of social enterprise to the fore as the third sector sought to navigate the changing welfare context.

In spite of the changes in welfare introduced by the imposition of CCT and internal markets, the majority of the modern welfare state remained intact:

“However traumatised social policy [welfare] provision has been in the UK, it has emphatically *not* been transformed into a consumer-sovereign bazaar” (Carter, 1998, p21, original emphasis).

The marketisation of welfare initiated by the Thatcher and Major administrations fell short of a ‘fully marketised condition’ as, in reality, voluntary sector organisations were favoured over private sector service providers under the implementation of CCT by local authorities (Charlesworth *et. al.*, 1996). This can be explained by the fact that local authorities had always had contractual relationships with the private sector, and there was general discomfort (as is still the case) with private sector involvement in welfare.

Although the real impact of these reforms on actual service provision was often marginal, welfare pluralism (the creation of a mixed economy of welfare) changed the ‘rules of the game’ (Rao, 1996). The reforms begun by the Conservatives changed the culture within social services departments, and arguably the deeper ethos of public service, “from a ‘professional’ to a ‘business’ culture” (Rao, 1996). This shift changed the type of knowledge that was privileged in social welfare. Professions that valued professional opinion, advocacy skills, and a caring environment were replaced by different forms of knowledge, those of budgetary control, managing contracts, and monitoring (Charlesworth *et. al.*, 1996).

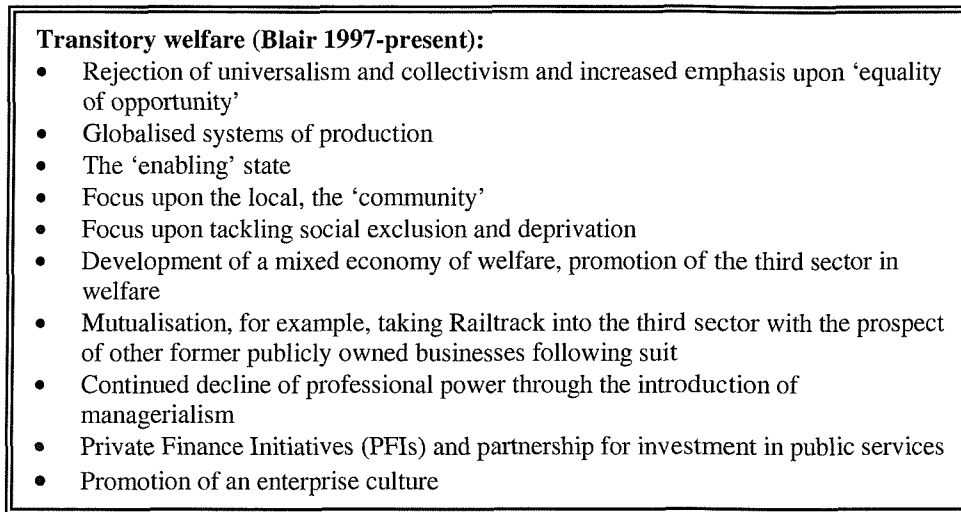
The culture change during this period was facilitated and legitimised by the imposition of an ethic of managerialism. In this context, management refers to two separate meanings:

1. The general process of running things – management.
2. A distinctive approach to running organisations based upon specific principles, theories and techniques – managerialism (Charlesworth *et. al.*, 1996).

Behind this programme of change was a belief that the welfare state was ineffective and expensive because it was poorly managed. In welfare reform, managerialism acted to transform welfare structures, provision and relationships (Carter, 1998) by remaking the relationship between the state and social welfare (Clarke, 1998). Managerialism changed the position of the state from direct service provider, to that of 'enabler' (Rao, 1996).

The imposition of managerialism in welfare was related to shifting patterns of governance within and between service providers. The social enterprise can be understood in this context to be one of the actors in this new system of governance in welfare through which values of empowerment, individualism, localism, and plurality of service were promoted. These attributes of social enterprises also attracted the attention of New Labour. The election of New Labour in 1997 set to change the course of welfare reform in the United Kingdom. The reforms initiated by Thatcher and cemented by Major had been successful in reforming welfare provision and introduced a more pluralistic system of welfare. However, in spite of these reforms, welfare services provided by the state were still perceived to be ineffective and inefficient. The consumer was still not sovereign (Carter, 1998), and the marketisation of welfare services had fallen short of aspirations (Charlesworth *et. al.*, 1996).

The shifts in culture and organisational structures described above set the scene for the emergence of the social enterprise as a key player in welfare reform under New Labour. New Labour's promise to modernise government and reform public services displays strong continuities with the reforms initiated by Thatcher and Major, particularly in its emphasis upon *enterprise*. Figure 5.3 summarises transitory welfare under the Blair Government:



**Figure 5.3:** Welfare transition during the Blair Government 1997-present.

For New Labour, promoting the mixed economy of welfare differed in character to the Conservatives. Rather than transferring services to the private sector, the reforms have focused upon promoting the third sector to provide services on behalf of the Government (SEU, 2001; Douglas Alexander MP, 14/03/02). There is an emphasis upon promoting businesses for 'public benefit'. For example, the recent mutualisation of Railtrack has taken the former public firm out of private ownership, and placed it firmly within the third sector to be run as a 'public benefit' business or in practice a very large social enterprise. The use of private capital has not been excluded, on the contrary, the promotion of Private Finance Initiatives (PFIs) as a means to *invest* in public services using private capital figures highly in the Government's plans for welfare.

The creation of 'public benefit' businesses and the use of PFI can be understood as an expression of New Labour favouring enterprise in social settings, as this quote from Douglas Alexander MP demonstrates<sup>1</sup>:

"I too see the great potential social enterprise offers to contribute not just to the Department of Trade and

<sup>1</sup> This quote is taken from a speech delivered at the second national social enterprise conference, held in London, organised by Social Enterprise London (SEL) in March 2002.

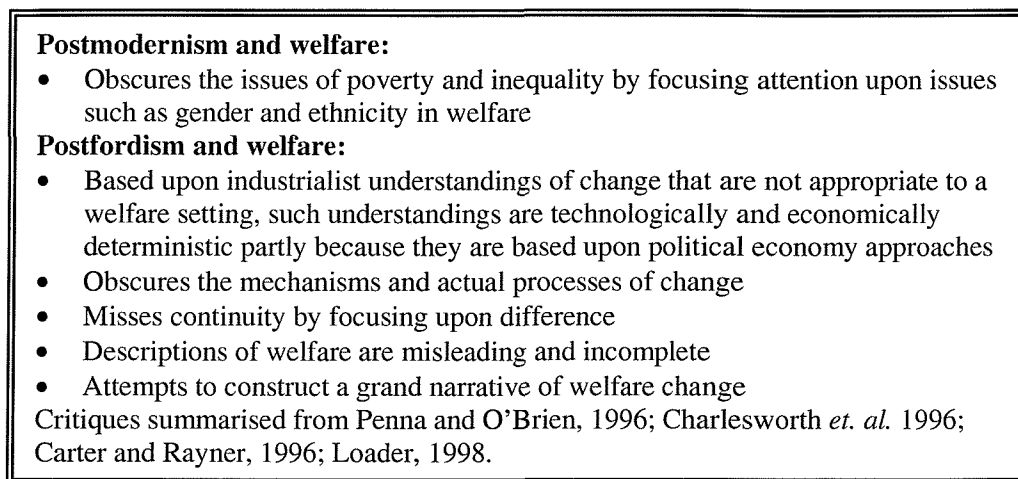
Industry's objectives, but also to the wider objectives of the Government. If we see our mission, as we do, of not only building a more dynamic economy but also a fairer society the social enterprises have a key contribution to make. In fact we see social enterprises as addressing a whole range of public policy goals – in areas as diverse as health and care, recreation and education and empowerment”  
(Douglas Alexander MP, 14/03/02, speech delivered at the SEL Annual Conference).

The social enterprise is constructed in this way as having the ability to meet a wide range of policy goals. Of interest here is the postmodern undertone of this discourse, indicated by the use to the word ‘empowerment’. It is these postmodern connotations that are integral to the discourse of social enterprise, and are therefore important to understanding the role that social enterprises are undertaking in welfare reform.

### **Postmodern welfare?**

Following the period of transition and the associated reforms to welfare, it has been suggested by regulationists and cultural theorists that we are entering a new era (‘post’) for the economy, society, and culture. ‘Post’ in the context of postmodernism requires further elaboration. ‘Post’, according to Penna and O’Brien (1996), indicates a prefix that denotes that we are living in a period of flux and transition. In addition, ‘post’ recognises that this world is one where the old and the new co-exist, where “what follows Fordist, industrial, modern society does not necessarily replace it but confuses and fragments it” (Penna and O’Brien, 1996, p40). Postmodernism is said to take on three related guises: firstly, a postmodern aesthetic, with an influence upon the arts, culture and architecture. Secondly, a socio-economic condition of postmodernity, including global economic restructuring as a socio-economic period. And thirdly, a paradigm of knowledge (linked to poststructuralism) that shapes the way we think and gain knowledge (Hillyard and Watson, 1996). In this context, the ‘post’ prefix can be used to understand the transformations in welfare service provision since the 1970s.

Again, the ideas of postmodernism have been translated into the context of welfare provision and welfare change. For regulationists, global economic restructuring is understood to be a key feature of the transition from fordism to postfordism. However, the notion of postfordism is disputed. Some authors doubt the authenticity of the new era, arguing that many features of the postfordist political economy were present in the fordist era and visa-versa (the key points are summarised in figure 5.4). Others suggest the integrity of fordism can be challenged, arguing that the features of fordism were never really as apparent as theorists made out.



**Figure 5.4:** Key critiques of postmodern and postfordist welfare.

The postfordist analogy in welfare has come under sustained criticism from social policy authors. For example, is said to be too economically and technologically deterministic (Loader, 1998) and obscures the detail of the processes of change (Charlesworth *et. al.*, 1996; Carter and Rayner, 1996; Loader, 1998). In spite of these critiques, the postfordist analogy in welfare is a useful perspective through which change in welfare can be analysed, particularly when it is incorporated with postmodern welfare literatures and is therefore useful in interpreting the role social enterprises are taking in welfare change.

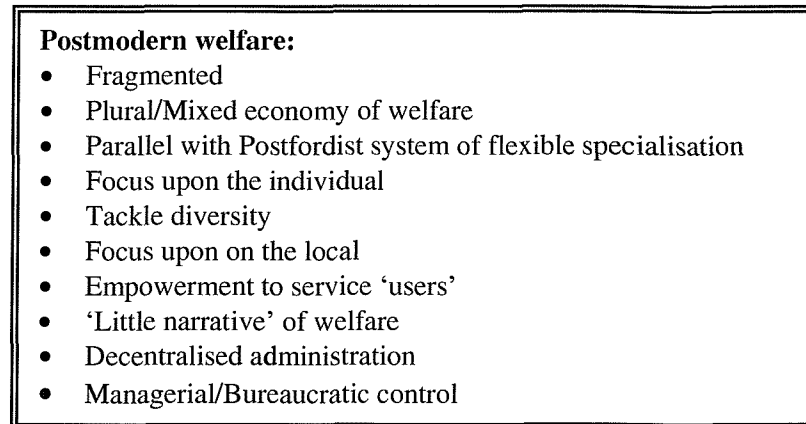
Postfordism is based upon flexible production systems, using flexible machinery, and a flexible workforce to respond to demands in the market for differentiated goods and



services (Jessop, 1994b). This emphasis upon flexibility is an attempt to resolve the crisis in capitalism by re-coupling production and consumption through the innovation of flexible production systems. This emphasis upon innovation in the macro and micro economy is a key feature of the postfordist era and this has also filtered into discussions upon the future of the welfare state. The postfordist welfare state is increasingly pluralistic, engaging in a mixed economy of welfare in an effort to ensure welfare becomes more efficient, effective, flexible, and accountable.

To follow a regulationist perspective, the social enterprise represents the development of a new institution in welfare that can be understood as part of the new welfare settlement in the postfordist era. Regulation theorists link changes in the political economy that have led to the flexible specialisation of production to changes that have occurred in welfare (see Burrows and Loader 1994 for more detailed discussion of such issues). The crisis in fordism is understood to have exposed the need for greater flexibility in welfare service provision. The social enterprise can therefore be understood to be an organisational or institutional solution to crisis in service provision, holding the ability to provide flexible services to society. What is perhaps most useful in the context of this research is the link between this regulationist interpretation of the role social enterprises are undertaking in welfare change, and postmodernism. The regulationist perspective allows to understand *why*, as an organisational form, the social enterprise has come to be an important actor in welfare change. A combination of discourse analysis and postmodern welfare literatures enable us to understand *how* the social enterprise has become central to the reconfiguration of welfare.

Postmodern welfare, therefore refers to a diverse set of literatures (Penna and O'Brien, 1996) that denote a movement towards 'new times' (Carter, 1998) in welfare service provision, the key features are summarised in figure 5.5:



**Figure 5.5:** Postmodern welfare.

Postmodern welfare literature charts changes in welfare throughout the public and third sectors, and focuses upon technological, informational, organisational, social and cultural changes (Gibbins, 1998). In spite of its diversity, at the core of this literature lies the recognition that welfare services are increasingly rejecting the principles of universalism in welfare; authors, therefore, reject grand narratives of welfare (for example, the poor, the ill, the disabled) and instead favour perspectives that focus upon individuals or specific groups in society (Hillyard and Watson, 1996; Carter, 1998; Gibbins, 1998; Clarke, 1998). These intellectual shifts reflect, at least in part, the break-up of universal welfare provision. Welfare services increasingly aspire to recognise and accommodate diversity (Pinch, 1997) and a break down false dichotomies in welfare – able/disabled, unwell/well, homosexual/heterosexual. These changes have been accompanied by a movement towards the empowerment of the individual in welfare service provision (Gibbins, 1998) and correspond to the reconfiguration of welfare citizenship (changes in the rights and responsibilities of individuals to receive welfare) (Cochrane, 1998).

Postmodern welfare is therefore characterised by the break-up or fragmentation of the welfare state itself; the movement away from ‘universalist’ social provision; the decline of traditional forms of authority; the abandonment of conceptions of social progress or improvement through the agency of the welfare state; and the articulation of

these elements into a discourse of social policy as an academic/intellectual formation (Clarke 1998). The modern/postmodern welfare debate provides a forum and a language within which welfare change can be analysed. Whether or not we have a truly 'postmodern system of welfare' is an issue of intense academic debate (see Taylor-Gooby (1994) and Carter and Rayner (1996) for an elaboration of these arguments). It seems that some elements of welfare reform, such as those that have fragmented universal welfare, those that have recognised the diversity of the population and those that have promoted plurality in service provision to meet needs, are inherently postmodern. However, other elements of welfare provision have remained universalist and collective, for example, healthcare; while other services, such as education, have become more centralised and 'modernist' in character (Carter, 1998). The question, therefore, as to what extent the social enterprise displays postmodern characteristics becomes interesting and important in our quest to understand the role that social enterprises are undertaking in welfare change.

**(c) The social enterprise and postmodern welfare**

The discussion above leads us to consider the notion of social enterprise in light of postmodern literature. This raises two critical questions. Firstly, do social enterprises display postmodern characteristics, and if so what are they? And secondly, how are these elements contributing to change in welfare? In an attempt to begin to answer these questions we shall now consider what, if any, postmodern attributes social enterprises display.

The emergence of the social enterprise as a response to the crisis of welfare is consistent with Painter and Goodwin's (1995) suggestion that this period of transition is characterised by the emergence of new institutions in welfare. Again, it is regulation theorists who are able to provide an insight into whether or not social enterprises can be understood as actors in the development of a postmodern system of welfare. The answer may lie in whether we are still in a period of transition, or whether we have emerged from

transition into a 'post' society. To follow this argument through would suggest that if we are still in transition, the social enterprise might be a feature of that transitory period. If we have indeed passed through transition, and have entered a new period of stability, the social enterprise could therefore be one of the new welfare institutions Painter and Goodwin (1995) identify. Both of the positions described above could be identified in the data. Some organisations (notably Aspire, The Ethical Property Company, and CAN) felt very strongly that their work represented a clean break with existing structures. In contrast, a small number of organisations, for example, Children's Scrapstore, ITO and Easton Community Nursery, identified with few of the broader changes in education, welfare and the social enterprise movement, instead focusing largely upon their work for their community.

The date when the organisations were established may hold some indication as to whether the social enterprise is a feature of this transitory period. It seems that social enterprises may be characteristic of change in welfare, providing innovative responses to changing welfare needs. For example, The Ethical Property Company emerged from a co-operative development agency<sup>2</sup>; Bootstrap Enterprises emerged from a community development organisation and dates from the late 1970s at the height of the communitarian movement; and ITO Bristol hails from an earlier period in the 1960s, an era of sheltered workshops as a form of 'industrial therapy'. Similarly, organisations such as the Children's Scrapstore and FRP reflect more recent trends; both organisations were developed by local branches of Friends of the Earth in the 1980s that wished to provide practical examples of recycling in their neighbourhoods. Even more recently, organisations such as BACEN emerged from the SRB programmes of urban renewal in the mid-1990s. This evidence suggests that the current period will also spawn more social enterprises, potentially from the development of Local Strategic Partnerships (LSPs) or Phoenix funded projects, and supports the idea that we are still in a period of transition.

Gibbins (1998), in a similar vein to Painter and Goodwin (1995), argues that in order to accommodate the needs of an increasingly diverse society, postmodern welfare must incorporate *other levels of governance*. Social enterprises appear to be one of many emerging levels of governance established to cope with the more cosmopolitan and differentiated society Gibbins describes. Other examples may include the devolved administrations in Wales and Scotland at the regional level, or a LSP operating within a community. The social enterprises involved in this study act at many levels of governance, working in partnership with local, regional and central Government. Some enterprises, for example, CAN, SSE, The Ethical Property Company, and Triodos Bank explicitly aim to operate, engage in, and influence governance at the national level. Other social enterprises operated at the regional or city level (BACEN, Sofa, Working with Words, ITO Bristol, Café Nova, Children's Scrapstore), or neighbourhood level (Easton Community Nursery, Pecan, Easton Business Centre, StreetCred, Bootstrap Enterprises, FRP).

The discussion above suggests that social enterprises are features of welfare transition, and that they are also forming a new level of governance in welfare. If, at these fundamental levels, the social enterprise appears to represent something new in welfare, it seems reasonable to delve further into the social enterprise and establish if they display other postmodern attributes. The discussion that follows centres upon three key themes that are central to postmodern welfare: the empowerment of individuals through welfare; the promotion and provision of tailored or localised services; and the support for, and development of, a new social movement.

### **Empowerment**

A key feature of postmodern welfare is the empowerment of service users. The notion of empowerment in the context of welfare implies that service users are stronger, more confident, capable of controlling the decisions that affect their lives, and able to

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<sup>2</sup> The cooperative movement has been active in the United Kingdom for well over two hundred years meeting the needs of its members, and is if the definition of social enterprise is very broad the oldest form

assert their rights as citizens. Social enterprises are a means through which these objectives can be achieved. For example, StreetCred empowers the women the organisation works with through the provision of small loans that are used to develop a business idea. For these individuals, the empowerment they experience is abstracted from the actual service delivery by the social enterprise (the business loan) but has a great impact upon their lives. The quote below from the manager of the project demonstrates some of the broader benefits gained through being involved in StreetCred:

“I have a woman who drives a car, she didn’t have an A to Z, she’d never read an A to Z in her life... Before [becoming involved in StreetCred] she could only move around in her area because she didn’t know how to go anywhere else, she’d never thought of using a map, never used a map, but she had a car, but she wasn’t able to go anywhere in it!”

Through working with StreetCred the woman in question was able to increase her knowledge, confidence and mobility, skills that have spilled over into the development of her business idea. This type of empowerment occurs at the individual level, and has meant that her life choices have increased through working with a social enterprise. Individual empowerment means that people have a better quality of life through working with a social enterprise, as this extended quote from Café Nova illustrates:

**SE** “So, what are the benefits that your employees gain?..

**Practitioner** “I think that they have become more ‘normal’ people because they are no longer unemployed year after year, and you become poorer by being unemployed. Now by coming here they have a place to come. They have a meal, they have a break. I buy them shoes. I buy them shirts. I ask them to shave. I have been cutting their hair. So, I think that the quality of their lives has improved tremendously.

Also, they are earning so they are no longer being sustained by the Government, by the state. They are now people.

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of social enterprise.

Also the volunteers that I have, I have six volunteer[s], I think that they have benefited more than anyone else because they come out of the day centre into a real environment, where they are working with people who haven't got learning disability, and I think they are very happy. Really working, seeing things happen. Coming out of the day centre, and *coming into a real environment*, I think that is the best thing for them."

The quote further illustrates the way in which social enterprises can empower people, especially those traditionally disadvantaged and excluded from the labour market. For the interviewee, being empowered through social enterprise meant her employees could live a more 'normal' life. The 'recipients' became 'employees' that meant that they could become "people". Through employment, those with learning disabilities gain employees rights, financial autonomy, and independence from state benefits. Empowerment within social enterprises is very much centred on employment and skills training. For example, Pecan works more directly on training for employment than Café Nova and StreetCred. Pecan focuses upon reducing the barriers to employment, training and literacy with a view to getting clients into employment or further training. Similarly, Bootstrap Enterprises empowers individuals through learning, recognising that people "don't want to go to the college if they are embarrassed about their literacy".

The notion of empowerment can also be expanded to include an entire community, although more empirical work would need to be undertaken before any in-depth analysis of this could be undertaken. For example, BACEN, Triodos, The Ethical Property Company, and the SSE each work to empower either a spatial community or a community of interest. Specifically, they work to empower social economy organisations to do their work more effectively as this practitioner explained:

"I hope we will be... supporting more people in the voluntary sector into becoming more self-sufficient... There is a real need for a strong voluntary and community sector that is as self-sufficient as it is possible to be" (T3 p7).

By supporting people and organisations in the third sector many social enterprises aim to empower others within the sector to meet their objectives more effectively.

Empowerment is therefore central to the work of social enterprises, and is inherently postmodern, and rests comfortably alongside the provision of tailored services to the community.

### **Tailored service provision**

In the discourse, social enterprises are perceived by the pro-social enterprise movement as being able to tailor services to the needs of individuals in ways that modernist service providers, i.e. the public sector, are incapable. The ability of social enterprises to provide tailored services reflects the individualist attributes of postmodern welfare, as opposed to the collectivist provision of the modern welfare state. Services provided by social enterprises may be tailored to the needs of a particular individual and/or group of individuals, or to the needs of a particular place. For example, StreetCred tailor lending to the needs of the individual women; Working with Words tailors its work to the needs of a group of people with learning disabilities; and Triodos tailors its services to the particular financial needs of the organisation seeking its financial services:

*“We look at each project individually, we don’t put them in a box, and we actually will each time look at it and say ‘Is there a way in which we can make this work?’”*

Services may also be tailored to meet the needs of a particular area of a town or city, as practitioner T6 explained:

*“The most important part is that it [social enterprise] is a grass-roots thing, we will go out to the community centres, we’ll go out into peoples homes” (T6 p4).*

For many social enterprises, tailoring services is vital to ensure that service provision is effective and responsive. For example, Easton Community Nursery tailors



its childcare service to the needs of the Easton area of Bristol; whilst East Bristol Enterprise tailored its managed workspace to the needs of local businesses. Social enterprises appear to be very successful at tailoring services because they are *close* to the community they serve, and are better able to respond to localised problems, as this example from Bootstrap demonstrates:

“Very big estates are not common everywhere, and have things and a whole sway of difficulties of their own”.

Those working for Bootstrap felt strongly that the organisation has in-depth local knowledge that enables them to target their services, and respond to changing local needs quickly. As Amin, Cameron, and Hudson (2002) have shown, social enterprises are most effective at the smaller scale because they have the ability to deal with the needs of individuals. The localism expressed by the social enterprise practitioners is distinctly postmodern; they go against the principles of universal collective provision. Instead, social enterprises target services within particular places, and with particular individuals in mind, and as a result, have the ability to recognise plurality and diversity to a greater extent than modernist providers.

Inherent within this tailoring of service is a notion of individualism linked to self-help. This approach again moves away from the ‘cradle to the grave’ support of the modernist welfare state. The individualism expressed in social enterprises is premised upon the responsibility of people to help themselves and take responsibility for their own lives. Whether expressed in political rhetoric and policy such as the New Deal, or by the social enterprises themselves encouraging people to help themselves, self-help is elemental to the empowerment, individualism and localism embodied within the notion of social enterprise.

It has been shown how social enterprises encompass postmodern elements in service provision. However, the notions of empowerment and tailored service provision are unable to account for why social enterprises appear to be integral to the welfare reforms pursued by the New Labour Government. Again, the postmodern welfare

literature is able to assist. This literature identifies that postmodernism can be expressed in the “development of new politics, and new political structures and organisations, such as new social movements” (Gibbins, 1998, p44). So, can the social enterprise be understood as part of these new political ideologies, structures, and movements?

### **New social movement**

In this context, a social movement is understood to be a group of individuals and organisations that act outside of the formal state and economic spheres to pursue political goals within society (Johnston, *et. al.*, 2000). The pro-social enterprise movement can be understood as a ‘new social movement’ that seeks to achieve political objectives, to change the way in which welfare ‘solutions’ are sought, promoting the social enterprise and the social economy as a means to deliver welfare services. The movement reflects broader shifts in the economy and society that exhibit the postmodern principles of individualism and localism, in contrast to the modern principles of collectivism and universalism in modern welfare. The idea that the social enterprise is related to the development of new politics, new political structures and organisations is consistent with regulation theorists’ view of new institutions as ‘coping strategies’. Similarly, the politics of New Labour are consistent with the development of new political ideologies and structures (or at least new expressions of political ideologies). Social enterprises are in themselves actors in a fragmented, plural system of welfare that provide tailored services to meet needs of the individual, community, or locale that empower service recipients. There is of course a great danger that the social enterprise may be ‘political flavour of the month’ that will pass as political priorities change.

### **(d) Conclusions**

This chapter began with a question: is the social enterprise part of a broader reconfiguration of welfare services in the United Kingdom? In order to respond to this question the first part of the chapter discussed the key elements of the welfare state, and

the reforms to which it has been subject. The discussion above has indicated that social enterprises do display attributes that can be described as postmodern, and has shown that the answer to this question is multifaceted. On the one hand, and if you take the view of the pro-social enterprise movement, social enterprises are instrumental and emblematic of the reconfiguration of welfare as it becomes more business-like, locally run and tailored to the needs of the individual. If this point of view is taken then social enterprises do appear to be significant in the reconfiguration of the British welfare state, and it has been shown how social enterprises are related to changing patterns of service delivery that concur with an emergent postmodern system of welfare.

On the other hand, it has also been shown that although social enterprises embody postmodern attributes, notably empowerment and tailored service provision, research suggests that postmodern style welfare provision has made little impression upon the mainstay of the welfare state, for example in education or health. The core of the welfare state remains much the same as it has since its incarnation after the Second World War. And, although there is at present no data available to substantiate this anecdotal claim, it appears that social enterprises account for a very small percentage of welfare services. There may, in fact, be a great deal of truth in both of the above viewpoints. It seems reasonable to suggest that the social enterprise represents the (postmodern) cutting edge of welfare that operates outside of the mainstay of the welfare state.

The latter part of this chapter posed a further two questions. Firstly, do social enterprises display postmodern characteristics, and if so what are they? And secondly, how are these elements contributing to change in welfare? This chapter has argued that yes, social enterprises do display postmodern characteristics, particularly in their abilities to empower service users, and provide tailored service provision. The pro-social enterprise movement consistently argues that the social enterprise is a new social movement that will re-shape welfare provision in the coming years, although the plausibility of this is questionable. However, we have as yet been unable to provide a comprehensive answer to the second question concerning *how* these postmodern social enterprises are working to change welfare. The debate thus far has been largely theoretical; in order to illuminate

these discussions further we shall return to the data to establish whether or not social enterprise practitioners involved in this research reflect this emergent postmodern system of welfare. In doing so we can establish how social enterprises are promoting change, and understand in greater detail the role social enterprises are undertaking in welfare reform.

## **Chapter six: How do social enterprises challenge current forms of welfare provision?**

### **(a) Introduction:**

Social enterprises appear to be significant in welfare change. This chapter will consider *how* the notion of social enterprise may be challenging current forms of welfare provision. It has been indicated in chapter five that social enterprises appear to embody the postmodern traits of empowerment and tailored localised service provision. This chapter takes these concepts and combines them with the ideas that the interviewees had concerning their role in service provision it therefore attempts to understand how the notion of social enterprise challenges public and third sector welfare providers to change their practices. Again, this discussion will focus upon the discourse of social enterprise and analyse the challenges it presents with the intention of moving the debate on to consider the broader role of social enterprises in changing the way we perceive welfare service provision. The discourse of social enterprise has not created these challenges for service providers; rather, the discourse of social enterprise has increased the saliency of these debates and pushed them into full view of the media and policy-makers. Accordingly, we turn to the challenges that the discourse of social enterprise offers to public sector welfare providers.

### **(b) Social enterprise as a postmodern challenge to public sector welfare providers**

The discourse of social enterprise challenges public sector welfare providers to provide tailored local services that empower recipients in an effective, efficient and business-like manner. Through this discourse, the values of social enterprise are infiltrating service provision and welfare policy. Here we consider in greater detail how this is taking place. The discourse of social enterprise challenges those in

the public sector to provide services that are tailored to the needs of the individual case and the locality. Social enterprises encourage local solutions to social exclusion, fitting neatly into the political project of the third way:

“Many citizens see local and regional government as able to meet their needs more effectively than the national state. They support an increasing role for nonprofit voluntary agencies in the delivery of public services” (Giddens, 2000, p42).

In this way, the rhetoric of the third way legitimises the promotion of social enterprise as an actor in local service provision and governance.

Social enterprises take these trends a step further, acknowledging spatial difference in the quantity and quality of service provision. The social enterprise finds market or service niches within these variations in the quantity and quality of service provision, and provides services where other service providers are unable or unwilling to do so. Such trends fit within broader shifts in policy that focus upon the locality (Amin, Cameron, and Hudson, 2002), as demonstrated in *‘The National Strategy for Neighbourhood Renewal’*:

“Communities need to be consulted and listened to, and the most effective interventions are often those where communities are actively involved in their design and delivery, and where possible in the driving seat” (SEU, 2000, p19).

Local communities are understood to have the capacity to seek solutions to their problems and, with assistance from Government through, for example, the Phoenix Fund and SRB, the ‘community’ is increasingly perceived to be able to address postmodern welfare problems. The ‘community’ is also understood to reside in organisations such as social enterprises, thereby pushing the responsibility for tackling problems such as skills shortages to the local level and the organisations that work within the neighbourhood. Social enterprises thus empower those communities to act.

The social enterprise offers an organisational model through which local authorities can deliver services. Similarly, the Government supports social enterprises because they embody the characteristics they wish to promote (for example, enterprise, flexibility, innovative practices and a business-like ethos). Social enterprises offer a solution to the perceived inefficiencies and ineffectiveness of public service provision. They often operate on a shoestring, which ensures their operations are efficient, and they often rely on a volunteer labour force to support (and sometimes provide) the services of the organisation. In social enterprises, the use of volunteer labour reduces overheads, but also attracts a highly committed workforce, which increases the ability of social enterprises to provide effective and efficient services and to promote active citizenship and active communities. In addition, social enterprises cut costs by providing multiple services on one site. For example, Easton Community Nursery provides affordable (in-line with parental income) childcare for the local community. The nursery also provides a local site for people to train as childcare providers, allows parents time to look for work or attend training programmes, provides a site for education about children's health and education and acts as a focus for the local community.

The discourse of social enterprise challenges public sector providers to meet multiple needs through multiple service providers, expanding the notion of welfare pluralism. As demonstrated in chapter four, the discourse highlights the need for a variety of service providers, with the pro-social enterprise movement having a strong voice within that discourse, urging the state to withdraw from welfare entirely. It has been shown how the discourse challenges the public sector to withdraw from welfare. In accordance with this, many of those running social enterprises see their role as the research and development wing of welfare, specifically targeting welfare 'spaces'. 'Welfare spaces' in this context takes on a dual meaning: (a) 'spaces' or gaps in service provision where others are unwilling or unable to provide and (b) discursive 'spaces', where social enterprises specifically target areas that dominant providers are more comfortable not discussing and meeting needs:

“We are looking at expanding our services for young people, we have not really dealt with young people before, they fall between [Government programmes]” (T3 p5).

“I think we need to go for programmes that are unfundable by the Government, just for the good of our soul. The problem is trying to find them, the Government’s tentacles are so all invasive. I think we are going to try to do some work with older men, they tend to be a group Government isn’t interested in” (T4 p6).

Central Government is keen to allow and encourage this kind of devolution of service provision. However, the practitioners involved in this study saw their role as one that filled gaps in service provision. They were compelled to act in areas where the state did not because it provided those managing social enterprises with more flexibility, and opportunities to meet unmet needs within existing service practices. Although the pro-social enterprise movement advocates social enterprises to replace the state as a means for service provision, most of those interviewed for this research took a more modest stance:

“Social enterprise is not a panacea, there are some people for whom it is absolutely ideal, and there are some people who want to run businesses in that way... But I don’t think it is in itself a policy answer, it is just part of the answer” (T28 p8).

The practitioners were keen to ensure that public provision continued, particularly where needs required high levels of resources, or spatial coverage was great, or where services are less ‘cutting edge’, mundane or unpleasant. Contrary to the fears of the Trade Unions (Spiers, 15/02/02), social enterprise practitioners did not want to see the development of a residual welfare state, with the associated poor working conditions and fragmented service provision. Indeed, quite the opposite was true, those running social enterprises saw their work as part of a broad range of service providers (including the public, private, and third sector) providing high quality jobs, as long as the institutional or organisational form was the most effective and appropriate structure to meet needs. Rather, the discourse of social



enterprise is challenging public provision to adapt and take on the business practices of social enterprises.

In addition, practitioners argued that the discourse of social enterprise could teach the public sector about 'closure' of failing services. The bottom line in social enterprise is financial viability and customer satisfaction. Services that are unable to remain viable both financially and in providing quality service provision, are either changed or closed down in response - a capacity perceived to be lacking in public service provision. The discourse thus challenges public sector service providers and service commissioners to look at *how* services are provided, *through which institutions* and at what cost; and to critically assess the effectiveness and efficiency of those institutions to meet today's needs. The discourse lays a challenge to reconfigure services around today's needs and offers the social enterprise a model through which to achieve these goals.

**(c) The discourse of social enterprise as a postmodern challenge to third sector welfare service providers**

The discourse of social enterprise also challenges third sector welfare service providers. The nature of the challenge offered to the third sector by the discourse differs in character to those offered to the public sector described above. The third sector (including the charitable, voluntary, community and nonprofit sectors as well as social enterprises) has always aimed to accommodate diversity in its provision. It has already been discussed how, traditionally, services have been tailored to the needs of the individual case due to the smaller-scale nature of the sector's work. As a result, third sector provision has always been thought to be locally responsive and cheaper than public sector provision (largely because of a reliance upon voluntary labour). Consequently, the challenge that the discourse of social enterprise offers to the third sector is the way in which services are provided. Before we consider these challenges in more detail, we will briefly consider the material challenges that the discourse presents to third sector providers.

Material challenges lie primarily in providing services that are financially viable, accountable and well managed. The welfare reforms of the 1980s and 1990s placed greater emphasis on the third sector as service providers, particularly with the introduction of Care in the Community and CCT. These reforms had profound effects on the sector as a whole and enhanced the role of the third sector in welfare, requiring service provision to be more accountable, professional, entrepreneurial and business-like. These attributes have been applied to the notion of social enterprise by the dominant discourse and challenge the third sector providers.

The discourse aims to teach the third sector about increasing financial viability, the underlying message being: *a service must be financially viable in order to be successful*. The discourse of social enterprise places successful, viable social enterprises into the media, in publications and on the conference circuit in order to demonstrate how organisations can be run along commercial lines, rather than traditional charitable approaches. However, it should be noted that very few social enterprises are independent of grant funding (Amin, Cameron and Hudson, 2002) and that many of the practitioners involved in this study argued that grant finance was essential to undertaking their work. Through this flagshipping process, the discourse challenges organisations to change the way in which they operate in order to generate a greater proportion of their income through commercial activity.

Alongside financial accountability, the discourse of social enterprise promotes a broader understanding of accountability within the third sector. The discourse encourages third sector organisations to be accountable for the services they provide to all stakeholders in the organisation. Financial accountability attempts to ensure that services are cost effective and efficient. This represents a movement away from the grant dependent, inefficient and unprofessional image of the third sector, and promotes business practices in the sector (for example, contractual agreements). Social enterprises are piloting social auditing techniques to ensure that the less tangible, non-financial goals are also met. For example,

StreetCred have developed a means to account for the skills developed by the women they work with and how these affect and empower their lives. This social audit takes the form of a 'new experience record' (an example is provided in appendix 6.1) and provides a model for other organisations in the third sector to follow. The majority of the social enterprises included in this study had developed and employed social auditing methodologies to ensure that service users and customers receive high quality services. By promoting this broader definition of accountability in the third sector, the discourse of social enterprise encourages others to follow their example and ensures that the services provided by the sector are professional and well managed:

"What is interesting about some social enterprise activity is that it is trying to bring in business thinking, business planning and business tools to activity that might otherwise be a bit shambolic and a bit more amateurish" (T28 p3).

The challenges outlined above feed directly into the way in which services are delivered. However, the discourse of social enterprise has an impact on the third sector by affecting the way in which the third sector thinks about how services are provided, how they are funded and through which organisational means.

The discourse of social enterprise challenges the charitable sector to be an effective, efficient, professional and business-like service provider. Within this discourse there is also a challenge to remain independent of Government and critical of public service provision. For third sector organisations, the discursive challenge is all about changing the way in which such organisations think about service provision, as this practitioner from BACEN explained:

"[Organisations] are changing the way they try to find money, and source the money, so they are saying '*We have taken stock... What we need to do now is change our thinking and the culture of our organisations to take the best opportunities... so we have got more control of our future*'".

The discourse thus challenges the third sector to change the culture of grant dependency and stagnant service provision, and offers a funding model for the third sector to generate independent incomes with the support of the NCVO and CAF. The discourse offers a response to recurrent problems within the charitable, voluntary and community sector surrounding the problems of 'funding fatigue' and fears of declining charitable giving. In reality however, data collected for 2002 reveals that, for example, corporate charitable giving has fallen slightly (by 0.2% on the previous year); this has been the first reduction in six years (*The Guardian*, 29/08/02).

The social enterprise model enables the third sector to move the debate beyond selling second-hand goods in charity shops and charitable donations towards producing high quality goods and services. The ethos of social enterprise implies a market-based exchange: a product or service in exchange for social benefit. In this way, the discourse of social enterprise challenges the third sector with the ideology of '*A hand up not a hand out*' and by looking at the role of the third sector in a different way:

“[We can] change the whole market, in the sense of being community businesses, not necessarily focusing on charity, because once you start looking at it in a different way you can refocus how you are going to develop it: income generation rather than grant dependency” (T18 p3).

This ethos represents a movement beyond pure charity, reflecting the fundamental differences between donation and exchange, service receipt and self-help. Social enterprises promote these ideals in the third sector through promoting organisational change and by focusing on the way in which organisations are funded:

“So many voluntary sector organisations spend their lives looking for money and they are more likely to lose sight or to be unable to meet their particular charitable objectives than an organisation that sets up a social enterprise that brings in revenue, what it does is free you up to do even more of what you originally set out to do” (T1 p9).

Thus the social enterprise business model provides an organisational structure within which to pursue the objectives of financial self-sustainability. The challenge, therefore, is for third sector organisations to become more business-like in order to increase their independence and to ensure they are effective and efficient.

In sum, the discourse of social enterprise challenges third sector providers to be professional, entrepreneurial, business-like and innovative in their behaviour and approaches to their work. Practitioners felt strongly that their work was about trying to professionalise the voluntary and community sector. Social enterprises are self-styled leading lights of the third sector, as this quote from BACEN's literature illustrates. BACEN's strategic objective was to:

“Promote, encourage and assist the development of not-for-profit trading activities which are owned by identifiable communities and which specifically endeavour to alleviate poverty, reduce social exclusion and improve people's quality of life” (BACEN, 2001, p3).

The discourse aims to change the mindset of the third sector and promote entrepreneurial responses to social problems. However, these movements are not being taken lightly by the sector. Many charities fear they will lose public support if they continue to do the Government's work and become more business-like (*The Guardian*, 27/04/01).

The discourse of enterprise within the charitable sector is contested as this quote from Andrea Kelmanson, former director of the National Centre for Volunteering, in an article in *The Guardian* demonstrates:

“Ms Kelmanson said that since the 1980s the voluntary sector had largely adopted business sector vocabulary to define its work: ‘There's a need for a new language [that reflects the voluntary sector]’” (*The Guardian*, 27/04/01).

The language of social enterprise may well be the ‘new language’ for the voluntary sector. The language and practices of business may not necessarily damage the

ethos and activities of third sector organisations as Ms Kelmanson suggested. The social enterprise practitioners rejected fears that being business-like may corrupt the social mission of an organisation:

“There are a lot of people that feel becoming more business-like can corrupt your mission, corrupt your principles. I think it is a tension that is, if you get it right, very healthy” (T28 p3).

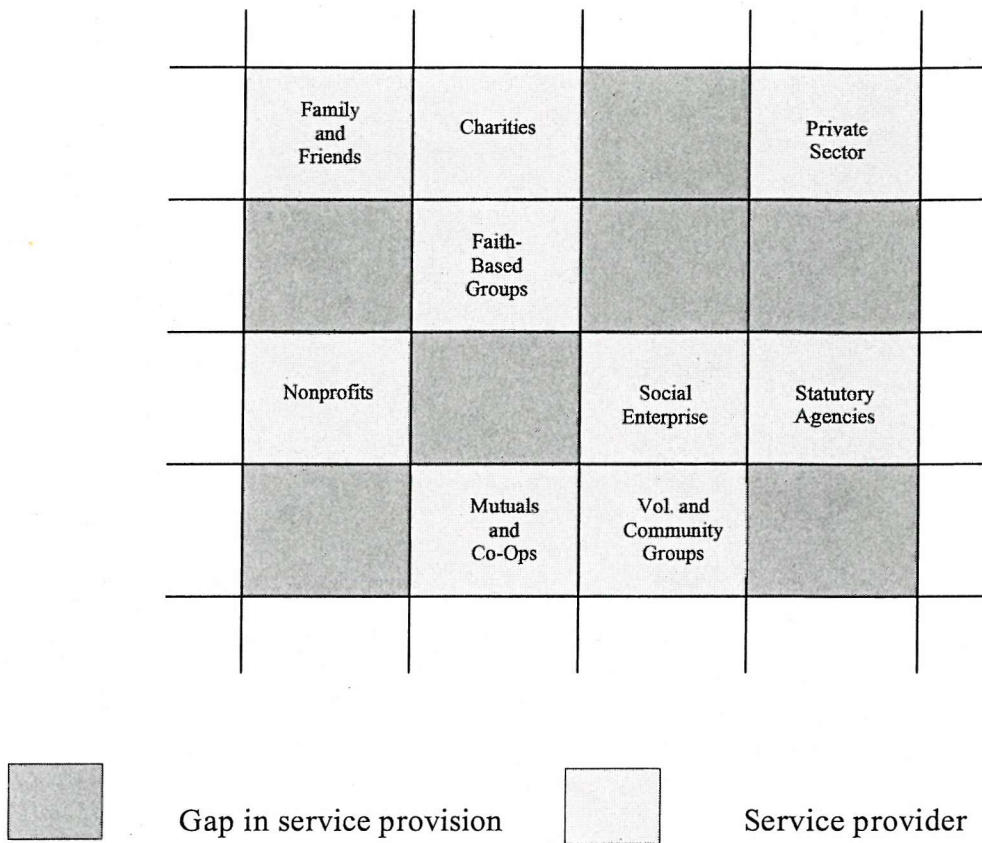
The discourse of enterprise and entrepreneurship in the third sector is thus contested and the introduction of business practices in the sector are resented or feared by some. Such debates are related to broader concerns of the third sector, in particular the current review of charitable law by the Performance Innovation Unit (PIU). Although such debates capture newspaper headlines, the feeling amongst practitioners was less confrontational, wanting to work with business practices and combine them with the principles and practices of the third sector. These issues are far from resolved, but it is clear that the discourse of social enterprise provides challenges to the third sector that are at the heart of renegotiating the role of the third sector in welfare. Acknowledging this reveals that social enterprises have a significant role to play in the reconfiguration of social welfare.

#### **(d) The role of social enterprises in welfare change**

Social enterprises occupy a distinctive place in reconfiguring welfare provision in the public and third sectors; hence social enterprises occupy a distinctive *institutional space* within what can be termed the ‘welfare safety net’. The welfare safety net refers to the range of service providers available to meet social needs (including the state, friends and family, faith-based groups, Industrial and Provident Societies, the private sector and the third sector). The term ‘institutional space’ is used here to describe the position of social enterprises in relation to other welfare service providers within this safety net. Institutional space comprises of two elements: (a) the physical premises and the actual services the

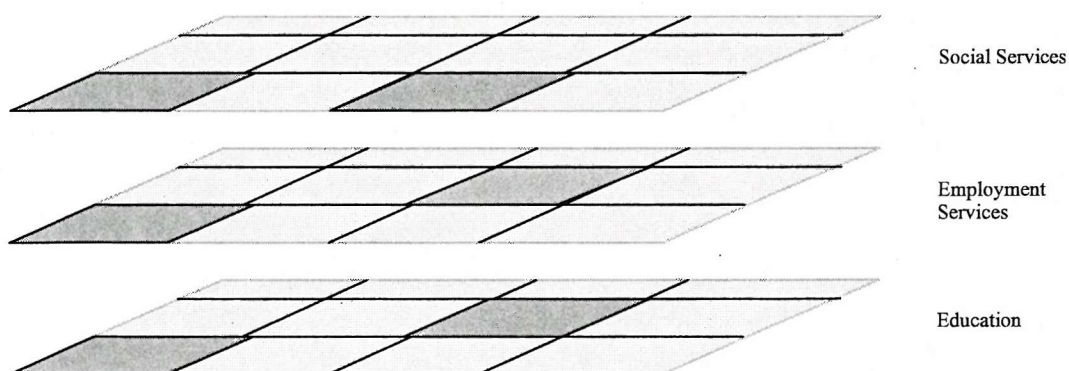
social enterprise provides; (b) an organisation's position within the range of providers in a particular area, its interactions and networks within the sector and its discursive role. The safety net can best be explained with the aid of a simple diagram (see figure 6.1).

Figure 6.1 characterises welfare as a mesh of services provided by a multitude of organisations and institutions that meet social needs. Clearly, in reality the distinctions between these service provider types are not as clear-cut as they appear in the diagram, but the figure illustrates how service providers meet some needs (the light grey parts of the diagram), whilst others remain unmet by existing provision (dark grey). An unmet need may be, for example, services for older men or disaffected youths. The safety net or mesh analogy also allows us to see how new institutions, organisations or services can fill gaps in service provision by moving into a 'space' in the safety net and how service gaps can be created as organisations close or services are withdrawn. Welfare reforms, changing needs and changing regulatory environments can change the patterns of provision and, as such the welfare safety net should be understood to be dynamic in time and space.



**Figure 6.1:** The welfare safety net.

By extending this analogy, we can understand Keynesian inspired systems of welfare to be configured in the manner described below in figure 6.2:

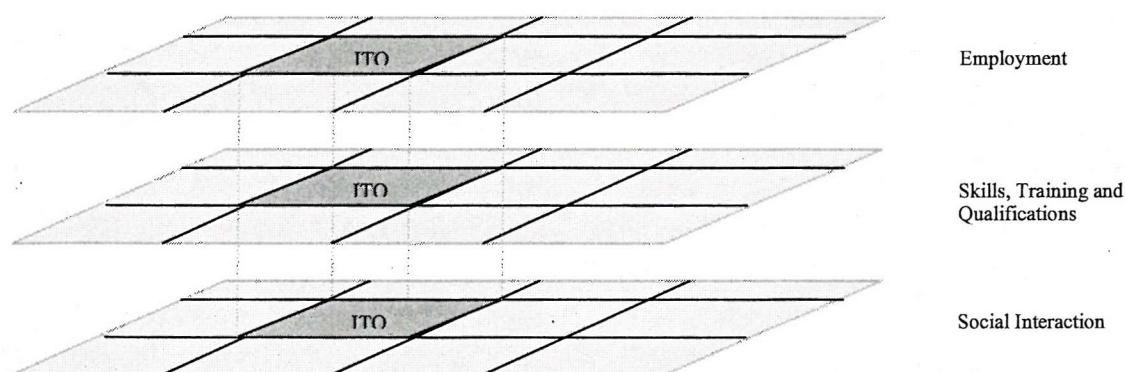


**Figure 6.2:** Service provision in Keynesian inspired welfare systems.



The figure demonstrates that Keynesian inspired welfare systems meet different social needs through different organisational or institutional points of contact. Recipients are 'caught' by the safety net (indicated by the light grey sections on the figure); however, some gaps (in some cases multiple gaps) in service provision remain (indicated by the dark grey sections of the figure). The layers of the diagram suggest there is limited interaction between these different providers in social welfare.

The transition towards a more pluralistic system of welfare has meant that the welfare safety net has changed. New Labour have pledged to 'join up' Government through cross-departmental working in order to tackle social issues such as social exclusion and urban renewal. New Labour's political aspirations embodied in the third way prioritise 'joined-up' Government and social enterprises are integral to achieving these political aspirations because of their ability to join-up service provision. For example, ITO Bristol provides multi-faceted services for those with learning disabilities and mental illness. Through employment, the employees secure an income, gain skills and qualifications to improve their employability, and benefit from an active social life encouraged and supported by the company. These services are provided simultaneously through the organisation as demonstrated in figure 6.3:



**Figure 6.3:** 'Joined-up' social enterprise activity filling gaps in service provision provided by ITO Bristol.

Figure 6.3 demonstrates how, through one organisation, a multiple service gap is filled. This method of service provision breaks down traditional divides between service providers for those with learning disabilities and mental illness. The figure demonstrates how the social enterprise model challenges the fundamental principles of the KWS and moves beyond the work of many third sector organisations that focus on one cause. The series of figures shown above have been drawn from the reflections of those involved with this research and show how and why social enterprises are significant in welfare reform. Social enterprises have the ability to break down the divides between traditional service providers; cut across the boundaries between the public, private and third sectors; and 'join up' service provision, filling multiple gaps and providing more holistic services. These changes represent a renegotiation of the relationships within and between service providers and between service providers and recipients/employees.

Underpinning the political support for the social economy are changing ideologies concerning the relationships between recipients and producers of welfare services developed out of third way thinking (see Giddens 1998a, 1998b and 2000). Service users are increasingly becoming customers and producers of their own services, and this is particularly apparent in Intermediate Labour Market (ILM) social enterprises. For example, ITO Bristol, service users are actively engaged in activities that produce the goods/services through which their social welfare needs are met. Traditional models of day centre care are also being challenged by ILMs where individuals actively produce their own services through work. Social enterprises are integral to the renegotiation of welfare, as one respondent explained:

"What has been happening is we have all, for the last 40 years under the welfare state, lived in a box. We have been in a business box, or a public sector box, or a voluntary sector box. We have all lived in our little worlds. We [social enterprises] have got out of those worlds and operate outside of the box" (T1 p3).

Through challenging existing service providers in the public and third sectors, social enterprises are an active part of the reconfiguration of welfare. The discourse of

social enterprise is not solely responsible for these changes, but is certainly emblematic of change. As yet, these changes have had little impact upon the mainstay of service provision in education, social care and health. However, there are signs of change (see *The Guardian* 22/05/02 for further examples). For example, the development of healthy living centres and Foundation Hospitals in health indicates a shift towards the practices of social enterprise within the core of the welfare state. For other services, for example education and social work, the discourse of social enterprise has had limited impact and is perhaps unlikely to have greater impact in the future due to the Government's centralising tendencies in education and the difficulty of 'who' has the authority to undertake social work such as child protection.

In essence, the discourse of social enterprise is about changing the culture of welfare service provision, as one respondent commented:

"It is all about culture" (T7 p14).

Through the use of stories and the flagshipping of successful enterprises, social enterprises are seeking to change welfare cultures. The goal is to promote enterprise and entrepreneurship throughout welfare and society by providing examples of how such goals can be met. By looking at the challenges the discourse presents it has been possible to reveal something about the processes of change that underpin this cultural transformation in welfare.

#### (e) Conclusions

This chapter has revealed how social enterprises challenge current forms of welfare provision. In doing so, it has been shown that the discourse of social enterprise challenges both public and third sector providers to reconsider how they deliver services, and through which organisational means. The Government is keen

to promote social enterprises in welfare because they stimulate such debates and have the ability to break down the restrictive service practices in Keynesian inspired welfare systems. Social enterprises do not only challenge service delivery practices, but also the culture within welfare institutions. It is these abilities of social enterprises that have ensured they are significant actors in the reconfiguration of the British welfare state.

The preceding discussions have demonstrated that this emergent and transitory period or 'post' society appears to be characterised by individualism, entrepreneurialism, managerialism and accountability, and sociability:

- Individualism: promoting self-help, tailored service provision to meet the needs of individuals, localities and groups in society.
- Entrepreneurialism: promoting innovation, enterprise and entrepreneurship, and business-like approaches to find solutions in welfare.
- Managerialism and accountability: professionalising third sector provision to meet the needs of today's fragmented and diverse society ensuring that services are socially and financially accountable.
- Sociability: CSR, business for social benefit and using commercial ventures as tools for social change and welfare service provision, breaking down the traditional divides between the public, private and third sectors.

The social enterprise is the vehicle through which these goals can be met. Thus, the social enterprise is playing a vital role in the renegotiation of welfare through challenging traditional mechanisms of service delivery. However, the direction of change promoted by the discourse of social enterprise requires further investigation. Now that we have completed our aim to examine and understand the significance of social enterprises in the reform of welfare, we now consider the implications of these developments in chapter seven.

## Chapter seven: Evaluating the role of social enterprise in welfare.

### (a) Introduction:

It has been shown in previous chapters that social enterprises appear to promote change in welfare service provision. This chapter moves the discussion on to consider the implications of promoting social enterprises as welfare service providers. From the perspective of the social enterprises, the chapter evaluates the role that social enterprises are currently undertaking and questions whether the direction and nature of these changes are appropriate. In order to do this, the chapter is structured to begin to respond to a series of critical questions:

- Can social enterprises meet the demands placed upon them by policy-makers?
- Is a business structure the most appropriate tool to meet the needs of the community? And, is the social enterprise model an appropriate means to support disadvantaged people and places?
- Is a social enterprise a viable and sustainable business? And, are social enterprises 'independent' organisations?
- What will happen to the social enterprise sector and service recipients in the event of economic recession?
- Is the discourse of social enterprise a palliative response to the problems associated with delivering welfare services to a fragmented society with diverse needs?
- What role *should* social enterprises undertake in welfare?

It is suggested here that a more open, honest and realistic policy debate surrounding the role that social enterprises should play in welfare service provision is needed in order to address the issues highlighted by these questions. This chapter aims to introduce these issues from the perspective of social enterprise practitioners. During the research, many practitioners commented that they felt unable to voice their concerns over the nature, direction and pace of change promoted by the discourse of social enterprise. This chapter attempts to provide a forum for these fears.

**(b) Social enterprises: expectations and potential limitations**

In light of previous discussion, we now consider the questions posed above. In essence these questions interrogate the expectations put upon social enterprises and their ability to meet those expectations. Social enterprises appear to be related to welfare reform because of their perceived abilities to ‘join up’ or link together different political agendas. Chapter four showed that there are many different actors interested in social enterprises, each identifying different attributes that support their particular agendas. This discussion expands upon this to consider what the expectations are of social enterprises, and whether or not social enterprises are able to deliver.

To recap, social enterprises are believed to be able to revitalise depressed economies and deprived communities; ‘make something from nothing’; engage the disenchanted; train and employ the unemployable; provide a model for financial sustainability in the third sector; deliver welfare services more effectively and efficiently than the public, private and voluntary sectors; and provide a model for future forms of service delivery. Amin, Cameron and Hudson (2002) state that social enterprises are expected to help overcome social exclusion, create employment, be financially independent through serving local markets and empower the excluded. In essence, social enterprises are expected to employ local people, meet local needs, and make a profit. However, as one practitioner commented:

“It [is] actually very difficult to do any one of those three things, let alone to do all three simultaneously” (T27 p1).

The expectations put upon social enterprises are great. Those interviewed have led us to question whether social enterprises can deliver and have suggested that the expectations put upon them may be too great:

“We are being asked to perform to a very high standard and we’re not being able to make the mistakes that probably, if we were able to, we might be able to learn from... We have been put up on a pedestal to say that we can deal with all

these problems, now I don't think that we can probably deal with every single social ill that there is" (T6 p10).

The general feeling was very much that the expectations (particularly those of the Government) on the organisations were too great. In addition to these concerns, organisations felt they were under too much pressure to provide a model for viable and sustainable service provision.

### **Can social enterprises meet the demands placed upon them by policy-makers?**

In essence, the Government understands the social enterprise to be "a key component in the process of modernising and reforming our public services" (Patricia Hewitt, DTI, 2002). However, all except one of those interviewed for this research were very cautious of the ability of the social enterprise model to deliver on these expectations. Although practitioners aimed for their goods and services to be of high quality and professionally delivered, they felt that the current political climate was forcing social enterprises to professionalise and grow to meet the demands placed upon them by policy-makers rather than the needs of their community. In consequence, many felt that these expectations were too optimistic and their organisations lacked the capacity and resources to deliver.

Practitioners felt that social enterprises were unable to meet policy goals because social enterprises required long developmental periods, whilst the Government's strategy set goals for the next three years and is, in comparison, relatively short-term. In this context, the developmental capacity of the social enterprise appears to be relatively limited. This understanding of developmental capacity stems from the interviews conducted for this research and refers to an organisation's ability to manage itself effectively (financial, personnel, developmental), and its ability to grow and meet the demands placed upon it. In this context, developmental capacity also refers to the ability of an organisation to make critical decisions concerning whether or not it should deliver services on behalf of Government.

Practitioners observed that policy-makers at the local and national level favoured short-term projects of two to three years, often because it was felt that policy-makers were unwilling to commit finances into the next term of Government, particularly when commissioning a social enterprise to deliver policy initiatives, goods or services. The Government is trying to address these fears. The national strategy commits the Government to creating an “enabling environment” (DTI, 2002, p9); part of this programme is the ‘public procurement’ of social enterprise. The Government intends to ensure that individuals and bodies within the state machinery understand what social enterprises are and how they can be effective in delivering public services. Specifically, the Government wants to ensure that those responsible within local authorities for commissioning and funding public service contracts encourage social enterprises to tender. To assist this process, the Government will produce guidance material to disseminate “examples of good practice in opening up opportunities to social enterprises” (DTI, 2002, p54) and develop a ‘tool kit’ for social enterprises seeking to tender for contracts. Through these mechanisms, the Government intends to dispel the fears of practitioners in this respect.

However, at the time this research was undertaken, the short-termist attitude of the Government created tensions between the sector and policy-makers. These tensions were made more apparent because many practitioners felt that politicians were only interested in social enterprises as a means to gain political capital:

“I think there is some political capital in it, it sounds really good, you know, promote social enterprise” (T12 p13).

One practitioner interviewed, likened the relationship between the social enterprise and policy-makers to the ‘rock star-groupie’ analogy thus:

“If you think of Tony Blair as a kind of rock star, then what you have got are lots of not-for-profit organisations who really want to be shagged by Tony Blair. They’ll do anything to get in there! But, as with rock stars, they don’t



wake up the next morning and say *'Of course I will respect you, and of course I will look after the child I have fathered with you'*. They are actually quite promiscuous politicians, and they don't care very much, and they are off onto the next flagship project which catches the ride" (T27 p8).

Again, the national strategy for social enterprise is at pains to dispel these feelings within the sector. Patricia Hewitt in her introduction to the strategy was keen to emphasise that the Government's interest in social enterprise was "not an exercise in political correctness" (DTI, 2002, p7). The Government, through the strategy, intends to demonstrate its commitment to the sector. Whether the strategy has dispelled the fears of practitioners remains to be seen.

Delivering services on behalf of Government was thought to require an organisation to be more professional and accountable for their conduct. For those running organisations constituted as social enterprises (the business model), achieving this level of professionalism and accountability was rarely seen as a problem, as the practitioner at Forest Recycling Project explained:

"We were funded by [central Government department], this quarter we will redistribute 200 tins of paint, so you have to keep count, which is good practice, but it's obviously for funders, but also for us. I quite like it for my own personal planning... It's useful to know which publicity and targeting works".

The demands for accountability and professionalism required by the funding body had positive outcomes for FRP and extended practices already initiated by the organisation. However, for those organisations undertaking social enterprise activities or undergoing organisational change in order to become more entrepreneurial, the levels of professionalism, business-like behaviour, and accountability demanded by policy initiatives was much more difficult to achieve. As a result, practitioners felt that their capacity to meet the expectations set by policy was limited.

For example, one organisation involved in the study explained how the demands

for professionalism and accountability were accepted, but it was difficult for the organisation to deliver because of the nature of their social mission:

“You are given money on the basis that you do X, which is fine because that is what we are here to do anyway. So, it is a way of monitoring ourselves, so it is good in that sense; but, it is something that we have found difficult, especially because of the kind of work that we do” (T16 p3).

Practitioners working in similar organisations reported difficulties in engaging successfully at local or national levels in shaping and delivering policy initiatives. Organisations that work with individuals with multiple and complex needs, where the benefits or outcomes can be very intangible, found it difficult to comply with the monitoring techniques of funders due to the nature of their social mission. Where outcomes are intangible or difficult to quantify, those running social enterprises felt they were unable to meet the expectations placed upon them.

In addition, social enterprise practitioners stated that their organisations were unable to meet quantifiable objectives due to a lack of appropriate business support and guidance. As this respondent explained following her experience of attending a business support workshop:

“If you ever go to any of the strictly business things, it’s all so totally irrelevant” (T2 p10).

Policy-makers at the DTI are attempting to address these difficulties through training and information for Business Links advisors, in an effort to provide more appropriate business support for practitioners and their organisations.

Respondents also explained how they felt unable to meet the expectations placed upon them to grow and develop to become key players in welfare due to a lack of appropriate finance. Aspire, a key player in addressing issues such as this, suggested that social enterprises are unable to deliver due to limited finance than the lack of appropriate

business support:

“I think the problem is less to do with the support and the ideas, which are generally very good, it is more to do with the financing side of it... Social enterprise... is trying to get away from grant dependency and towards loan and equity financing and there is a lot less of that around”.

There was disagreement amongst practitioners as to the relative importance of each factor (appropriate business support versus appropriate financial assistance). The Government certainly views the lack of appropriate business support (leading to low organisational capacity) as the major limitation on the ability of social enterprises to deliver policy initiatives. In response, business support for social enterprise has been incorporated into the SBS's remit within the DTI, and the Government has pledged to enhance this role. The Government has also recognised the need to develop more appropriate sources of finance in the form of loan and equity and has initiated a review of charitable law published by the Performance Innovation Unit (PIU) within the Cabinet Office. The PIU reported to Government in late September 2002, recommending that charitable status should be applicable to organisations that can demonstrate their 'public benefit' (such as social enterprises). These reforms should significantly support social enterprises to develop strong foundations through a more sympathetic regulatory environment, and increase their capacity to deliver on policy expectations.

Those interviewed were keen to identify the nature and terms by which social enterprises were able, or unable, to meet policy objectives. It was clear that social enterprises working with people whose needs were great (for example, those with learning disabilities or mental health problems, or working in areas of intense deprivation) found meeting policy expectations very difficult. Specifically, creating a large number of jobs for the disadvantaged, as well as providing high quality training and skills development was possible but was costly in time and resources. Practitioners feared that the expectations put upon disadvantaged people were too great, as this quote explains:

“It is all very well for social services, for all the development workers, for everyone to say that people can achieve things. The goals and targets are set too high, people are told they can do anything, everyone that is here was told that they can open their own [business]... It is not true... their literacy skills are very poor... It [puts] them [under] tremendous pressure, which I don't think is fair... The expectations from everybody are very unrealistic and I think that is bad” (T10 p2).

For this organisation, it was expected that employees of the social firm would learn skills that would enable them to gain employment in a conventional firm.

Similarly, for social enterprises working in very deprived areas, such as Pecan and Bootstrap Enterprises, the capacity of the organisation to have a significant impact upon deprivation was felt to be limited due to the extent of the social, economic, and cultural problems experienced by the community. The Government believes that social enterprises can stimulate economic activity in disadvantaged areas and contribute to urban renewal. Respondents in general feel that the expectations put on social enterprises are unrealistic. In essence, the promotion of social enterprises as a solution to social problems that the public, private and third sector had been unable to address is putting unachievable expectations upon them. Amin, Cameron and Hudson, (2002, p125) in their study of social economy organisations, also found this to be the case. They argue that the social economy “will never become a growth machine or an engine of job generation, nor should we expect it to replace the welfare state”.

The evidence shown above suggests that social enterprises are unable to deliver on policy expectations at their present scale. The emerging academic research available on the social enterprise sector increasingly argues that social enterprises can deliver in some situations, but that the capacity of social enterprises to deliver is highly dependent upon the area within which the organisation works and the individuals involved (Cameron, 12/12/01). Social enterprises are able to create small amounts of local employment, but as one practitioner admitted, social enterprises can “never have the effect that IBM creating a thousand jobs could do” (T28, p10). This discussion leads us

to the next of our critical questions.

**Is a business structure the most appropriate tool to meet the needs of the community?**

One of the key characteristics of a social enterprise is their belief in the business structure being the most *appropriate* tool to achieve their stated social mission. Those involved in this research were convinced that, for their community, a business was the most appropriate tool to meet their needs. They perceived that these needs were unmet by other providers in the public, private or third sector. Some organisations appeared to be highly successful in meeting their social targets and operating an effective business, others less so. What was interesting was that concerns with the ‘appropriateness’ of a business structure were echoed across all those interviewed.

From the outset of the research it was clear that the appropriateness of the social enterprise business model was not openly discussed in policy debate. This observation prompted the researcher to focus attention upon the implications of promoting social enterprise models in welfare. Issues such as these were highly sensitive and respondents were often reluctant to be quoted directly for fear that their comments may be traced back to them or to their organisations. One such concern was that social enterprises created a high-pressure environment for the organisations’ clients, community, and for the staff. Those with learning disabilities or mental health problems were thought to be particularly at risk. Practitioners felt that there was a danger that the business-like environment was too stressful, and put excess pressures upon these vulnerable people. There were concerns that such individuals may feel pressured to perform ‘well’ fearing they may lose their jobs if they did not.

Practitioners argued that there was a danger that the social enterprise model created a pressured environment for the organisation. This was because practitioners felt that their organisations were under constant pressure to perform and innovate in order to attract investment for development capital. As these respondents explained:

“We always have to be innovative... I think in fairness we have been innovative. Now we need the support to help us become [stable]” (T5 p14).

“[I feel] that we are being asked to perform to a very high standard... I think that a lot is expected of us” (T6 p10).

“A lot of funders work on project funding, so, each time, after three years you’ve got to, even if you are running the same project, you’ve got to write it up as something completely different just so you can get the money in” (T2 p10).

In addition, practitioners felt that being a social enterprise created pressures to perform to a high standard because they were seen as ‘flagship’ organisations. These issues were compounded by the fear that the time scales that policy-makers and funders worked within were too short for the long-term development needed to establish a social enterprise. Practitioners were concerned that a negative perception of social enterprises may develop if targets were not met and social enterprises would be seen as unable to deliver. Those running social enterprises felt that they constantly had to raise the profile of their organisation in order to be considered a success rather than focussing their attention upon the business and social objectives. Coupled with these pressures was the constant need to be financially accountable to funders. Social enterprise practitioners found this particularly difficult, costly, and time-consuming due to the complex nature of the work undertaken. For some enterprises, accounting of this type was relatively straightforward (e.g. counting the number of items recycled). For other organisations, accounting in this way proved difficult, although many organisations had developed social auditing techniques in an attempt to overcome such difficulties (for an example of this see appendix 6.1).

This discussion above has focused on the appropriateness of the social enterprise model for the specific community that the organisation served. It has been shown that the social enterprise model may not always be the most appropriate means to meet their needs. There is a broader issue that is very closely related to this discussion: the extent to

which the social enterprise model is an appropriate means to assist disadvantaged people and places more generally.

**Is the social enterprise model an appropriate means to assist disadvantaged people and places?**

At a wider level, many of those interviewed were concerned that the social enterprise model may not be the most appropriate means to support disadvantaged people and places. Specifically, there were concerns that as resources in social enterprises were often limited, services may be provided by under-trained or unqualified staff and this could lead to low quality service provision and low quality job creation. As one respondent commented, ensuring that the social enterprise employs local people, meets local needs, and generates a profit is problematic because:

“You often have a need, but there is no real effective demand in the market place, so you can’t make a profit out of it. Or the needs that you have in an area don’t match the skill base of the people who are available for work” (T27 p1).

Although all those interviewed emphasised that their services were of high quality and were delivered in a highly professional way, many expressed a real concern that when the social enterprise model is applied in settings where it is less appropriate disadvantaged people and places may be denied the quality of services that others enjoy.

Specifically, there was the issue of ‘quality jobs’. In light of the proposed expanded role for social enterprises in service delivery, practitioners feared that there could be the potential for social enterprises to foster poor working conditions for employees/clients. In spite of social enterprises focusing explicitly upon quality service provision, some practitioners felt that the jobs created were low quality in terms of opportunities for advancement, lacked interesting or stimulating work, and had low levels of pay. They therefore argued that social enterprises needed to develop their business activities to ensure there was scope to create a “career structure” and a “job structure”

(T12, p3) within the social enterprise sector. However, other practitioners felt that these pressures were too great, arguing that the types of jobs created and opportunities offered were appropriate for the social enterprise sector to deliver, as this quote explains:

“There is an ethos or a value system [in the third sector] which says it’s all about quality jobs. The problem with that is that not everyone can do the quality jobs... I get angry with organisations saying that these are not quality jobs, therefore we should not have a business here, whereas the people actually doing the work - it’s all they want to do... It depends upon aspirations. Some people do not aspire to more, that’s fine. Everyone finds their own level. I think that our sector [social enterprise] has a different set of principals and values, which is more amenable to providing low-skill jobs, but perhaps in an environment which people are happy with. Delivering services is a low skill job, relatively speaking, but people enjoy doing it and that is what it is for” (T18 p14).

This practitioner, and others involved in the research, felt strongly that although the jobs provided for the community may be low-skill, they were tailored to meet the needs and skill-base of the community and did offer opportunities for people to move on to higher-skill jobs if they were able. Both the Government and the social enterprise sector are keen to develop mechanisms to ensure that social enterprises delivering services do so in a manner that is effective, efficient, meets minimum quality standards and protects people’s rights. However, concerns still remain concerning the appropriateness of placing disadvantaged people (particularly those with learning disabilities or mental health problems) within a business setting.

The discussion above leads us to consider the issue of accountability. Accountability includes financial, managerial, professional, and accountability to the community. Many practitioners felt that, at present, accountability rested wholly with financial aspects with little regard for accountability to the community and the individuals receiving services provided by social enterprises:

“The accountability tends to be about the money and not



about the people... The reality is that I don't think that the accountability is as stringent as it could and should be, but by god we focus on the money, if we spend the money incorrectly they'll hammer us" (T5 p10).

Practitioners were greatly concerned that there was very little interest at a policy level in evaluating the *quality* of service provision by social enterprises. Those interviewed felt very strongly that there was a need for the notion of accountability to be extended to include accountability to the community and to individual service users. In addition, they expressed a need to develop research and evaluation procedures that ensured that service users were not further disadvantaged as a result of being in receipt of services provided by social enterprises.

The Government's plans to "establish the value of social enterprise" (DTI, 2002) appear to go some way to addressing these concerns through research and common evaluative procedures. However, the national strategy does not propose a full evaluation of the 'appropriateness' of the social enterprise model in delivering services. Rather, it assumes that social enterprises are automatically appropriate in a social welfare setting. Practitioners, on the other hand, feared that social enterprises would be unable to address the problems facing social welfare provision and were keen to express that social enterprises were not a 'policy panacea' capable of delivering a diverse range of policy objectives where others had failed. The discussion above demonstrates that social enterprises have great difficulty in meeting the expectations placed upon them by policy-makers. The extent to which the social enterprise is a viable and sustainable means through which to deliver services to the community is also related to the issue of expectations. This leads to our fourth critical question.

### **Is a social enterprise a viable and sustainable business?**

Social enterprises are often distinguished from the remainder of the third sector by their perceived abilities to be financially self-sufficient, generating their income through commercial activity (Amin, Cameron, and Hudson, 2002). The term *viability* is used in this context to refer to the financial characteristics of the organisation; i.e. can the organisation balance income and expenditure to ensure its work continues in the long-term (three-five years)? *Sustainability*, as used here, incorporates this notion of financial viability, but also includes the broader concerns of the organisation to ensure that its work is reproduced in the long-term (for example, personnel, organisational development and planning, governance and management, research and development).

All except one of the case study agencies felt that these goals were too idealistic and impractical for many social enterprises. This, they felt, was due to the added costs of doing business purely for the benefit of society and few social enterprises were actually financially self-sustaining. Ross and Usher (1986), in their discussion of the financing of community enterprises, identified widely held organisations as having an increased level of organisational autonomy (see chapter three for further detail). Those running organisations that they felt to be financially widely held (where income was generated through a combination of trading activity, membership fees, donations, grants, and private investment) generally felt that social enterprises could be viable and sustainable businesses. It seems that the Government expects social enterprises to be financially viable, moving away from grant finance towards economic sustainability in the long-term through generating independent income via trading activity.

Recent research undertaken by Amin, Cameron and Hudson (2002) looked at 195 social economy organisations including a large number that questioned their capacity to fulfil the expectations of financial viability. Similarly, other researchers have found that the sector is heavily 'dependent' upon sources of external funding such as grant finance either from local, regional or national Government, European sources (ESF), charitable

foundations (Shaw *et. al.*, 2002) and often a combination of all three. Similarly, social enterprise practitioners involved in this study rarely believed that their organisation would ever be free of grant finance in the long-term. The reason practitioners gave for this state of affairs was that grant finance was needed to cover the social costs (e.g. training and support services) of the organisation. As this respondent, dealing with vulnerable people that needed extensive support in employment, explained:

“They always need to be in a protected environment and, because of that, continuous funding is a must. The idea that the social [enterprise] will become profitable and managed by itself I think is a very, very long-term thing”  
(T10 p5).

Practitioners were clear that some aspects of an organisation’s work would never be profitable or financially self-sustaining and would always require subsidy from internal or external sources of finance (either in the form of charitable covenants from business activity to charitable activity, grant finance or contractual work). Interviewees saw this *combination* of financial resources as a key element in balancing social mission with business objectives where sustainability would be achieved from a mixed income base. However, sustainability (in the sense implied here) meant that organisations would be in receipt of grants in the long-term, and were therefore not viable in the sense that they could generate independent income through trade to fund their activities. But as Amin, Cameron and Hudson (2002) argued, that an organisation in receipt of grants or dependent upon service contracts is a ‘dependent’ organisation. Social enterprises are, therefore, unable to fulfil the expectation of financial independence.

The discussion above reiterates that creating a viable and sustainable social enterprise is a difficult task. Even social enterprises such as Aspire and Sofa, which have received national acclaim for creating sustainable social enterprises, admit that this state is difficult to achieve. Those running social enterprises also suggest that social enterprises will rarely be ‘viable’ in the sense that conventional businesses can be. This different conception of viability and sustainability in social enterprise leads us to question whether the social enterprise can truly be an *independent* organisation as is often

expected.

### **Are social enterprises independent organisations?**

Social enterprises are expected to act as a model for future ‘independent’ forms of welfare service provision. If social enterprises are dependent upon tied funding (grants and contracts) their ability to act independently may be compromised. Where social enterprises are engaged in delivering services on behalf of Government, one of the practitioners’ biggest fears was the power that such contractual/grant arrangements had over their activities. These fears were most apparent in childcare and employability training: the area where the Government sees the greatest potential for the social economy in delivering its agenda.

Perhaps where organisational independence may be most compromised is in employment. Amin, Cameron and Hudson (2002, p25) argue that social enterprises risk “becoming a mechanism for reinserting some of the unemployed back into the mainstream labour market and a mechanism of surveillance and control over those who fail to make this transition”. They suggest that social enterprises are in danger of being subverted by large-scale Government programmes and of becoming little more than agents of the state. These fears were supported by those involved in this research. They were acutely aware of these dangers, and felt that social enterprises could become little more than employment bodies without the broader social benefits gained from social enterprise activity. This was due to pressures of meeting employment targets set by external funding bodies unsympathetic to the broader social and environmental missions of the social enterprises. For example, some enterprises involved with this study found the pressures of New Deal too great and were reconsidering whether they should work under this programme:

“One of the things we have always wanted to do is outreach, go out and find people. That is hard because of New Deal, in a sense there is no one left to find, they are all on benefits, they are all part of something now. That has

caused us a lot of soul-searching, quite literally, in that if everybody is part of the New Deal, how do you stop becoming just an agent of Government?" (T4 p2-3).

Practitioners sympathetic to this view felt dependence upon Government initiatives subverted their social mission. However, other organisations in this study found that New Deal worked well, balancing organisational requirements for income with the needs of the community for work-based training:

**Practitioner** "We have been working with New Deal, that provides an income stream that is not insignificant..."

**SE** How do you find working with the New Deal?

**Practitioner** It is not a problem for us, most people for whatever reason seem to like it so far, one of the things is the range of things it can offer... So, it is doing it in a way that has benefits for the organisation in terms of increasing the capacity to deliver a better quality service, but at the same time... giving them the best training that we can possibly offer and the opportunities for personal development" (T18 p3-4).

In this case, operating under contract to Government had positive outcomes for the organisation. They did not feel their mission had been compromised, and the organisation had remained independent. However, whether or not social enterprises can remain independent under contract or in receipt of grants remains an issue for the sector. For some practitioners involved in this study, they felt that contractual and grant arrangements did constrain their activities, supporting the findings of other researchers (Amin, Cameron, and Hudson, 2002; Shaw *et. al.*, 2002). These practitioners felt that contracts and grants challenged their independence, and led them to question their organisation's identity and its ability to fulfil the expectations put upon them.

### **What will happen to the social enterprise sector in a period of economic recession?**

Those interviewed were concerned that the social enterprise sector would be unable to sustain itself through economic recession. In general it was felt that whilst unemployment was low and the economy was relatively buoyant (and there was political support for their activities) social enterprises could grow and develop. The importance of a buoyant economy was highlighted when interviewees were asked about the reasons why they thought the City of Bristol had a vibrant social economy; some of the responses are given below:

“The community development side is very strong in Bristol... There are a lot of good people” (T22 p1-2).

“Bristol is a funny city isn’t it? It seems quite a rich city, quite a successful city, but within it, it has got surprising pockets of deprivation. So, despite it’s success it is still able to attract major regeneration funding which is really what underpins this kind of work... [And] there is a relatively strong alternative culture here as well” (T14 p12).

“In Bristol in particular there is a lot of interest in the environment, it is quite a high profile issue, so that has helped in terms of getting [funding] in” (T18 p2).

These quotes demonstrate that a strong local economy, the presence of an ‘alternative’ culture and economy (for example fairtrade shops), a strong community sector and ethos, a skilled workforce and available funding from a sympathetic local authority has ensured that social enterprises have been able to grow and develop.

There was concern that, if there were a downturn in economic growth, many social enterprises would be unable to weather the storm. Social enterprises, as a general rule, have few reserves, low profit margins and a limited asset base. In the event of a downturn in the economy it is not known how social enterprises would fair (Amin, Cameron and Hudson, 2002). In the event of recession, there is a danger that social

enterprises could close and leave vulnerable people without service provision. However, some practitioners felt that social enterprises may be better able to stay operational during economic down turn due to their independence of income from grants, and a greater commitment from staff and the community to continue the work.

The ability of the social enterprise model to survive an economic downturn is unknown. Those interviewed therefore wanted to see greater awareness and discussion of the resilience of the social enterprise model, as these practitioners, reflecting the views of many stated:

“I feel that there needs to be more rigorous assessment of us” (T6 p10).

“If you are going to say that there is this Blairist third way between charities and business lets work out who is actually doing it. Ok. Are they any good? Well, they are a load of rubbish half of them - well, why? Well then, lets work out where things can be done better” (T12 p14).

The Government also holds these concerns. The national strategy for social enterprise sets out the Government’s goals to “establish the value of social enterprise” (DTI, 2002, p10). Part of this programme of work will examine the nature of the social enterprise sector, map its geographical spread and ascertain the strength of the sector. Whether these initiatives will dispel some of the fears of the sector remains to be seen.

Conversely, and related to the issues above, practitioners questioned the ability of the market to support a growth in goods and services provided by social enterprises. Some practitioners suggested they were unable or unwilling to take on broader roles and deliver services on behalf of the state. One manager explained how his organisation was in the process of questioning whether or not to scale down the services they provided on behalf of the local state:

“We don’t have to go with this stuff if we don’t think it is right, whether we have got the courage, well, we have

started to say ‘no’ to some things, programmes that we actually think stink, we have said ‘no’, but only in a small way” (T4 p3).

In a period of economic decline, revenues of social enterprises are likely to fall, potentially leaving social enterprises even more dependent upon grant and contracts from the state. If social enterprise practitioners and their organisations increasingly say ‘no’ to delivering services on behalf of the state, this may leave people without service provision at a time when it would be most needed.

The social enterprise sector and policy-makers need to consider, in greater detail than they currently have, the implications of promoting social enterprises as a means to deliver services. Policy-makers must take into account the (in)ability of social enterprises to meet the expectations put upon them and the resilience of the social enterprise model. These implications raise ethical issues concerning whether we *should* be pursuing the social enterprise as a model for welfare provision.

**Is the discourse of social enterprise a palliative response to the problems associated with delivering welfare services to a fragmented society with diverse needs?**

Social enterprise practitioners suggested that the promotion of social enterprises in welfare is little more than a palliative response to the problems that face service provision in the United Kingdom. It seems that social enterprises are unable to deliver upon the expectations placed upon them, and as a result, it could be argued that the discourse of social enterprise generates a ‘smokescreen’ that masks the underlying problems associated with third sector welfare service provision. Practitioners were concerned that the expectations placed upon social enterprises masked the reality of everyday service provision. Specifically, there were concerns that the discourse of social enterprise may mask inequality in service provision as well as the privatisation/mutualisation of services and service withdrawal.



On the one hand, some practitioners and the pro-social enterprise movement promote the social enterprise as an alternative way of organising the economy. On the other hand, it seems that social enterprises are not a new institution that will form the basis of a new economic order. The social enterprise has emerged from a welfare system in transition and appears to be capable of meeting welfare needs in particular localities and for particular communities (Amin, Cameron and Hudson, 2002). There are real dangers that as the discourse of welfare shifts towards the notion of social enterprise, it masks issues such as inequality and poverty; privatisation and mutualisation; service withdrawal; and the lowering of employment rights and benefits for public and third sector employees.

In addition, there are also dangers that social enterprises can only effectively work with the least disadvantaged groups. If the role of social enterprises in welfare was expanded, this has the potential to leave those with high needs or low skills without service provision. Social enterprises seem to ‘cherry-pick’ those who are best able to overcome the problems they face. For example, StreetCred offers loans to immigrant women entrepreneurs who already possess a level of motivation and have the skills to establish a business, but lack the financial means to do so. There remains a substantial community of immigrant women who lack the skills, ability and motivation to undertake entrepreneurial activity with whom the social enterprise does not work. Similarly, ITO Bristol increasingly works with people with mental health and learning disabilities who have the potential to move on to ‘normal’ employment. However, there is a significant community of people with mental health and learning disabilities whom ITO is unable and unprepared to work with (because the business cannot support the high cost of their needs). Aspire will only work with homeless people who are not drug dependent. This evidence suggests that social enterprises appear to be unable or unwilling to address more severe social problems.

In this context, critical questions need to be asked by policy-makers and the social enterprise sector concerning who, and where the social enterprise model is most appropriate to serve. It can be argued that, in order to be successful, social enterprises

need to ‘cherry-pick’ the most able of the disadvantaged, thereby promoting inequality in service provision. The social enterprises involved in this study openly stated the grounds upon which they would work with an individual, often ruling out some of the most needy individuals in society (for example, those with more severe mental health problems, drug problems, or very low literacy skills). On the one hand, the individualist tailored approach of social enterprises can fill gaps in service provision as demonstrated in chapter six. But there is the potential in the social enterprise model for some services to be withdrawn or reduced because it does not make ‘business sense’ to provide these services.

Social enterprises can, therefore, only form a part of the welfare safety net, and not the basis for a new welfare settlement. Social enterprises in this sense can be understood to provide a palliative response to welfare problems, only meeting the needs of particular individuals, localities or groups in society because the social enterprise model is unable to solve all the social ills expected of it. This discussion leads us to consider in more detail the role that social enterprises *should* undertake in welfare.

### **What role *should* social enterprises undertake in welfare?**

The pressures on social enterprises to perform are very high. Therefore, the questions that follow are: *should* we be placing the social enterprise in this role in welfare? And, is the social enterprise model appropriate as a service delivery mechanism? Practitioners often felt that the ‘talking up’ of sector meant that the discourse of social enterprise had taken on a life of its own. They feared that, as a result, service recipients might lose out as the social enterprise model is applied in inappropriate situations. In addition, it was also felt that the pace of change promoted by the discourse required further assessment:

“The Government is setting up a Department for Social Enterprise, I mean - wait - a second, it took a long time for venture capitalism to get that far... Service industries took a long time to develop before being called an industry, but

we are already calling ourselves an industry” (T6 p10).

Practitioners were concerned that the social enterprise sector was driven by the objectives of policy-makers and the Government and was unable to follow its own developmental path. Furthermore, practitioners questioned whether the sector *should* be following the route prescribed by Government (as an alternative service delivery mechanism) and what the implications for the sector and service delivery may be.

The issue of accountability again is pertinent in this context. The pro-social enterprise movement was often perceived by practitioners to have raced ahead with little regard for the methods of accountability established in the public and third sectors. As one respondent explained, reflecting the feelings of many, the discourse of social enterprise meant that organisations may “start galloping over the rules and regulations” (T3 p8) in an effort to meet the goals and expectations put upon them. Practitioners favoured entrepreneurial approaches to meeting social needs, but feared that policy-makers had overlooked the question of whether or not social enterprises *could* and *should* feature as major service providers. To compound the problem, those running social enterprises felt unable to express their concerns publicly, fearing implications in terms of reduced funding and political interest if they did so.

The view of most was that social enterprises should provide complementary and specialist services within the welfare safety net, but should not act as alternative service providers to the state. Social enterprises should provide services that are tailored to the needs of individuals and localities, for those areas or groups in society not covered by other forms of service provision. In this way, practitioners felt that social enterprises should focus their attention on “the bits we do best” (T3 p8). Social enterprise practitioners aimed to work with and develop the public and third sector in order to provide better services for those in need. The question of whether social enterprises should become major players in welfare service delivery challenges the principles upon which the welfare state was founded. The social enterprise sector and policy-makers need to consider the implications of promoting the social enterprise as a tool for welfare

service provision. This research reveals that social enterprises are unlikely to be able to become major welfare service providers, and those running social enterprises do not wish to do so. Practitioners on the whole felt that social enterprises *should* be players in the welfare safety net, but that perhaps social enterprises were better viewed as “a tool [for] building communities, it’s more a tool for looking at building capacity” (T6 p9), rather than a vehicle through which to pursue a programme of welfare reform.

### (c) Conclusions

This chapter intended to evaluate the role social enterprise appear to be undertaking in welfare provision. In doing so, a series of critical questions were posed, and responses sought from those involved in the research. The issues introduced above generate more questions than this research has the scope to answer. The implications of promoting the social enterprise model as a solution to providing welfare services to a diverse and fragmented society needs to be considered by policy-makers and the pro-social enterprise movement in greater detail than has been the case thus far. However, there are signs to suggest that the Government is acting on these concerns within the national strategy. It has been shown that policy-makers must take greater caution when considering the appropriateness of the social enterprise model in service provision. Social enterprises appear to be unable to meet the high expectations of them and there is uncertainty about the resilience of the social enterprise model in the long-term. In addition, it is unknown how service provision by social enterprises compares to other providers (public, private or other third sector organisations), and there are dangers that social enterprises may mask some underlying trends in welfare.

## **Chapter eight: Conclusions and reflections**

### **(a) Introduction:**

This chapter reflects on the research findings and the research process. Social enterprises are a part of broad shifts in welfare and a more general trend to create a new culture of welfare service provision that moves away from the traditional values of the welfare state and promotes a mixed economy of welfare. This chapter will first summarise these arguments and offer some concluding remarks. The second part reflects on the research process as whole and suggests avenues for future work.

### **(b) Social enterprise: creating a new culture of welfare service provision**

Social enterprises are intertwined with welfare reforms initiated by the current Government (that build upon those of previous administrations) to change the culture of welfare service provision. This research suggests that social enterprises are unlikely to be the ‘future’ of social welfare provision in the United Kingdom. Rather, social enterprises are one institution within an increasingly diverse welfare safety net. However, social enterprises do appear to be emblematic of wider changes in welfare. The pro-social enterprise movement argues that social enterprises, and the social economy as a whole, have the potential to change the face of social welfare provision. This research has demonstrated that those running such organisations felt that social enterprises lacked the capacity, financial resources and in some cases will to become an alternative service delivery mechanism in welfare. Practitioners, on the whole, saw themselves as being a part of the welfare safety net and had no desire to ‘transform’ welfare.

These introductory comments lead us to reflect on the research findings in this final chapter of the thesis. The concluding remarks presented here are grouped under three sub-headings: social enterprises as actors in welfare service reform; social

enterprise as an extension of welfare pluralism; and, social enterprises and the creation of an enterprising welfare state.

### **Social enterprises as actors in service reform**

The discussion in chapter six considered the challenges the discourse of social enterprise presented to public and third sector welfare providers. It was shown that the social enterprise challenges those providers to deliver localised, tailored and flexible services that empower service users; as opposed to the centralised uniform services of the modern welfare state, or the (perceived) dependency inducing third sector. The discourse of social enterprise challenges third sector providers to develop sustainable funding strategies for their operations in an effort to decrease grant dependency and become more entrepreneurial in their approach. Ultimately, the discourse of social enterprise promotes a culture of enterprise in the welfare sector, with a view to changing the culture of social welfare provision in the United Kingdom. The notion of social enterprise has also been shown to challenge the traditional distinctions between providers and the sectors within which they operate. It has been shown how social enterprises blur the boundaries between public, private and third sector service providers through the medium of the welfare safety net. Social enterprises blur these boundaries because they are able to meet multiple social welfare needs *simultaneously*.

The discussion in chapter seven led us to question the appropriateness of the social enterprise model in welfare. Although the evidence presented here is inconclusive as to whether the social enterprise model is an appropriate means through which to deliver welfare services, this research sheds some light upon the issues at hand, and urges policy-makers to question the appropriateness of the social enterprise model in a welfare setting. What is clear is that social enterprises are key actors in promoting cultural change in service provision, and that social enterprises are significant actors in welfare change. There does appear to be an emergent “social enterprise culture” (Patel, 03/06/02). The reference to the presence of a social enterprise culture was made at a published roundtable discussion involving many of the key players in the pro-social

enterprise movement (see appendix 8.1 for a list of attendees), and is evidence of an increasing acceptance of social enterprise in political and social policy circles. In conclusion, social enterprises do appear to be significant actors in the reform of the British welfare state.

### **Social enterprise as an extension of welfare pluralism**

Within the discourse of social enterprise there is an increased acceptance that public services must change to meet modern needs, and that social enterprises have a key role to play within these reforms:

“I do think we face a fundamental challenge, which is that we either modernise our public services from within or watch them being dismantled by people from the outside”  
(Douglas Alexander MP, 03/06/02).

Social enterprises are thus legitimised in welfare reform through this (political) logic that promotes greater plurality of service provision. It has been shown that social enterprise practitioners see their organisations as actors in a pluralistic system of welfare, and wish to maintain this role. The pro-social enterprise movement, on the other hand, wishes to push the current boundaries of welfare pluralism and promotes the social enterprise as having the potential to become a major welfare service provider. This research, and that of others such as Amin, Cameron and Hudson (2002), suggests that the social enterprise is unlikely to become a major service provider as envisaged by the pro-social enterprise movement and the Government. The social enterprise, however, is a high profile actor in welfare reform. The social enterprise practitioners interviewed wished to expand their current role, suggesting that, in the future with Governmental support and a more sympathetic regulatory environment, the social enterprise could become a more common feature in a mixed economy of welfare.

### Creating an enterprising welfare state?

The social enterprise has been charged with the ability to instil enterprise and entrepreneurial behaviour within the public and third sectors, and within those traditionally in receipt of services. The emerging academic research on the subject suggests that the actual contribution of social enterprises to service provision is minimal due to a lack of organisational capacity, poor financial strength and highly localised factors that contribute to success (Amin, Cameron and Hudson, 2002). This research supports these findings, but argues that although the impact of social enterprises in terms of actual service provision is minimal, as a discourse, their impact is highly significant. In terms of service practice (for example the way in which services are delivered), the impact of social enterprises may be growing in significance, but further empirical work would have to be undertaken to ascertain the impact of these developments on actual service delivery.

The discourse of social enterprise has extended public debate upon the issues surrounding the role of enterprise in welfare (and is linked to similar debates concerning PFIs). As a result, the discourse urges policy-makers and practitioners alike to consider in more detail how services *could* and *should* be provided, and through which organisational means. By promoting 'enterprising solutions' in welfare, the discourse aims to change the *nature* of third and public sector welfare provision. The impact of these changes is as yet unknown. This research has demonstrated that the promotion of the social enterprise in welfare is not unproblematic or uncontested. Within the social enterprise sector there are concerns about the appropriateness of the social enterprise model, and its accountability, particularly to service users. The creation of an enterprising welfare state, of which the social enterprise is a part, appears to be a long-term programme of reform; however, it appears that social enterprises are contributing to the creation of a more enterprising welfare state.



**(c) Reflecting on the research process**

Having completed the research it was felt important to reflect upon the research process, with particular reference to the methodology, the arguments presented, the philosophy of the researcher, the contribution of the research to debate and avenues for future work.

**Methodology**

The grounded theory research design coupled with qualitative research methodologies employed in this research was designed to respond to three research goals in the context of undertaking exploratory research. With hindsight and greater experience of the sector, the research could have been conducted differently to reveal the issues at hand with greater clarity. For example, as the research progressed, the pro-social enterprise movement emerged as a distinct position that differed from the position held by the Government and the social enterprise practitioners. A research design that took into account these distinctions at the outset could have illuminated the issues at hand by focusing attention upon the differences between these discourses. At the outset of this research, however, this would not have been possible as these distinctions only emerged once the research was in its later stages. Taking into account these differences in future work would be of great benefit.

The notion of discourse and discourse analysis was very useful in uncovering the conflicts and continuities within the different strands, versions, or stories of social enterprise. There was a danger that by focussing upon discourse as a means to illuminate the role of social enterprises in welfare reform other aspects may have been neglected. For example, the approach neglected material practices such as changes to actual service delivery as a result of the promotion of social enterprise solutions in the public and third sectors. A discourse analysis approach was chosen because of its ability to uncover *how* and *why* the notion of a social enterprise has become prevalent in welfare reform. It has been noted (Clarke, *et. al.*, 1998) that welfare reforms are associated with shifts in

language, and it seems reasonable to suggest that social enterprises are a part of these discursive shifts in welfare.

In addition, Foucauldian discourse analysis rejects the notion of a 'truth' in favour of a 'regime of truth' in a specific context (Hall, 2001). Clearly this position could be considered by some to be too relativist. In the context of this research, this implies that the researcher would be unable to establish what *the* significance of social enterprises in welfare reform amounts to, but instead offers different versions of the roles social enterprises undertake from different contextual positions that contribute towards the discourse of social enterprise and welfare reform. This approach can be criticised for raising more questions than the research has been able to answer, however, the research aimed to investigate how the notion of social enterprise was related to changes in welfare, and open debate, in so doing the methodology and research design has been successful.

### Argument

The research design and methodology led the researcher to consider the position of social enterprise practitioners in relation to those of the Government and the pro-social enterprise movement. The arguments presented were primarily from the perspective of those running social enterprises. From this position, the research aimed to gain a fuller understanding of what a social enterprise was, what a social enterprise did, and how social enterprises achieved their goals. The research made significant headway in this area, establishing a definition of social enterprise that reflected the contours of the sector *as the practitioners saw it*, rather than that presented by the Government or the pro-social enterprise movement. It has been shown that a social enterprise is an organisation that uses a commercial venture as a tool to achieve social change; that a social enterprises see *the business as one of its charitable objectives*; and, any profits generated are reinvested back into the community in the form of service provision, or new venture creation. It was shown how the notion of 'social enterprise' takes on two related guises, either *social enterprise activity*, or *social enterprise* as a business model. This distinction contributes to social enterprise literatures because this distinction acknowledges the differences

between socially entrepreneurial activity that occurs within a parent organisation, and organisations that are constituted as social enterprise businesses in their own right.

In response to the first research goal, the research has also identified some new examples of social enterprises. The social enterprise literature can be heavily criticised for relying on the same examples of social enterprises (usually The Big Issue, the Bromley-by-Bow Centre and the Furniture Resource Centre). Although these organisations have been highly successful in developing and promoting the discourse of social enterprise, they do not accurately reflect the range of social enterprises in the United Kingdom as understood by social enterprise practitioners. This research has shed new light upon the activities of 18 social enterprises, and provided insights into the activities of other social enterprises more broadly.

Chapter three demonstrated that identifying and defining a ‘social enterprise’ was difficult due to the hybridity of these organisations, and is further complicated by intense political support for social enterprises inducing many organisations to ‘rebadge’ themselves as social enterprises in an effort to secure funding and raise their profile. The definitions used throughout the research were based upon discussions with practitioners, which were ongoing during the course of the research (and are collated in chapter three). Although it is believed that this part of the research has been successful, it should be recognised that the social enterprise sector relishes ambiguous terms, such as the social economy, and resists any formalisation of its structures and terms because this is seen to reduce the dynamism of the sector. This criticism is fair; forcing organisations to be clear about where they fit within the spectrum of the social economy may inhibit their ability to be flexible and responsive. It is hoped, however, that the means of identifying and defining social enterprises developed in this thesis retain a degree of flexibility and sensitivity to the needs of the sector and its practitioners.

Once a working definition of social enterprise had been established, the research then aimed secondly to examine and understand the role social enterprises were undertaking in welfare reform, and thirdly to consider the implications of promoting

social enterprise solutions in welfare. Examining and understanding the role(s) that social enterprises were undertaking in welfare was a difficult and complex task. Drawing on social policy literatures discussing the emergence of a postmodern welfare state alongside discourse analysis enabled responses to the research goals to be drawn. These discussions shed some light upon the issues pertinent to social enterprise practitioners charged with high expectations to take on a greater role in welfare by Government and the pro-social enterprise movement. The chapters have increased the knowledge base surrounding the ability of social enterprises to act as service providers and have revealed that practitioners did not wish to replace other forms of provision (as was suggested by the pro-social enterprise movement). Rather, social enterprise practitioners saw their work as complementing other forms of provision. These findings have implications for policy-makers seeking to expand the role of social enterprises in welfare as it is likely that practitioners will be unwilling, and in some cases unable, to fulfil this role.

When considering the impact of social enterprise solutions, the discussion cannot fail to consider the measurement of ‘success’ in such organisations. It has been argued here that social enterprises have had little impact upon the actual delivery of welfare services, but that they have been significant actors in changing the way in which public policy seeks ‘solutions’ in welfare. Inevitably, measuring these shifts is problematic. Ed Mayo, Director of NEF, used the increased interest in ‘ethical purchasing’ as an indicator of the extent of the shift towards social enterprise approaches in the market place, suggesting that ethical purchasing was growing over six times faster than the over all market (Mayo, 03/06/02). As Mayo admits, overall market share is only 1.6 per cent. It could therefore be argued that social enterprises have in reality had very little impact upon the economy, and their ability to *stretch capitalism* is limited. There is currently no data available upon the percentage of total service provision that is delivered by social enterprises; however, it has been suggested that social enterprises may represent 17 per cent of the social economy (a figure that excludes state social provision) (McGregor *et al.*, 1997). It has been outside of the remit of this PhD research to address the issues of the scale and scope of the social economy – even large scale ESRC funded projects have encountered great difficulties in undertaking such a task. In hindsight, it would have

been useful to incorporate a more evaluative element into the research design. At the outset of the research so little was known about social enterprises it would have been impossible to attempt a study of that scale and scope. In addition, such an approach would have been ill equipped to reveal the links between social enterprise, discourse, and welfare policy. The discussion presented in chapter eight begins to address some of these questions; further work is needed to respond to the issues posed.

### **On contributing to debate**

This research has laid some tentative foundation stones beyond business school approaches for the study of social enterprise in the context of welfare reform. It is hoped that this research may set the scene for a more rigorous assessment of the implications of promoting social enterprises as welfare service providers.

One question remains: will the social enterprise bubble burst? On the one hand, we have witnessed a crisis at two of the United Kingdom's largest and high profile social enterprises: The Body Shop and The Big Issue (*The Guardian*, 01/07/02), which casts doubts over the long-term viability and appropriateness of the social enterprise model. The Big Issue has reportedly suffered from the entrepreneurial spirit of its founder putting the established business at risk. The desire to set up new ventures on the back of the successful Big Issue has compromised the viability of the original social business idea. In spite of these criticisms, *The New Statesman* has argued that running businesses solely for the benefit of its shareholders is an idea that has had its day (*The New Statesman*, 03/06/02). Discussions with practitioners undertaken during this research revealed a similar polarity of feeling. Some practitioners are fearful that the social enterprise is a political fad picked up by politicians and policy-makers because the social enterprise displays the attributes they wish to promote. Other practitioners are more sympathetic to the pro-social enterprise movement and feel that the social enterprise is a part of broader shifts in the economy, in society, and in culture. This research contributes to these debates by providing an example of postmodern attributes being displayed in a

welfare setting. The research also suggests that the social enterprise, although emblematic of these shifts, is unlikely to form the basis of a new era in welfare.

### **Avenues for future work**

The avenues for future work in this field are extensive. Specifically, some avenues for future work are suggested below:

1. Reporting back and continuing the current project. Returning to the existing network of respondents and refining research in line with the principles of grounded theory, continuing the current research, allowing respondents to reflect and comment upon the findings presented here.
2. Geographical scale and scope of social enterprises. Interesting work could be undertaken that would analyse the location and distribution of social enterprises, particularly in relation to levels of deprivation. It has been suggested here that social enterprises may 'cherry pick' the best of the disadvantaged to work with. An analysis of this issue would be a very useful contribution to the literature. Similarly, fruitful research could be undertaken into what makes social enterprises successful and survive in the longer-term.
3. Analysis of the social enterprise network of connections. The research undertaken here utilised a network of contacts within the social enterprise sector. The level of interconnectedness between individuals, and how that influences the discourse of social enterprise and policy formation would be of great benefit to understanding the relationship between the social enterprise sector, policy, the pro-social enterprise movement, and the dynamics of the discourse of social enterprise.
4. Analysis of the political context of social enterprises, the political discourse of social enterprise and welfare reform, how, where and when social enterprises are promoted and developed as policy solutions.
5. Investigate the impact of the discourse of social enterprise upon other service providers in the public and third sectors. It would be fascinating to see what, if any,

changes there have been to the practices, both material and discursive, of other providers with the advent of the discourse of social enterprise.

6. Evaluate the quality of social enterprise service provision in comparison to similar service providers (for example, those operating in the same sector of the economy, or working to achieve similar social missions) in the public, private or third sectors.

7. Urgent and detailed research into the resources used by social enterprises is needed, fruitful research utilising methods such as cost effectiveness analysis, and cost benefit analysis in comparison to other service providers would provide useful insight into the social enterprise to enable comprehensive analysis of the inputs, outputs and outcomes of social enterprise.

In addition to, and underpinning all of the above avenues for future research, is the issue of accountability. There is a need to develop evaluative tools to assess the costs and benefits, rights and responsibilities for all involved in social enterprises.

### **Philosophy as a researcher**

My philosophy as a researcher is perhaps the thing that has developed to the greatest extent during the progression of this research. I was very conscious of the need to let the data speak for itself as much as was possible. The inherent danger within this strategy was, of course, being swept along with the sector, diminishing my abilities to retain critical distance from the research. It is impossible to deny that this was not a constant struggle throughout the research process. Many of those whom I came into contact with were visionary and charismatic individuals, who possessed remarkable abilities to convince an audience of their cause, and change the way in which others thought. Owing to this, collecting data was problematic. I was conscious of being fed the positional statement of the organisation or the media line in some cases. Some interviewees were very reluctant to discuss the notion of social enterprise in anything but positive terms – at least not ‘on the record’ and this created a related dilemma concerning what could, and could not, be considered data.

As previously stated, I aimed to reflect the views of practitioners through my research; this was because at the outset of the research they appeared to be the missing 'voice'. This research sought to fill this void. In doing so, it could be argued that this research does not reflect a balanced or critical view of the sector, due to an over reliance upon practitioners for data. The research design attempted to incorporate viewpoints of the pro-social enterprise movement and the Government. Due to limited resources (i.e. limited time as a result of that needed to develop a workable definition of social enterprise) important viewpoints were omitted, particularly those of service users, the broader third sector, the trade unions and, to a less extent, the pro-social enterprise movement and the Government. In hindsight, designing a programme of research to incorporate a more comprehensive interview schedule would have been beneficial.

There are some further qualifications I wish to make. Firstly, my research did not undertake a detailed examination of the financial viability of these organisations. Secondly, my research did not initiate any extensive evaluation of the benefits to employees or the community. Therefore, in at least these two contexts, it was impossible for me to judge organisational 'success' without undertaking extensive effectiveness evaluations of each organisation (which would have detracted from the key research questions that concerned the welfare state). In addition, it would have been difficult to undertake such work without clear definitions of the organisations to be evaluated. The work presented in this thesis will enable such evaluative work to be undertaken in the future. Future work would benefit from taking these issues into account. In defence of this project, the organisations involved were subject to a high level of scrutiny. Social enterprise practitioners commented time and time again that their work was scrutinised by their funders, their customers, their membership (the community), and in the public sphere, particularly in meeting funding requirements. Many social enterprises handed me copies of independent evaluations of their work, and were piloting innovative approaches to evaluating their work in an effort to qualify their claims of success. These were all aids to my judgement upon the level of 'truth' versus 'spin' or image presented by my interviewees. At the end of the day, a level of trust in what I was being told by my respondent was required. With some individuals I took what they said with a 'pinch of



salt'; in contrast, other practitioners were amazingly frank, honest and open about their position and their organisations activities. One organisation openly discussed their current financial crisis; whilst many discussed in detail the predicaments involved in running a social business, the inherent contradictions, and sometimes negative consequences of their activity. It is hoped that these viewpoints are represented in the text, in an effort to ensure that the picture presented here of social enterprises is balanced and fulfils the objectives set.

## **Appendices:**

## Appendix 2.1: Naming and coding contextual data.

*Coding, naming and comparing:* This process begins when empirical data has been collected and continues through the various stages of data collection. Doing grounded theory begins with line by line coding of the data akin to McCracken's (1988) stage one where the analysis is centred upon the individual things that are said. The researcher reads, and re-reads the data, noting the different interpretations, this is a movement towards forming categories from observations in the data. The different interpretations generated are *named* (Locke, 2001, p47, original emphasis) or coded, and thus begins the development of theory. Line by line coding provides the first tier of theoretical development by which further interpretation, analysis and data gathering is generated. Once sections of data are coded these are then compared with other instances in the data. This enables the creation of conceptual categories where data fragments are compared with other data fragments, developing the analytical framework. Thoughts, ideas, and interpretations during the coding/naming process are recorded and developed in memo form, linking analytic interpretation with empirical reality (Charmaz, 2000). The memo gives the researcher chance to explore ideas and develop conceptual categories.

*Conceptual categories:* In this stage the conceptual categories are developed further, this process is akin to stage two and three of McCracken's (1988) analysis process. Conceptual categories are developed so that "they can account for both similarity and variation in the exemplifying data incidents" (Locke, 2001, p51), to enable the researcher to consider how conceptual categories relate to one another.

*Delimiting the theory:* During this phase of analysis strong concepts are settled on and form the basis of the theory to explain what is happening in the field. The aim here is to "clarify the story they [the researcher] have to tell about the phenomenon or social situation that was studied" (Locke, 2001, p52). As a result, decisions are made concerning what data incidents and subsequent theory development are important to the story that will be told, and which are not. Perhaps the most important element of grounded theory approaches are that this theoretical framework is not ever considered 'finished' – "Given the understanding that theory development is emergent and processual, the theoretical framework can always be developed further" (Locke, 2001, p54). At some point a particular story is settled upon and written up.

*Writing the theory:* During this final stage, memos and field data are assembled and the story is told. This story privileges some aspects over and above others, and a theoretical framework for understanding what is going on in the field is presented to the reader.

## Appendix 2.2: Selection criteria.

### Selection criteria: Type of Social Enterprise:

Criteria	Organisation 1	Organisation 2	Organisation 3	Organisation 4
Donor				
Direct Service Provider				
Mixed Donor/Direct				
ILM – Open				
ILM - Closed				
Social Firm				
Psychiatric Survivor Business				
Programme Based				
Spin-out				
In House				
Independent				

## Selection criteria: Social Mission:

Criteria	Organisation 1	Organisation 2	Organisation 3	Organisation 4
Employment				
Training				
Childcare				
Ethnic minority				
Physical disability				
Mental health				
Learning disability				
Homeless				
Low income				
Youth				
Single parents				
Substance abuse				
Children				
Healthcare services				
Education				
Older people				
Healthy Living Centre				
Counselling/Advice				
Capacity building				
Finance				
Business Support				
Promote Third Sector				
Economic Development				

**Selection criteria: Type of business venture.**

Criteria	Organisation 1	Organisation 2	Organisation 3	Organisation 4
IT/Internet				
Caf�/Catering				
Building Maintenance				
Grounds/ Gardening				
Childcare				
Woodwork				
Arts/Crafts				
Recycling				
Training				
Education				
Care services				
Environment				
Bed and Breakfast				
Embroidery				
Food/Produce				
Loans/ Finance/ Credit Union				
Networking/ Support				
Publications				
Consultancy				

## Appendix 2.3: Selection criteria: type of social enterprise, social mission, and type of business venture.

### Type of Social Enterprise:

Criteria	CAN	FRP	Bootstrap Enterprises	Pecan Ltd.
Donor				
Direct Service Provider		•		•
Mixed Donor/Direct	•		•	
ILM – Open			•	•
ILM - Closed				
Social Firm				
Psychiatric Survivor Business				
Programme Based				
Spin-out				
In House				
Independent	•	•	•	•

Criteria	Working With Words	StreetCred	SSE	
Donor				
Direct Service Provider	•	•		
Mixed Donor/Direct			•	
ILM – Open				
ILM - Closed	•			
Social Firm	•			
Psychiatric Survivor Business				
Programme Based	•	•		
Spin-out				
In House		•		
Independent			•	

Criteria	Café Nova	Children's Discovery Centre	Aspire	Easton Com. Nursery
Donor				
Direct Service Provider	•	•	•	•
Mixed Donor/Direct				
ILM – Open	•		•	
ILM - Closed				
Social Firm	•			
Psychiatric Survivor Business				
Programme Based				
Spin-out	•			
In House				
Independent	•	•	•	•

Criteria	BACEN	Triodos Bank	ITO Bristol Ltd.	East Bristol Enterprise
Donor	•			
Direct Service Provider		•		
Mixed Donor/Direct	•		•	•
ILM – Open				
ILM - Closed			•	
Social Firm			•	
Psychiatric Survivor Business				
Programme Based				
Spin-out	•			
In House				
Independent		•	•	•

Criteria	Sofa	Children's Scrapstore	Ethical Property Company
Donor			•
Direct Service Provider	•	•	
Mixed Donor/Direct			
ILM – Open	•		
ILM - Closed			
Social Firm			
Psychiatric Survivor Business			
Programme Based			
Spin-out		•	
In House			
Independent	•	•	•



### Selection criteria: Social mission.

Criteria	CAN	FRP	Bootstrap Enterprises	Pecan Ltd.
Employment			•	•
Training			•	•
Childcare				
Ethnic minority			•	•
Physical disability				•
Mental health				•
Learning disability				•
Homeless				
Low income		•	•	•
Youth			•	•
Single parents			•	•
Substance abuse				
Children				
Healthcare services				
Education		•	•	•
Older people				
Healthy Living Centre				
Counselling/ Advice				•
Capacity building			•	
Finance				
Business Support	•		•	
Promote Third Sector	•		•	
Economic Development			•	

Criteria	Working With Words	StreetCred	SSE	
Employment	•	•		
Training	•		•	
Childcare				
Ethnic minority				
Physical disability	•			
Mental health				
Learning disability	•			
Homeless				
Low income		•		
Youth				
Single parents		•		
Substance abuse				
Children				
Healthcare services				
Education	•		•	
Older people				
Healthy Living Centre				
Counselling/ Advice			•	
Capacity building				
Finance		•		
Business Support			•	
Promote Third Sector			•	
Economic Development				

Criteria	Café Nova	Children's Discovery Centre	Aspire	Easton Com. Nursery
Employment	•		•	
Training	•		•	•
Childcare				•
Ethnic minority				
Physical disability				
Mental health				
Learning disability	•			
Homeless			•	
Low income		•	•	•
Youth				
Single parents		•		•
Substance abuse				
Children		•		•
Healthcare services				
Education	•	•		•
Older people				
Healthy Living Centre				
Counselling/ Advice			•	
Capacity building				
Finance				
Business Support				
Promote Third Sector				
Economic Development				

Criteria	BACEN	Triodos Bank	ITO Bristol Ltd.	East Bristol Enterprise
Employment			•	
Training			•	
Childcare				
Ethnic minority				
Physical disability			•	
Mental health			•	
Learning disability			•	
Homeless				
Low income			•	
Youth				
Single parents				
Substance abuse				
Children				
Healthcare services				
Education			•	
Older people				
Healthy Living Centre				
Counselling/ Advice	•		•	
Capacity building	•			
Finance		•		
Business Support	•			•
Promote Third Sector	•	•		
Economic Development	•	•		•

Criteria	Sofa	Children's Scrapstore	Ethical Property Company
Employment	•		
Training	•		
Childcare			
Ethnic minority			
Physical disability			
Mental health			
Learning disability			
Homeless			
Low income	•		
Youth		•	
Single parents			
Substance abuse			
Children		•	
Healthcare services			
Education		•	
Older people			
Healthy Living Centre			
Counselling/ Advice			
Capacity building			•
Finance			
Business Support			•
Promote Third Sector	•		•
Economic Development			

## Type of Business Venture

Criteria	CAN	FRP	Bootstrap Enterprises	Pecan Ltd.
IT/Internet	•			
Café/Catering				
Building Maintenance				
Managed Workspace			•	
Childcare				
Woodwork				
Arts/Crafts				
Recycling		•		
Training	•		•	•
Education		•	•	•
Care services				
Environment		•		
Bed and Breakfast				
Embroidery				
Food/Produce				
Loans/ Finance/ Credit Union				
Networking/ Support	•		•	
Publications	•		•	
Consultancy	•		•	

Criteria	Working With Words	StreetCred	SSE	
IT/Internet	•		•	
Café/Catering				
Building Maintenance				
Grounds/ Gardening				
Childcare				
Woodwork				
Arts/Crafts				
Recycling				
Training	•		•	
Education	•			
Care services				
Environment				
Bed and Breakfast				
Embroidery				
Food/Produce				
Loans/ Finance/ Credit Union		•		
Networking/ Support		•	•	
Publications			•	
Consultancy			•	

Criteria	Café Nova	Children's Discovery Centre	Aspire	Easton Com. Nursery
IT/Internet			•	
Café/Catering	•			
Building Maintenance				
Grounds/ Gardening				
Childcare				•
Woodwork				
Arts/Crafts			•	
Recycling				
Training				
Education		•		•
Care services				
Environment				
Bed and Breakfast				
Embroidery				
Food/Produce				
Loans/ Finance/ Credit Union				
Networking/ Support				
Publications				
Consultancy				

Criteria	BACEN	Triodos Bank	ITO Bristol Ltd.	East Bristol Enterprise
IT/Internet				
Café/Catering				
Printing and Packaging			•	
Managed Workspace				•
Childcare				
Woodwork				
Arts/Crafts				
Recycling				
Training				•
Education				
Care services				
Environment				
Bed and Breakfast				
Embroidery				
Food/Produce				
Loans/ Finance/ Credit Union		•		
Networking/ Support	•			
Publications	•			
Consultancy	•			

Criteria	Sofa	Children's Scrapstore	Ethical Property Company
IT/Internet			
Café/Catering			
Managed Workspace			•
Grounds/ Gardening			
Childcare			
Woodwork			
Arts/Crafts		•	
Recycling	•	•	
Training	•		
Education	•		
Care services			
Environment	•		
Bed and Breakfast			
Embroidery			
Food/Produce			
Loans/ Finance/ Credit Union			
Networking/ Support			
Publications			
Consultancy			



## **Appendix 3.1: Organisational profiles.**

Aspire

BACEN

Bootstrap Enterprises

Cafe Nova

Children's Discovery Centre

Children's Scrapstore

Community Action Network

East Bristol Enterprise

Easton Community Nursery

Ethical Property Company

Forest Recycling Project

ITO Bristol

Pecan

Sofa

The School for Social Entrepreneurs

StreetCred

Triodos

Working with Words

# Aspire



**Aspire provides full-time work, training and support for homeless people through the sale of fairly-traded catalogue goods.**

## Origins

Aspire was established in Bristol in 1999 and has quickly become one of the UK's fastest growing and high profile social enterprises. The organisation was set up in response to the fact that 95% of people who have been homeless never find full-time employment, even when they have found permanent accommodation. Established by two university graduates, Aspire works to provide steady work for people with erratic housing histories and homeless individuals. The organisation has built upon its catalogue based trading activity and expanded into Sheffield, Cambridge, Brighton, east London, Blackpool, and York, employs over 50 people, has a turnover of more than £1.5 million, and plans further expansion.

## Key Activities

Aspire is a vehicle to provide structured employment and a regular wage to homeless people. The catalogue, which sells fairly-traded gifts and household goods, is distributed by Aspire employees, orders are then collected from the doorstep, assembled and delivered back to the door. Employees are paid a regular wage of £150 (£170 in London) a week, and the work focuses upon the collecting and distribution of catalogues and orders rather than hard sell.

## Key Outcomes/Benefits

Aspire employs people through all levels of the catalogue business - distribution, delivery, order collation, and provides support services to deal with any personal issues employees may have. Aspire is beginning to create a career structure within the organisation to allow for further personal development. The organisation is able to offer the chance of a real job to homeless people giving them the opportunity to get their in order, they provide security, a track record, deal with other issues individuals might have, and build self-esteem.

## Challenges

Aspire is an organisation that has grown very fast and there has been a lot of interest in the business concept. The challenge for the organisation is to manage that growth, and to balance it with the financial needs of the organisation. Aspire is a key actor in debate upon the availability of social investment for social enterprise, the organisation must balance its role in promoting the social enterprise business model with the needs of the business and its employees.

## The Future

Aspire would like to expand activities to enable employees to access other work within Aspire Group, they are currently considering retailing opportunities and creating a restaurant, whilst expanding the number of cities the Aspire catalogue operates in.

## Aspire as Social Enterprise

Aspire has utilised the social enterprise as a business model in what seems to be a highly successful way, and is one of only a handful of 'pure' social enterprises in the UK, in the sense that the organisation takes a social enterprise business structure that uses the business as a means to achieve social change, the organisation is in business to employ homeless people.

# BACEN

**Bristol Area Community Enterprise Network (BACEN) provides support and guidance to prospective, newly formed, or established community businesses and small business in the social economy with a view to assist the local community.**

## Origins

BACEN was set up as an independent not for profit organisation to assist social economy business start-ups in the Bristol area. They provide business advice and other support services to social economy businesses, whilst acting as a voice for the sector. The Bristol Regeneration Partnership and Bristol City Council fund BACEN to provide this support to the third sector.

## Key Activities

BACEN cater essentially for four types of customer. Some people approach the organisation with an idea, and want to talk it through to see if it can be developed into a social enterprise structure. Some organisations approach BACEN for advice upon making their existing activities more entrepreneurial with a view to becoming more independent and self-sufficient, and seek their advice upon methods of achieving this transition. Similarly, other organisations approach BACEN for advice upon changing the direction of the organisation, stepping up activities, or introducing new services. BACEN also provides advice on organisational exit strategies where an organisation is developed as part of a larger project, once the project funding ceases the organisation seeks guidance upon redirecting or winding down activities. In each instance tailored business support services are provided, in addition to these services BACEN also plays a networking, advisory and voice role for the social enterprise sector.

## Key Outcomes/Benefits

The advice and support provided by BACENs business advisors help organisations to be sustainable, focused, dynamic and resilient players in the social economy. The organisation provides practical tailored business support services, and advocates for the sector on a local, and increasingly national scale ensuring that the needs of social enterprises are articulated at the appropriate levels.

## Challenges

BACEN is increasingly playing a wider role in articulating the needs of the social enterprise sector. As this role develops BACEN is conscious of the need for the organisation to remain focussed upon delivering the services, and balancing meeting the goals set by funders, developing as an organisation, and meeting members needs.

## The Future

BACEN are perfecting their monitoring and tracking of their clients to enable them to evaluate their performance in a comprehensive manner. This ongoing process coincides with efforts to move the organisation into providing specialised services with partners in areas such as ethnic minority enterprise, and environmental sustainability, in an effort to deepen specialist services.

## BACEN as Social Enterprise

BACEN offers services to the social enterprise sector that are mostly paid for by external agencies under contract. Such agencies recognise that the services offered are an essential part of programme delivery, but also appreciate that third sector organisations can rarely afford intensive business support, as a result, the service recipient and those paying for the services are usually separate.



# Bootstrap Enterprises

**Bootstrap Enterprises is a community-based organisation specialising in employment training, workspace provision, mentoring and advice in Hackney, London.**

## Origins

Bootstrap was established twenty-four years ago to work with the community in Hackney. The area is busy, vibrant, and is one of the most deprived areas in the country. Bootstrap was set up to address the social exclusion that unemployed people in the area suffered due to lack of skills, training, literacy, language, and self-esteem. A not-for-profit company was established to address these issues. The organisation grew in the 1980s as council estates were refurbished and Bootstrap expanded services to these estates. The organisation now operates out of a large redeveloped Print House office and managed workspace building in the heart of Hackney.

## Key Activities

Bootstrap Enterprises offers estate based employment and training advice, foundation skills training, management courses, work experience programme, PCV licence training, a volunteer literacy tutor programmes, mentor programme, managed workspace, computer recycling, a credit union development agency, as well as working closely with a number of managed businesses.

## Key Outcomes/Benefits

Estate based activities overcome the isolation that people face when unemployed, Bootstrap's programmes are run close to the home, in a familiar environment, enabling people to access skills and training, whilst improving self-confidence. The service is tailored to the needs of the individual, who are then able to find a job or further training.

## Challenges

Bootstrap has expanded dramatically in recent years, as a result there are concerns about maintaining levels of service provision, personnel development, and sustaining growth, whilst remaining an active but independent service provider. The organisation also needs to keep pace with developments in communications and information technology.

## The Future

Bootstrap would like to expand their services for disaffected youth and in particular providing services to young men who they have identified as having few tailored services. The organisation would also like to expand its role acting on behalf of the third sector, providing advice and networking to promote self-sufficiency in the third sector.

## Bootstrap as Social Enterprise

Bootstrap Enterprises is constituted as a charitable company limited by guarantee, and is made up of a charitable trust with a trading arm, profits generated through their business activities are transferred to the charitable body and used to achieve the social goals of the organisation.



# Café Nova (LAM Catering)

**Café Nova (LAM Catering) is a social firm based in Lambeth that provides training and employment opportunities for people with learning disabilities in the catering industry.**

## Origins

Café Nova, formerly LAM Catering, set up by Lambeth Accord, began trading in 1998, with a mission to employ people with learning disabilities. Supported initially by a grant from the European Social Fund, the firm now receives support from the local SRB initiative, a charitable trust, social services, and Social Firms UK. The organisation currently provides catering services for conferences and functions, and also runs a small café in Elephant and Castle.

## Key Activities

The organisation provides full catering services to a busy conference and meeting centre in Lambeth. They have recently expanded activity into catering for the patisserie 'Café Nova', a high street café in Elephant and Castle, also operated by the organisation. The firm employs a mixed staff, which includes people with and without learning disabilities, and volunteers. It is hoped that those with learning disabilities will be able to move on, either into other social firms, or into mainstream employment.

## Key Outcomes/Benefits

People with learning disabilities learn catering skills, are able to earn a wage, they gain self-confidence and a meaningful role in society. Individuals are able to improve their quality of life through work, gaining independence from benefits, getting out of day centres, and into a real working environment where they interact with people without learning disabilities. The organisation feels that it is the volunteers who benefit the most from working at Café Nova, as they get the chance to experience a real life work environment as opposed to day center care.

## Key Issues of Concern

A social firm has added overheads and requires continued investment/subsidy for the business to be maintained and developed. Café Nova feel that this position is little understood by funders whose goals and aspirations for what those with learning disabilities are able to achieve are often set too high. Additional demands are placed upon the management of the organisation to participate in networking events, and undertake expensive and time consuming evaluation and planning exercises that a conventional business would not necessarily undertake, thus adding to overheads. Balancing the demands of all stakeholders is a constant issue for the organisation.

## The Future

Café Nova would like to expand activity into other areas of London where turnover is likely to be higher to enable them to benefit from economies of scale, and provide a greater number of work, training, and volunteering opportunities for those with learning disabilities.

## Café Nova as a Social Enterprise

Café Nova is a social firm that is in business as a means to provide employment and training opportunities for people with learning disabilities. The organisation receives some grant support to assist in the high cost of training and working with people with learning disabilities. Any income generated is ploughed back into the business.



# Children's Discovery Centre Discover

The Children's Discovery Centre, based in Stratford, London, will be the first children's museum to be created in the UK; it will be a place where children, their families, and teachers can learn together through play.

## Origins

The idea of a children's museum originated in the US, the central aim is to make exhibits more interactive as children learn through playing and doing, and interacting with objects and people. The founding members of Discover felt that a museum of this kind based in London would be a great contribution to the welfare and learning of children. With support from the national lottery, local development agencies, and many other private sector organizations, Discover is in the process of creating the UK's first children's museum. Discover will open in 2002 to school groups and children accompanied by their parents and carers. They expect a typical visit to last about two hours, with 40,000 visitors per year initially. When the building is fully refurbished they expect over 90,000 visitors per year.

## Key Activities

Discover will be a unique place to visit, enabling children aged 2 -7 years, their parents, carers and teachers from East London and further afield, to explore the value of stories and the blocks on which they are built: words, language and imagination. By taking part in hands-on activities, creative workshops, play, performances and storytelling, visitors will be encouraged to express themselves, to communicate, and to use their imagination. In addition to the museum itself Discover is also undertaking extensive outreach work in local schools and nurseries. This work will continue once the centre is open.

## Key Outcomes/Benefits

Discover will encourage visitors to gain in confidence and develop skills through shared learning experiences. The programme offered builds upon the literacy skills of participants and encourages reading and story telling for young children and their families.

## Challenges

The further development of the centre over the coming years will remain high on the agenda for Discover, the demands upon the organisation in terms of time and resources. The organisation is committed to providing quality services, whilst remaining true to its charitable objectives, independent and self-financing, achieving financial viability will be an area full of challenges.

## The Future

The Children's Discovery Centre will open next year (2002), in addition to the opening of the centre the organisation hopes to expand its outreach work in schools and nurseries, and perhaps develop work with older children.

## Children's Discovery Centre as Social Enterprise

The organisation is a charity that aims to be self-financing through support from donor organisations, and trading income from the Discovery Centre and outreach work. The organisation believes strongly that this diverse and independent income stream, generated through charitable giving and trading income is the most appropriate format for them to achieve their social goals.

# Children's Scrapstore

**The Children's Scrapstore provides low cost quality play materials and art supplies to groups working with children in Bristol.**

## Origins

The idea for the Children's Scrapstore came from a local Friends of the Earth group who wanted to make practical use of waste created by industry and business. The Scrapstore was set up in 1982, and has grown from its original premises in a small shed, to a large warehouse in Bristol city centre. Members are able to access the scapstore for play materials, and also have access to the well-stocked art and craft supply shop housed in the warehouse. Membership is open to any groups working with children in education, care, play or therapeutic settings.

## Key Activities

The scrapstore accepts donations of safe, clean waste that is suitable for children to play with from local businesses. The items are sorted and then displayed in a warehouse style supermarket where members can fill a trolley for a small fee. The organisation has equipment it can loan to groups such as badge makers, musical instruments, and other play items. Scrapstore Enterprises Ltd. operates the non-profit art and craft store where members can buy quality arts and craft goods at reduced prices. The organisation also provides an information service upon interactive play, reuse and recycling.

## Key Outcomes/Benefits

Children benefit from interactive play, and imaginative play materials to stimulate learning. Businesses have an outlet for reusable waste that would otherwise have been landfilled, so reducing waste, and promoting an ethos of reuse and recycling.



## Challenges

At present the organisation is structured as an equal pay collective, as the organisation has grown, and is planned to develop further, the organisation has to debate it's collective status. Children's Scrapstore faces a challenge in balancing the needs of the business to attract people with the right skills to develop the business, within the collective pay structure, and respond to the need to become more 'business-like' in management style as the organization grows.

## The Future

Children's Scrapstore is looking towards stepping up its activity over the next five years, they would like to increase the turnover at the art and craft shop, attracting more passing trade, and increase profits that will then be convented to the charity. It is planned that increased revenues, alongside donations and grant finance will be used to develop a purpose built building to house the scapstore, warehouse, and craft shop in the heart of city centre Bristol.

## Children's Scrapstore as Social Enterprise

The Children's Scrapstore uses the art and craft supplies store, operating under a trading arm of the charity as Scrapstore Enterprises Ltd., to generate income. Revenue is then transferred to the charity, Children's Scrapstore and used to support the collection and distribution of play-safe waste, and provide other information and advice services the organisation operates.





# Community Action Network



**CAN is an organisation that supports social entrepreneurs through an internet based network that enables them to learn and support one another, develop partnerships, raise their profile, improve the quality of their work in order to strengthen communities and tackle deprivation.**

## Origins

The organisation was launched in 1998 as a network set up by social entrepreneurs for social entrepreneurs as a means to overcome the isolation, and the sense that social entrepreneurs have to 're-invent the wheel' as their work progressed. CAN was established to provide advice, encouragement, experience, and good practice to other social entrepreneurs. As social entrepreneurship rose upon the public agenda CAN saw its work gain greater prominence, its membership grow, and its engagement with government, the third sector and business develop to the stage where the organisation is a leading player in debate surrounding the promotion of social entrepreneurship, and the needs of social entrepreneurs in tackling social exclusion.

## Key Activities

CAN provides an internet based networking service for social entrepreneurs to learn from each other, exchange ideas, promote their cause, access finance, and gain profile. Members access a range of services through the website and events, and have their project details posted on the web, whilst enjoying reliable and cheap internet access.

## Key Outcomes/Benefits

CAN aims to bring together key players from the public and private sectors, government, business and the third sector to share knowledge, whilst providing high quality internet and intranet services to members.

## Challenges

The central challenge for CAN is that by the end of 2001 the organisation aims to be financially self-sufficient. Other challenges for the organisation lie in getting people and funding into projects at the ground level. CAN is built upon an ethos of supporting the individual, a key challenge for the organisation will be to maintain this knowledge of the individual as the organisation grows and membership expands.

## The Future

CAN sees itself very much as a catalyst for change. The organisation sees the future of welfare service provision as being increasingly outside of the public sector, with CAN aiming to be a key player in driving this agenda forward in a pragmatic and responsive way.

## CAN as Social Enterprise

CAN is a donor or support organisation that provides services to social entrepreneurs. The organisation is constituted as a social enterprise, generating income through membership fees, trading activity, and donations.



# East Bristol Enterprise

**East Bristol Enterprise (EBE) aims to promote local economic development by providing professional business services, managed workspace, and access to employment and training.**



## Origins

EBE was set up to promote economic development in the Easton area of Bristol through supporting small business start-up, development and growth. The organisation acquired property formerly belonging to a co-operative and leased it to small enterprises looking for flexible accommodation. By 1992, EBE had raised funds to buy another site to house 47 small business units, with a view to providing flexible terms and business services, and business advice. A third phase of unit development was opened in 2000. Income generated by renting business premises is then used to provide business support services.



## Key Activities

The business centre provides various sized units for small businesses on short 'lead in – get out' times. EBE operates a reception, and has central office facilities and business services for licensees. Business advice is available on site, as well as a 'sign posting' service for more specialist business advice. Training courses are run in partnership with other organisations, and in some cases financial assistance may be available to support the entrepreneurs at start-up through a scheme called Access to Enterprise.

## Key Outcomes/Benefits

Licensees benefit from flexible tenancy agreements, business advice, having an understanding landlord, full business services, and a high quality working environment. The Easton community benefits from increased commercial activity in the area, and employment generated by the centre.

## Challenges

EBE runs the managed workspace upon commercial lines, this means that bills have to be paid, they are at pains to ensure that the centre is not seen as being charitable. However, due to their constitution the organisation is committed to encouraging enterprise and employment through small business activity, and as such is engaged with many other schemes involved in regeneration. It is important for the organisation to remain committed to its goals of providing managed workspace upon commercial but flexible lines as a means to support enterprise through infrastructure provision.

## The Future

EBE aims to upgrade the Easton Business Centre to have full internet access and e-commerce facilities to all units. The centre also hopes to step up its business advice, and computer training activities, and create some 'hotdesking' space.

## East Bristol Enterprise as Social Enterprise

EBE operates the managed workspace as a fully commercial operation, charging licensees almost market rates, but providing the extra support services growing businesses need. This approach allows them to promote sustainable, economically viable businesses; generating income for the organisation to develop more units to further their social goals of supporting the local economy through promoting business activity.

# Easton Community Nursery

**Easton Community aims to provide high quality affordable pre-school care for children from 6 months to 5 years, in a constructive learning environment, with fully trained professional staff.**

## Origins

Easton community nursery was set up in 1985 to meet the needs of local parents for affordable and high quality childcare in the Easton area of Bristol. In 1999, the nursery moved to a new purpose built building which enables them to cater for 56 full-time equivalent places for children from 6 months to five years, with some spare capacity to expand further. The nursery operates a structured payment system that is dependent upon parental income; this ensures equal access to childcare. At present, approximately 60% of income is self-generated. The local SRB zone and the city council pay for the remaining childcare places. Parents are actively encouraged to be involved with the running of the nursery through management committees, and involvement with their child's learning.

## Key Activities

Children attending the nursery are divided into three age-distinct groups, each with a specialised unit within the building. Babies and toddlers in the Tiny Tots group aged 6 months to 2 years, The Sunshine room caters for the 2 to 3 year olds, and the Rainbow room takes those aged 3 years upwards. Each group has a specialised staff team. The nursery has a cook on site to provide fresh food on premises, and is able to cater for different dietary needs. Whilst providing the childcare the nursery also provides training opportunities for staff leading to NVQ qualifications.

## Key Outcomes/Benefits

The nursery provides much needed affordable childcare places in Easton, the care enables parents to work or attend training courses, or provide a respite from full-time parenting. The nursery promotes learning at an early age, as well as a healthy life style.

## Challenges

The nursery has to strike a delicate balance between providing quality affordable childcare to the community, whilst achieving financial viability. Beneath this lies fundamental assumptions about the role the nursery is to take, if its mission is to provide quality affordable childcare then this requires reaching out to those parents who are least able to pay for the service. In this case alternative arrangements for fee paying have to be arranged. The nursery currently has a mixture of fee-paying parents, and some places supported by the city council and the SRB. Balancing the mission of the organisation, with demands for financing childcare places is an area of continued debate.

## The Future

The nursery is looking towards expanding their activities to include a crèche where parents can leave their children for short periods of time. It is hoped that this development may coincide with developing meeting room space in the building for adult education courses with childcare available. The organisation is also looking towards developing the garden areas of the nursery to include full interactive outdoors play and learning centre.

## Easton Community Nursery as Social Enterprise

Easton Community Nursery provides a service to the local community that is affordable and of high quality, a service not provided by either statutory bodies, or the private sector. It is meeting the social needs of a defined geographical community through a social enterprise model.



# Ethical Property Company



**The Ethical Property Company supports charities, co-operatives, community and campaign groups, and ethical businesses by developing properties specifically designed for their needs, where they can exchange ideas and work towards social change.**

## Origins

In 1982, one of the founders of The Ethical Property Company bought a building in Bristol to house some of the co-operatives developing in the city. The building was to offer its tenants reasonable rents, a supportive landlord, a secure and welcoming place from which to work and the chance to share premises and resources with a range of like-minded organisations. In return, the property was a sound investment, and a practical way to use capital to achieve social change. Building on this first purchase, they went on to buy a further five properties, and expanded their activities into London. In 1998, after several years of research and development, they decided to form The Ethical Property Company PLC and the London and Bristol properties were transferred to the Company. With the help of Triodos Bank and Malcolm Lynch Solicitors, a share issue was launched in May 1999. This closed in December 1999, having raised £1.32 million. The company has now invested these funds, and is developing a second share issue for 2002.

## Key Activities

The Ethical Property Company owns and manages property that is only let to organisations that have ethical and social goals. The company now has properties in Bristol, London, Leeds, and Oxford; and projects under development in Sheffield, Liverpool, Brighton, Milton Keynes, and Glasgow. The company provides a high quality, supportive work environment, where organisations can achieve their potential.

## Key Outcomes/Benefits

The company aims to create an environment that promotes positive social change by creating a work environment that supports organisations to develop their services.

## Challenges

The Ethical Property Company is one of the first social enterprises in the UK to use a share issue as a means to generate investment capital. The share issue process is very costly and time consuming, but is a valuable tool to raise capital. The organisation is embarking upon its second share issue, managing this issue, whilst continuing to manage existing buildings, and developing new projects will put extra demands upon the organisation.

## The Future

The Ethical Property Company is currently developing the mechanisms for a second share issue to finance a further stage of development. The organisation will continue its work promoting investment in ethical and social organisations, and in developing tools to enable this to take place.

## The Ethical Property Company as Social Enterprise

The company is unique as a social enterprise due to its goals to only let property to organisations that are working towards social change. By using a share issue the organisation raised capital to invest in property for social use. This innovative use of a traditional capital raising tool is unique in the third sector, but is a tool that has been very successful for the company, and one that other organisations are interested in pursuing.

# Forest Recycling Project



**Forest Recycling Project (FRP) is a not-for-profit community business, working in the London Borough of Waltham Forest and surrounding areas. FRP works to encourage environmental awareness to help create a sustainable society by providing a range of recycling services to the local community.**

## Origins

Forest Recycling Project was set up in 1989 by a local Friends of the Earth group interested in proving that recycling can be done in a practical way, aiming to promote reuse and recycling by example. FRP has two paid employees and approximately 20 volunteers, including the management committee, which is elected annually from Waltham Forest Environmental Forum.

## Key Activities

The organisation collects waste paper and other office-based recyclables, supplies recycled and fairly traded paper products and goods to offices. Collects aluminum foil for recycling. Collects and redistributes paint, and promotes home composting, whilst providing a comprehensive advice and assistance service to the community on recycling and waste management.



## Key Outcomes/Benefits

FRP aims to help the environment by reducing waste, therefore reducing inputs into landfill and incinerators, so preserving energy and resources in the paper manufacturing industry. Using recycled paper also preserves the biodiversity of forested land. Whilst supporting the local economy, and encouraging employment in the recycling sector here in the UK.

## Challenges

Sustainability and financial viability are key issues for FRP due to the nature of the global commodity markets for paper and aluminum. FRP has to ensure that it has diverse income streams in order to buffer itself from fluctuations in the international commodity markets. It is a key challenge for them to maintain commitment to their goals whilst remaining financially viable.

## The Future

The future may see FRP merging with a local non-profit group that specialise in furniture recycling to enable both groups to access more appropriate premises, achieve greater economies of scale, and to ensure the *charitable* nature of the organisation is more apparent to funders.

## FRP as Social Enterprise

FRP is a not-for-profit community business that generates income through contractual work and trading activity, profits are used to support their work raising awareness of recycling and reuse.



# ITO Bristol (Ltd.)

**The Industrial Therapy Organisation (ITO) Bristol is a social firm that provides employment and support to people with mental health difficulties and learning disabilities.**

## Origins

Dr Donal Early, who recognised the need for people with long-term mental health problems or learning disabilities to have access to training and employment opportunities, founded ITO in 1960. Early was driven by a strong mission that mentally ill people and those with learning disabilities could overcome some of their problems in a supportive work environment. By developing a business where previously hospitalised people could earn some money and gain some independence and control in their lives, Early found that their overall health and well-being was much improved. These principals guide the work of ITO today; the principal aim is to encourage employees to move from ITO into other work environments using the skills developed at ITO. The organisation employs over 70 people, and generates 70% of its income through its commercial activities. The remaining 30% is comprised of training grants, employment support, and charitable donations.

## Key Activities

Through the direct mail, printing, packaging and distribution services the business sells, ITO offers training in catering, office administration, quality inspection, warehousing and distribution. Employees can gain NVQ qualifications, literacy and numeracy skills. ITO has gained ISO 9002 Quality Assurance for the products and services, and is currently working towards Investor in People status for training and personnel development.

## Key Outcomes/Benefits

Employees benefit from training, support, employment and a wage. They gain skills, self-esteem, and a chance to be in a real work environment outside of day centres or hospital care.

## Challenges

ITO has undergone a period of restructuring and organisational stress due to the withdrawal of local authority and health service funding. As a result, the business has been restructured, there have been some redundancies, and the organisation is seeking out new markets. ITO has invested in new information technology, and refocused its objectives under a new managing director. Managing this difficult transition, and ensuring the firm is on stable financial footings has been difficult, but the changes instigated it is hoped will turn the fortunes of the business around to become 100% self-financing whilst staying true to the original goals of the organisation.

## The Future

ITO is currently seeking new avenues for work and is hoping to develop a direct mailing house for charities and other organisations. ITO is able to provide full design, print, packaging and distribution services, and is looking to target major charities who issue large mail shots, and urge them to use third sector business service providers to further their own charitable objectives.

## ITO as Social Enterprise

ITO is a trading organisation that is specifically in business to provide employment and training opportunities for people with learning disabilities and mental health problems, and constituted as a social firm social enterprise.



**Pecan Ltd. aims to help people who are excluded from existing employment training provision to overcome barriers to employment and to enable unemployed people to find, get, and hold satisfying jobs.**

## Origins

Pecan was set up in 1989 by a group of churches in Peckham, London to 'provide a vehicle for local churches to help in reducing unemployment' and is intended to be an example of Christian social action in practice. The churches recognised that people living in deprived neighbourhoods faced difficulty gaining rewarding and stimulating employment. Pecan's projects offer training, support, and advice to unemployed people with a view to enhancing their overall welfare, improving their life chances, and improving the level of control people have over their lives.

## Key Activities

Courses running include English as a second language, adult literacy, computer training, mental health project, New Deal voluntary sector option and gateway to work, employment preparation, and short courses. Pecan also has extensive out reach provision to engage with the community.

## Key Outcomes/Benefits

Programmes are designed to increase an individuals welfare through fulfilling work, through providing training and access meaningful employment Pecan seeks to include people in society, reduce unemployment, increase the skill level in the local community, and support the local community.

## getting people into jobs

## Challenges

Key challenges for Pecan are concentrated upon staying focussed upon the mission of the organisation whilst engaging with government programmes, the organisation feels there is a danger of becoming an agent of government due to their involvement with New Deal. The challenge for Pecan is to need to balance the needs of the organisation with the needs of other stakeholders such as employees and clients.

## The Future

In the current economic environment unemployment is relatively low, in consequence the organisation has focused attention upon basic skills training; if unemployment were to rise they plan to switch resources into training for unemployed people. Pecan is financially self-sustaining, and is considering the future role of the fundraising department, it is possible that the organisation will move into training in areas other funders, particularly government, are unwilling to finance.

## Pecan as Social Enterprise

Pecan provides services to the local community that are either not provided by other agencies, or are provided by Pecan under contract, Pecan is closer to the community and more able to reflect their needs than statutory service providers. The organisation provides these employment and skills training courses as part of a broader mission tackle social exclusion which is driven by strong religious beliefs held by the organisation, but put into practice through the services they offer. The business structure is understood to be the most appropriate means to achieve the goals set.



# Sofa



**Sofa works to alleviate poverty through the provision of affordable furniture and domestic appliances for people on low incomes in Bristol.**

## Origins

Sofa was established in 1980 as means to provide low-income individuals with a source of affordable household appliances and furniture whilst providing work and training opportunities. The organisation delivers to over 5000 homes a year, and makes 12000 van pick-ups for donated items each year. Through the furniture and appliance recycling, the organization aims to provide quality training and work experience. Over the past 20 years demand for the furniture service grew pushing the organisation to become more professionalised, and increasingly Sofa generates its own sources of revenue through selling goods and services. In 2000 the organisation moved to a purpose built headquarters in Bristol city centre. The building houses offices, storage space, and a high quality showroom.

## Key Activities

Sofa provides a free collection service for donated items, and a delivery service for its customers with its fleet of four vans. All items are sold at their showroom in the city centre. The organisation reconditions all sorts of domestic appliances including cookers, TVs and stereos. The organisation also has a degassing service for fridges and freezers delivered under contract for the local authority. In addition, Sofa offers employment and volunteering opportunities in sales, driving, workshops and warehousing; and the organisation participates in New Deal environmental task force option.

## Key Outcomes/Benefits

People on low incomes have access to affordable and safe household appliances and furniture. At the same time landfill is reduced due to fewer items being dumped, and the impact of CFCs on the environment is reduced through Sofas' degassing service.

## Challenges

Sofa currently covers its overheads by generating its income from the service it provides. The challenge lies for the organisation to maintain financial self-sufficiency and business-like approach, whilst not losing sight of the charitable objectives.



## The Future

Sofa is always looking forward to new opportunities as the organisation develops. One such avenue is the upcoming EU legislation upon the recycling and environmentally sound disposal of white goods. Sofa is looking towards maneuvering into a position whereby when the legislation becomes law the organisation will be ideally placed in the market to dispose of domestic appliances in an environmentally sound way.

## Sofa as Social Enterprise

Sofa trades for a social purpose, collecting appliances and selling them to people on low-incomes at a profit that enables the organisation to be self-financing. Income generated through the sale of furniture and appliances, and services provided under contract, is directed into the other services the organisation provides such as collection and delivery, work experience and training.



# The School for Social Entrepreneurs



**The School for Social Entrepreneurs (SSE) creates a dynamic learning environment to support social entrepreneurs in their work. Learning is developmental and applied to real life projects, and open to anyone with the drive to put an idea into action.**

## Origins

The SSE was set up by serial social entrepreneur Michael Young in the late 1990s with the goal to provide mutual support and training to other social entrepreneurs in a hands-on manner. The school is based on the belief that the personal characteristics that underlie entrepreneurship cannot be taught, but that experience and discussion can enable an individual to meet their own learning goals when provided in a tailor made, supportive learning environment. Students have to be working in an area of social change, and through the programme have access to training in fundraising skills, marketing, media management, charity law, finance, and publicity.

## Key Activities

Students of the SSE attend blocks of seminars and events organised by the school around themes that are of importance to their work. The school has sites around the country, with its central services operating out of Bethnal Green. The school also increasingly acts as the voice of social entrepreneurs, working in partnership with others, and contributing to debate upon the development and support of socially entrepreneurial activity.

## Key Outcomes/Benefits

Students learn from experts and one another, gain confidence, contacts, and self-awareness that enables them to make greater use of their skills, plan strategically, and develop their project.

## Challenges

Issues for the SSE are threefold. Firstly, SSE has to establish a financially viable means of financing the type of training opportunity they offer, in general third sector organisations do not have the resources to pay for expensive personnel development. Secondly, SSE needs to consider appropriate means of evaluating its activity, the benefits for students and the community they are working with. Finally, SSE has to manage the further expansion and replication of the SSE model whilst maintaining their core values.

## The Future

As the SSE grows the organisation is looking at promoting their successes more widely in an effort to influence public debate to recognise that social entrepreneurs need tailor made training and development opportunities if social entrepreneurs are to enhance their role in delivering services to deprived communities.

## The SSE as Social Enterprise

The SSE provides support services to social entrepreneurs, through being constituted as a social enterprise. The organisation is still developing its financial structures, and currently has a mixed source income that includes course tuition fees from students, donations and investments.



# StreetCred

**Street Cred is a microcredit project that helps unemployed women in east London to develop their own business through a combination of small loans and mutual support.**

## Origins

Quaker Social Action (QSA), set up in 1867, recognised a need for low income women to be able to access small loans to enable them to set up their own businesses and break the cycle of poverty in which they were trapped. On this basis, StreetCred was developed as means to provide these women with the freedom and support they need to develop the skills they have into small businesses to support themselves and their families. StreetCred clients are involved in a wide variety of business activity including importing wedding Sari's from Bangladesh, beauty treatments, clothing manufacture, and childcare. StreetCred fits into the broader mandate of QSA to support homes, jobs and enterprise.

## Key Activities

StreetCred has dispensed around 29 loans since the first loan was issued in June 2000. Women are brought together as a group and develop trust between them, loans are issued on the basis of trust, not upon collateral, and StreetCred does not use credit scoring. Loans are issued to develop business ideas, but a woman does not have to have an idea when she initially joins the group, she can develop this over time. Initially loans are for up to £500, there is a 6% administration charge, and the loan is repaid every two weeks. Once a loan is repaid there is an opportunity to apply for a second loan of £1000, with an administration fee of 10%.

## Key Outcomes/Benefits

Women can access loan finance for business development on flexible more appropriate terms. They women gain skills, confidence, and become less isolated and socially excluded.

## Challenges

Ensuring the project is financially viable is an on going concern for StreetCred, currently StreetCred is supported by QSA and other grant making trusts; there is a concern that in general many funders concentrate upon the number of beneficiaries, rather than the quality of service provision. StreetCred appreciates that quantity is important, but feels that more attention needs to be paid to the quality of provision and experience when funders are considering projects for support, especially when projects are new and developing. StreetCred is also aware that there is great interest in their work and is concerned about the pressures this places upon the organisation.

## The Future

As the project develops StreetCred would like to experiment with the model to see if it is possible to make loans of over £1000, to enable women to develop their businesses further.

## StreetCred as Social Enterprise

StreetCred is an enterprising arm of the QSA, undertaking enterprising activity to support the social goals of the organisation. The project is relatively young and currently still needs the support of the QSA until the long-term viability of the project can be established.

# Triodos Bank

**Triodos is a bank that lends only to organisations that are dedicated to social aims that benefit the community or the environment.**

## Origins

Triodos Bank is one of Europe's leading ethical banks. Founded in 1980 in the Netherlands, Triodos aims to finance a new generation of enterprises creating social added value and caring for the environment, whilst providing people new ways to save and invest ethically. Triodos established a base in Bristol in July 1995 and has grown rapidly, doubling in size every 12 months, with customers all over the country. Triodos Bank is a fully licensed bank, regulated by the Dutch Central Bank, and in the UK, the Bank of England, and is also regulated by the Securities and Futures Authority for the conduct of investment business in the UK. The bank is a key player in ethical finance and banking, and plays an active role in promoting the social economy, and environmentally sustainable business activity.

## Key Activities

Triodos offers a range of financial services tailored to the needs of charities, organisations and groups with social and environmental goals including savings accounts, business accounts, and a tailored loan service. Triodos also provides savings facilities for individuals interested in investing in ethical businesses such as ISAs, organisations can also save with Triodos.

## Key Outcomes/Benefits

Triodos provides a tailor-made service to charities and community businesses, customers' benefit for specialist knowledge of the sectors they operate in. Savers know what their funds are used for, and society benefits from money being invested in social and environmentally sound business activity.

# Triodos Bank

## Challenges

A key issue for Triodos is maintaining the ethos it was founded upon as the bank grows and develops. As more projects are lent to the project list which is published annually to ensure transparency in their lending practices grows, and it is a challenge to ensure that investors are certain their investments are being used in the way they intended. Additionally, growth puts increased demands upon the loan advisors, as the bank is committed to appraising each application for loans of individual merits, as the customer base increases, managing loan applications becomes increasingly difficult.

## The Future

The bank is looking to wards developing financial tools for ethical investors to become more involved, should they wish, in the projects that are helping to finance. Triodos is currently seeking to expand their business angels service for the social economy. Similarly, the bank is also developing an ethical shares stock exchange for ethical businesses.

## Triodos as Social Enterprise

Triodos is constituted and regulated as a bank, but is run as a social business. The bank aims to make a profit to ensure the business is sustainable, but is explicit in its goals to only support organisations working in an environmentally sustainable way, and for social change.



# Working with Words



**Working with Words provides design solutions for written communication people with people with learning disabilities. People with learning disabilities work to make information accessible in a safe environment where they can achieve their potential.**

## Origins

Working with words was set up in 1998 by members of a Greenwich self-advocacy group called Voice in Greenwich with the assistance of the local social services department, and the European Social Fund. Voice in Greenwich recognised the need to make information accessible for people with learning disabilities, the business was set up to employ people with learning disabilities to produce printed materials using computer software to turn words in to pictures, and they have recently branched out into digital video and multimedia. The organisation provides a productive alternative to daytime care provision that utilises and builds upon the skills of people with learning disability, whilst providing a valuable service to the health and social care sector.

## Key Activities

Working with Words produces a range of printed materials including posters and pamphlets that communicate written information to those who are unable to read in a simple and accessible format. The organisation employs people with learning disabilities to undertake the work, who are supported by staff and volunteers.

## Key Outcomes/Benefits

Working with Words aims to prove that people with learning disabilities are capable to operating in a supportive working environment. Employees gain from work experience, confidence building, skill development, stimulating work, and contribute to the running of the company.

## Challenges

A major area of concern for Working with Words is centred upon the demands of funders to support projects with a high number of beneficiaries, this creates tension when the beneficiary, in this case people with learning disability, needs intensive support. Balancing the needs of the employees with the demands of the business and funders is one that requires constant attention.

## The Future

Working with Words remains fixed to the notion of becoming an independent social firm, becoming a community business. The organisation has just been awarded a substantial lottery grant to enable some business development and marketing work to be undertaken to assist them to become more business oriented, to enable them to provide quality service to customers and employees alike.

## Working With Words as Social Enterprise

Working with words is a social firm that enables people with learning disabilities to learn skills, and increase the level of choice they have in their lives; the business is the mechanism to achieve these goals. It is felt very strongly by the organisation that using a business as a means to serve this community is the most appropriate way to engage people with learning disabilities as it allows them to experience working in a real business environment.

**Appendix 4.1: Articles cited in *The Guardian* with reference to the New Economics Foundation.**

23/05/02	'Mutual regard'
10/04/02	'The price of survival' (loan sharks)
28/11/01	'Inner strengths' (Inner-city 100)
11/07/01	'Heard on the grapevine' (Evaluation procedures)
05/08/02	'Private battle for public good' (Foundation Hospitals)
26/07/02	'Ministers split over Foundation Hospitals'
16/07/02	'Back to the village people' (welfare reform)
27/02/02	'Campaigns sidelined as charities focus on service' (Charitable incomes)
22/05/02	'Freedom to create more NHS bureaucracy' (Foundation Hospitals)
10/04/02	'Eco soundings' (Environment)
20/03/02	'Private money, public gain' (Charitable Law review)
06/03/02	'Plunder in Paradise' (Third world debt)
28/06/01	'Flagship nurseries scheme 'could fail poorest'' (Social enterprise solutions to shortages in childcare provision)
28/11/01	'Tax breaks to tackle poverty' (Tax credits for social enterprises)
16/05/01	'Barrow's big future for community enterprise' (Social enterprise case study)
05/11/01	'No retreat in Doha' (Anti-corporate movement)
19/09/01	'World trade disorganisation' (Campaigning strategies)
29/06/01	'Social audit case study: Arts Factory'
29/06/01	'The benefits and barriers against social audit'
27/06/01	'Culture of enterprise' (Enterprise in deprived communities)
20/05/01	'A painful road to recovery' (NHS effectiveness)
16/05/01	'War on waste' (Environment)
16/05/01	'Turning the tide' (Social enterprise case study)
16/05/01	'Mutuality: it's a fresh way ahead'
21/03/01	'It's all about trust and moral support' (Welfare reform)
19/04/00	'Spiral of debt' (Third world debt)
14/06/00	'Out in the cold' (Charitable spending)
30/08/00	'Swap shop' (Time banks)

27/09/00	'Unsung heroes' (Social entrepreneurs)
29/11/00	'Ask the people' (Social auditing)
08/11/00	'Too many cooks?' (Charitable Law review)
09/11/00	'£1bn gives heart to inner cities' (Inner-city regeneration)

**Articles cited in The Guardian written by, or with comments by the Director of the New Economics Foundation, Ed Mayo.**

22/03/01	'Mutuality: it's a fresh way ahead'
23/05/02	'Mutual regard'
28/06/01	'Flagship nurseries scheme 'could fail poorest''
29/06/01	'The benefits and barriers against social audit'
26/07/02	'Ministers split over Foundation Hospitals'
27/02/02	'Campaigns sidelined as charities focus on service'
20/03/02	'Private money, public gain'
28/11/01	'Tax breaks to tackle poverty'
05/11/01	'New logo' (CSR)
06/07/01	One day conference organised by The Guardian and Observer 'Business and society programme': Speaker Ed Mayo, NEF.
21/03/01	'It's all about trust and moral support'
24/05/00	'London calling' (Development of the London Rebuilding Society)
08/11/00	'Too many cooks?'
09/11/00	'£1bn gives heart to inner cities'

## Appendix 6.1: Social Audit Techniques.

### NEW EXPERIENCE RECORD FOR .....

Checking this form once in a while will help you see how your experience is growing. Later you may like to add some other measures of your own. Some lines only need ticking once.

#### Relating to my community

I have:	Never	Sometimes	Frequently
Used a street map			
Obtained travel information			
Used public transport to go to a new area			
Used a telephone book			
Telephoned an official			
Completed an official form			
Made a complaint in writing			
Any other?			

#### Relating to others

I have:	Never	Sometimes	Frequently
Attended a presentation (group event)			
Attended a class			
Joined a group			
Taken part in group decisions			
Helped form an agenda			
Took on a practical task for the group			
Researched an idea for the group			
Took part in a working sub-group			
Organised childcare (outside support group)			
Taken responsibility for someone else's money			
provided a service (outside support group)			
Any other?			

#### Relating to my IT skills

I have:	Never	Sometimes	Frequently
Used a computer			
Used a database			
Used a spreadsheet			
Used the Internet			
Used e-mail			
Any other?			

#### Relating to my enterprise activity

I have:	Never	Sometimes	Frequently
Thought of a new money-making idea			
Discussed a money-making idea (outside support group)			
Assessed the commercial competition			
Kept a record of business contacts			
Phoned or visited a potential supplier			
Purchased from a supplier			
Maintained financial records			
Shown my product/described my service (outside support group)			
Arranged a special place for doing my own work			
Made a regular time for doing my own work			
Charged money for my service/product			
Presented my product/service for sale (e.g. craft fair)			
Produced publicity (e.g. a business card)			
Started Enterprise Rehearsal			
Arranged my own access to the Internet			
Arranged my own email			
Arranged my own answerphone			
Arranged a separate business line			
Arranged a separate business account			
Told someone else about Street Cred			
Any other?			

#### My skills and ambitions

What skills have I started to learn?	What skills do I want to learn?	Where do I see myself in 6 months time?



## **Appendix 8.1: Roundtable Discussion Attendees – Published in The New Statesman 03/06/02.**

Chair **Andrea Westall**, Deputy Director, New Economics Foundation.

Also in attendance:

**Douglas Alexander MP**, Minister for Social Enterprise, DTI

**Liam Black**, Chief Executive, Furniture Resource Centre

**Jonathan Bland**, Director, Social Enterprise London

**Leslie Budd**, Reader in Social Enterprise, Open University Business School

**Joe Docherty**, Director of Barclay's Bank Urban and Regional Economic Development Unit

**Steven Harpin**, CEO [www.youreable.com](http://www.youreable.com)

**David Irwin**, Economic Development Consultant

**Andrew Jesson**, Corporate Manager, Unity Trust Bank Plc

**Patrick Law**, Director of Public Affairs, Centrica

**Tom McNally**, Deputy Leader of the Liberal Democrats, House of Lords

**Rita Patel**, Board Member, East Midlands Development Agency

**Barbara Phillips**, Director, Social Enterprise Unit, DTI

**Mark Sesnan**, Chief Executive, Greenwich Leisure Ltd

**Ray Sheath**, Managing Director, The Scarman Trust

**James Smith**, Director, The School for Social Entrepreneurs

**Shaun Spiers**, Chief Executive, ABCUL

**David Willetts**, MP for Havant, Shadow Secretary for Work and Pensions

**Matthew Young**, Director Adam Smith Institute

## **Appendix G1: The principles of mutuality and co-operation.**

Adapted from the principles stated in the House of Commons Research Paper 02/08.

### **Definition:**

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs through a jointly owned and democratically controlled enterprise.

### **Values:**

Co-ops are based upon the values of self-help, self-responsibility, democracy, equality, equity and solidarity, and believe in the ethical values of honesty, openness, social responsibility, and caring for others.

### **Principles:**

Co-ops operate under seven guidelines:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation amongst co-ops
- Concern for the community



## Glossary:

**Active citizenship** A political programme to encourage individuals to take greater responsibility for their own social well being. In the context of social welfare, active citizenship encourages individuals to take greater responsibility for their own welfare needs, based upon the assumption that alongside rights to welfare provision, the individual also has obligations to fulfil.

**Active communities** A political programme that encourages communities or neighbourhoods to take greater responsibility for its well-being. In this context, communities are encouraged to become more involved in neighbourhood renewal, and the provision of community services.

**Alternative service delivery mechanism** A means to provide welfare services beyond direct state provision in Keynesian inspired systems of welfare. In the context of this research, the social enterprise is viewed by the pro-social enterprise movement and the Government as an alternative organisational form through which welfare services could be delivered.

**Charity** An organisation, registered with the Charity Commission of England and Wales, that works for 'public benefit'. The law concerning what is and is not considered is currently under review by the PIU, this review has broadened the notion of a charity to include organisations that are working for public benefit such as social enterprises and environmental groups, whilst tightened the restrictions upon what is deemed to be for the public benefit affecting the charitable status of organisations such as fee paying or public schools.

**Charitable foundation** An organisation, usually with a specific interest such as poverty, children or animals, that awards grants for specific projects in other charities and campaign groups, following a detailed application procedure. Trusts and foundations often grow out of business initiatives, or wealthy families and individuals, though they can also fundraise themselves. Charitable foundations are an important source of finance for social enterprises, particularly in supplying development finance in the form of loans or grants.

**Community Development Corporation (CDC)** A community-based organisation that works to enhance the economic and social fabric of a defined community in a specific locale.

**Community Development Financial Institution (CDFI)** Community owned financial institutions that hold assets and provide financial services to a defined community (see Collin *et. al.*, 2001 for more detail). CDFIs are distinctive within the social enterprise sector because they provide financial services.

**Community Economic Development (CED)** Where individuals or groups work within their community to improve the local economic prospects and generate **social capital** for the overall improvement of a designated area. CED prioritises local ownership and control, the use of local resources, enterprise creation, education and skills development (Brown, 1998).

**Community Enterprise** Organisations that are owned and managed by the community, they do not distribute profits or surpluses to members or directors but reinvest profits back into the community in order to achieve their economic, social or environmental goals (see Smallbone *et. al.*, 2001 for greater detail). Community enterprises are clearly a type of **social enterprise**, however, they are distinctive because of their exclusive focus upon a particular geographic or spatial community.

**Community of interest** A group of like-minded people who are linked across space for example, those on low incomes, single parents, or those with mental illness.

**Co-operatives** Organisations that are regulated under the Industrial and Provident Societies Act 1965, organisations that benefit the community (members of the co-operative) and reflect the principles of mutuality (see appendix G1 for more details).

**Cultural entrepreneur** An individual who behaves in an entrepreneurial manner in a cultural setting such as in the arts, theatre, or music.

**Critical Discourse Analysis (CDA)** CDA provides a framework that enables the researcher to move beyond describing the meanings within a discourse, to show the ways in which language is involved in shaping relations of power and ideology in society (Fairclough, 2000, 2001; Chouliaraki and Fairclough, 1999). CDA is committed to progressive social change.

**Demutualisation** The process by which mutual organisations (particularly building societies and mutual insurers) left the sector by being acquired by existing companies, or converting into companies (see House of Commons Research Paper 02/08 for further information).

**Discourse** There are many ways in which discourse can be defined or understood. Discourse is primarily understood as 'language in use' (Wetherell, Taylor and Yates, 2001). The understanding of discourse used in this research can be explained thus (drawing on Carabine, 2001): Discourse is understood to be a group of related statements that cohere or come together to produce meanings and effects. Discourse can therefore be understood as the way in which an issue/topic/subject is spoken of (in speech, text, writing and practice), and the ways in which they come together to build a picture or representation of an issue or topic. Discourses are productive in the sense that they (a) produce the objects of which they speak; (b) construct a particular version of the subject/issue; and they (c) define and establish the 'truth' at a particular time. Discourses draw upon, intermingle with, and are mediated by, other discourses to produce new meanings. Powerful or dominant discourses define the 'truth' through setting out 'what

*is*' and *'what is not'*, as a result dominant discourses have more authority or validity above other discourses.

**Discourse analysis** The process or methodology the researcher undertakes in order to uncover and interpret the meanings within a discourse.

**Enabling state** A systems of governance where the state shifts its position from that of direct service provider to one where the state supports or 'enables' other actors to take on these roles in welfare (see Rao, 1996 for more details).

**Entrepreneur (conventional or business)** An entrepreneur is an individual, or group of individuals, that create new technologies, products, services, or processes that sets the direction and pace of change for the rest of the sector (Timmons, 1999). The conventional or business entrepreneur is an individual who organises, manages and assumes the risk of a privately owned, forprofit business enterprise.

**Fair-trade** Trading activity that ensures that the prices paid for goods (often commodities such as tea, coffee, cocoa and sugar, but can also include processed or craft items) produced in developing countries are reasonable and reflect the true cost of production. The fair-trade movement has grown in response to the exploitative practices of multi-national companies forcing commodity prices below the levels developing country farmers can produce the goods.

**Healthy Living Centre** A type of social enterprise, pioneered at the Bromley-by-Bow Centre in the east end of London, which incorporates health services with community services such as childcare.

**Industrial and Provident Societies** A form of corporation which is set up on a mutual basis under the Industrial and Provident Societies Act 1965, such societies must either be co-operatives or established for 'community benefit'. They combine social ownership and control with a corporate structure, and are as a result understood to be within the social enterprise family (see House of Commons Research Paper 02/08 for further information).

**Keynesian Welfare State (KWS)** A welfare system underpinned by Keynesian demand management policies (Pinch, 1997), characteristic of the welfare system in the United Kingdom from the late 1940s to the mid 1970s.

**Psychiatric survivor business** An organisation that is owned, run by, and only employs people who have a history of mental health problems, or are currently mental health patients. These types of business are particularly associated with southern Ontario, Canada, where they operate as highly successful, but distinctive social enterprises. All profits are used by the organisation to support their employees. Not to be confused with a **social firm** that has a different strategy for supporting the mentally ill.

**Policy Action Team (PAT)** The PATs were established by New Labour following their election in 1997 to investigate the issues surrounding social exclusion. Reports were commissioned into the following areas: truancy and school exclusion, rough sleeping, teenage pregnancy, employment and training, and neighbourhood renewal. The reports formed the basis of the **National Strategy Action Plan** (SEU, 2001).

**Policy Action Team 3 (PAT 3)** PAT 3 was asked by the **Social Exclusion Unit (SEU)** to report upon how enterprise could be developed in deprived communities as a means to address the problems associated with social exclusion. The report *'Enterprise and Social Exclusion'* highlighted the importance of social enterprises in overcoming barriers to enterprise in deprived communities, and their ability to provide services to communities. See the PAT 3 (1999) report to the SEU for further details.

**Microentrepreneurs** Entrepreneurs working at the very small scale developing business ideas, usually in the private sector; for example, a woman developing a dressmaking business from home serving friends and family.

**Mutual** or 'friendly societies' are organisations established to trade for the benefit of its membership, they are generally constituted as co-operatives or community benefit societies (see House of Commons Research Paper 02/08 for further information).

**Mutualisation** The process by which organisations move from the ownership by the public, private or third sector and become **mutual** organisations. See also **demutualisation**.

**National Strategy Action Plan** The report published by the **SEU** following the publication of the PAT Reports that set out the Government's aims to "narrow the gap between outcomes in deprived areas and the rest" of the country (SEU, 2001).

**New mutuals** Organisations structured as mutuals established following the intense series of demutualisation in the United Kingdom in the 1980s/1990s, they often operate in sectors of the economy not traditionally associated with mutuality. For example Poptel is a mutual internet and telecommunications provider. New mutuals are constructed as different to the 'old' mutuals, organisations criticised for having little contribution to society beyond their membership. The resurgence of interest in mutuality is intimately related to the interest in social enterprise. Those advocating for mutuality argue that the mutual form may hold the key to solving issues that concern the public over the private sector delivering public and community services (see House of Commons Research Paper 02/08 for further information).

**Nonprofit/Not for private profit** An organisation that through its commercial activities generates a profit, but that profit is not distributed to private shareholders for private gain. Instead the profits are used by the organisation to invest in business development, service improvements, or in community services, facilities or activities. No private individual benefits financially from the business activity.

**PAT Reports** A series of reports published by the SEU shortly after New Labour came into power that presented research findings and policy solutions for a series of issues central to the work of the SEU that the Government perceived were in greatest need of tackling. The reports focused specifically upon issues such as homelessness and rough sleeping, enterprise and social exclusion, and school truancy.

**Performance Innovation Unit (PIU)** The unit within the Cabinet Office led by Geoff Mulgan, has undertaken a detailed review of the position of voluntary organisations and charities in the United Kingdom, including their independence from Government, legal status, service provision and accountability. The review was due to report in March 2002, however, the report was not unveiled until September 2002. The review suggested that charities will have to prove their 'public benefit' in order to benefit from tax breaks; the legal definition of charities should be broadened to allow more organisations, such as social enterprises, to become charities.

**Policy entrepreneur** An individual who behaves in an entrepreneurial manner in a public policy setting.

**Private Finance Initiative (PFI)** A controversial method of providing new public buildings and projects such as schools, hospitals, roads and homes by using private sector money up front that is later repaid with interest by the state.

**Public Private Partnership** Where the state and a private sector firm/consortium enter into an agreement to jointly supply services.

**Residual welfare** A welfare system of last resort that individuals can draw upon for basic needs when other forms of welfare, for example, the family, social enterprises, voluntary organisations, have failed (Pinch, 1997).

**Small Business Service (SBS)** The unit with the DTI responsible for supporting SMEs (including social enterprises), communicating the needs of SMEs throughout Government, monitoring and researching into the SME sector.

**Small and Medium sized Enterprises (SMEs)** Commercial organisations with less than 250 employees.

**Social economy** The social economy is understood to include a wide variety of organisations: "We have a situation [in the United Kingdom] where historically you have something called the social economy, and it stretches from the AA [Automobile Association], or a **mutual** insurance company, right down to **charities**, there is a great spectrum, they are not much like each other, they are differently regulated, they are subject to different legal regimes, have different tax treatment and so forth" (T8 p5).

**Social entrepreneur** An individual, or group of individuals, that identify under-utilised resources (for example, people, buildings, or equipment) and use them to satisfy unmet social needs (Leadbeater, 1997).

**Social enterprise** An organisation that uses a commercial venture as a means to achieve social goals. The business is a tool to provide services for a defined community. That community may be a **community of interest** or a **spatial community**. Any profits generated are ploughed back into the organisation and used to support organisational development and services for the community. Social enterprises provide services in the space between public, private and third sector providers, and friends and family.

**Social enterprise activity** Enterprising activities undertaken for social gain within a parent organisation such as a CDC or charity. The enterprising arm is not independent of that parent organisation, the parent organisation often provides administrative support to the enterprising activity, and in return the enterprise generates income that supports the wider goals of the parent organisation.

**Social exclusion** The problem of social exclusion, as recognised by the New Labour Government, is understood to refer to disadvantaged people and places where peoples quality of life is severely limited through poor physical environment, lack of education and skills, poor accommodation, welfare dependency, high crime, poor reputation, and vandalism.

**Social Exclusion Unit (SEU)** The unit set up by the New Labour Government charged with the task to find solutions to the problems associated with social exclusion shortly after their election victory. The SEU commissioned a series of reports by Policy Action Teams who produced the **PAT Reports** for the Government in 1999. Both the SEU and the PAT Reports have been instrumental in the political recognition of the social enterprise.

**Social firm** An organisation that uses a business structure to employ and assist those with learning disabilities or mental health problems. The organisation employs professionals, usually in the capacity of managers to run the business and support employees.

**Social inclusion** The desire to 'include' the disadvantaged (people and places) and address the problems associated with **social exclusion** in an effort include the excluded in the mainstream of the economy and society.

**Social Investment Taskforce** A group of individuals brought together by the UK Social Investment Forum, NEF, and the Development Trusts Association to establish means for entrepreneurial practices to be applied to obtain higher social and financial returns.

**Social mission** The goals of an organisation wishes to achieve for social benefit, for example, the relief of poverty or exclusion.

**Social movement** A group of individuals and organisations that act outside of the formal state and economic spheres to pursue political goals within society (Johnston, *et. al.*, 2000). In the context of this research, the pro-social enterprise movement can be understood as a 'new social movement' that seeks to achieve political objectives, to

change the way in which welfare 'solutions' are sought, promoting the social enterprise and the social economy as a means to deliver welfare services. The movement reflects broader shifts in the economy and society that reflect the postmodern principles of individualism and localism, in comparison to the modern principles of collectivism and universalism in welfare.

**Spatial community** A community or group of people that are bound by a common geographic bond, such as an area of a city, a neighbourhood, town, or village.

**Sustainability** Sustainability has many meanings in many different contexts. In the context of this research, sustainability refers to the financial viability of a social enterprise, alongside its capacity for development, and accountability to all stakeholders that ensure that the work of the organisation is reproduced over time.

**Think tank** A research and campaign organisation established to influence Governmental policy in a particular sphere of activity such as the economy, welfare, health or education.

**Third sector** Organisations that are non-governmental and not a part of the forprofit or private sector, and includes, amongst others, charities, nonprofits, CDCs, social enterprises, voluntary and community groups (such as parent and toddler groups), co-operatives, and CDFIs.

**Third way** A political project developed primarily by Anthony Giddens (1997) that has provided the political ideology of New Labour. The third way is understood to represent the 'middle' ground between the new right and 'old' left, adopting characteristics of both. In the context of this research, the third way provides the political ideology for promoting the social economy as a means to deliver welfare services indirectly of the state through third sector organisations such as social enterprises.

**Welfare state** Services produced, provided and delivered by public agencies, and including benefits and services purchased by public resources that may be provided by commercial or voluntary bodies (Clarke *et. al.*, 1998), including social enterprises, in the field of social welfare (including healthcare, childcare, social services, education, social assistance and employment).

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