

Creating an Environment for Social Enterprise

Peter Lloyd
Ecotec Research
and Consulting



Creating the Conditions for What Exactly?

- “Social Economy -Social Enterprise” – what is it?
- A very wide spectrum from US “non-profits” to pure “economie sociale”;
- So the starting point has to be *clarity of objective*;
- Contending perspectives;

Social Enterprise (Laville)

- *“enterprises initiated by groups of citizens who seek to provide an expanded range of services and more openness to the community - they place a high value on independence and economic risk taking”*

Social Enterprise (UK Government)

- “a business with primarily social objectives whose surpluses are principally invested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners”
(*DTI, July 2002*)

Making the Case for Social Enterprise

- To convince liberal opinion that it can add social gain plus economic value at efficient cost;
- To convince left opinion that “isomorphism” will not destroy their intrinsic values
- To provide good evidence to support the case for public start-up funding;

Starting from the Local Grassroots

- Using social capital and other individual and group capacities to improve *local communities*;
- Finding ways to secure the development of *community-based enterprises*;
- Tackling *local market failures* for personal and public services;
- Jobs, social inclusion, quality of life

From Local Partnership to Social Enterprise

- Local multi-stakeholder partnerships emerging widely;
- Opportunity for some to be “social enterprise vehicles”
- BUT not all local projects and partnerships could or should adopt the business model;
- Create an *enterprise escalator* to draw out contenders;

Having the Right Organisational Architecture

- Delivery demands focused, efficient and effective vehicles
- But for community-based social enterprise
 - Multiple goals can give poor focus
 - Businesslike management may not be able to accommodate all forms
- Legitimacy-delivery trade off

EMPOWERMENT – DELIVERY TRADE OFFS

Empowerment/Legitimacy

Focus

Local Partnerships
Still
Under Construction

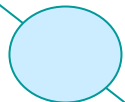
Complex Hybrid
Forms
Evolving



LED Level 1 (Capacity)



LED Level 2 (Limited Delivery)



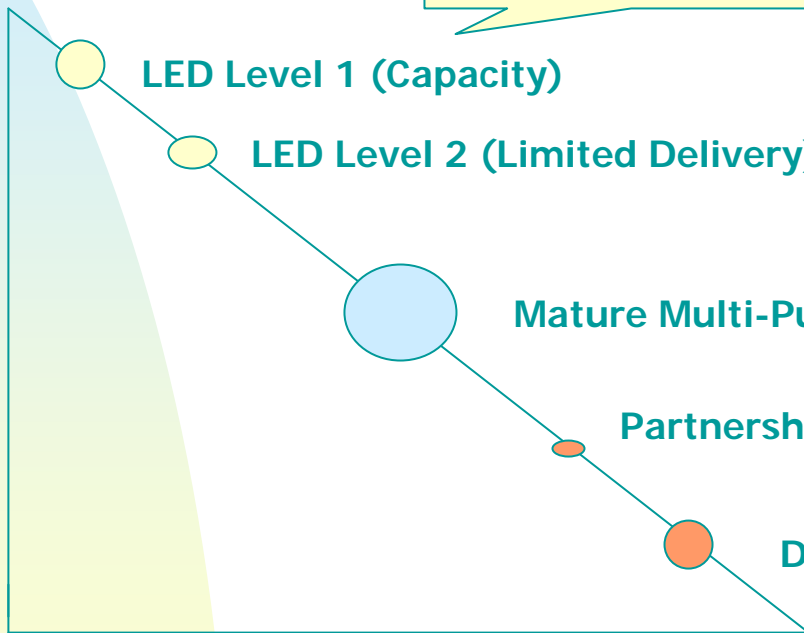
Mature Multi-Purpose Partnerships (Umbrella Bodies)



Partnership Trading Arms



Dedicated Social Businesses



Delivery Focus

Social Enterprise



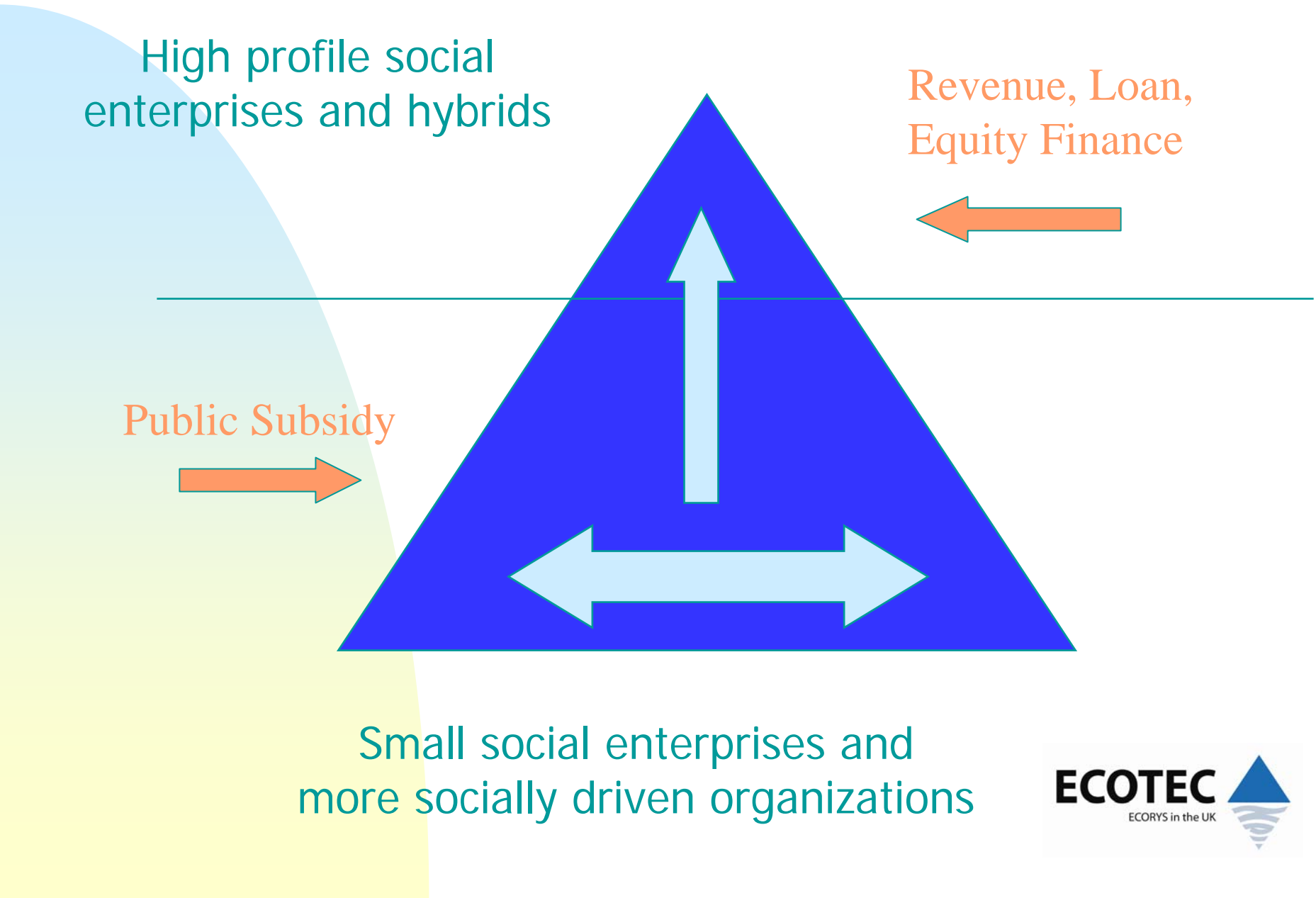
REVEALING THE ICEBERG

High profile social enterprises and hybrids

Revenue, Loan, Equity Finance

Public Subsidy

Small social enterprises and more socially driven organizations



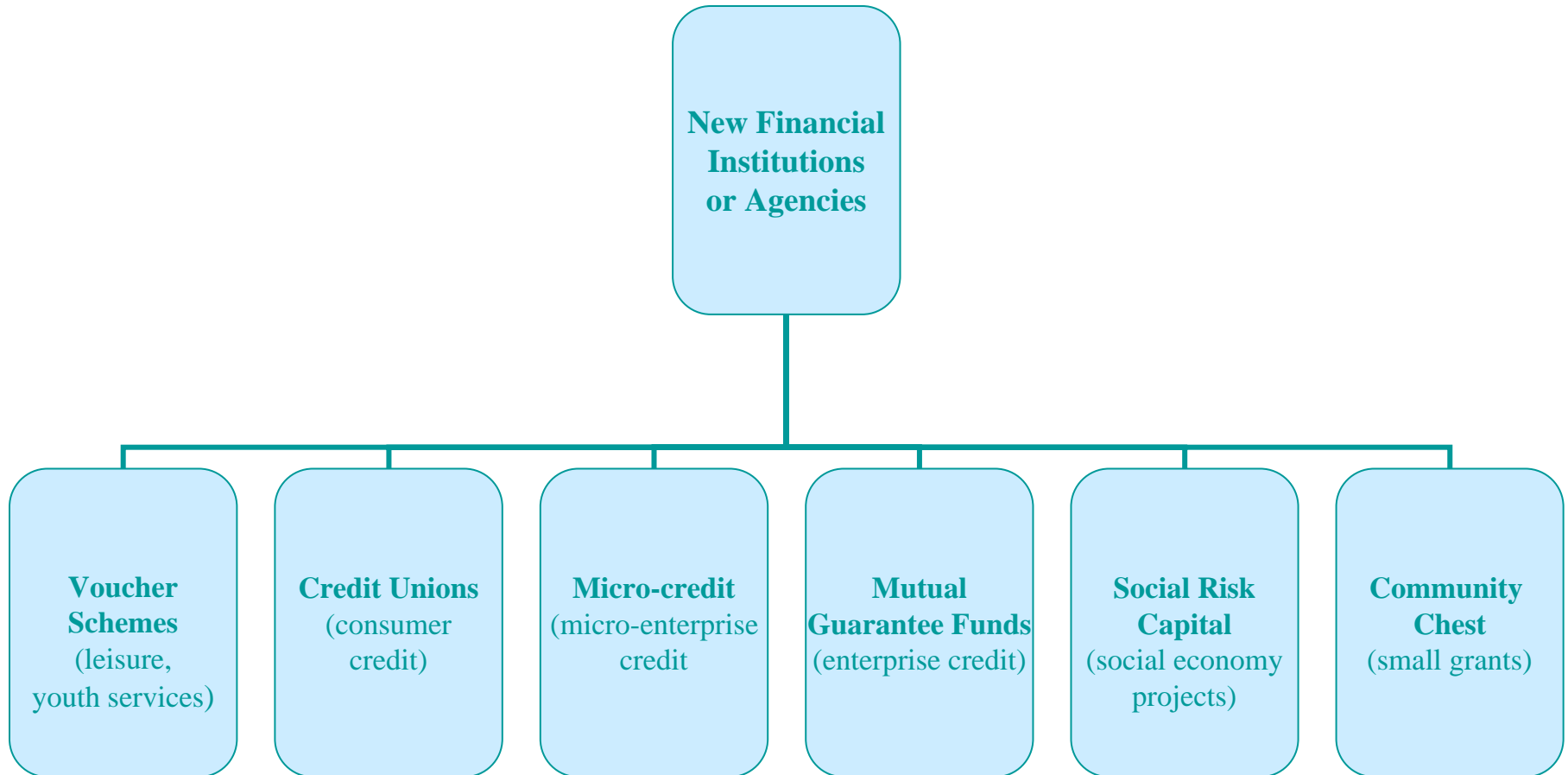
Building Support Structures

- Sustainable finance and smart money;
- Supportive legal and charity law structures;
- Setting standards for public service contracting to open opportunity;
- Dedicated and aware social enterprise business support;
- Set quality assurance standards;

Supporting the System as a Whole

- **SUSTAINABLE FINANCE, SMART MONEY**
- Building networks that bring new lenders in to support SE
- Creating new "designs" for money – vouchers, loan guarantees, mutual guarantees
- Micro-enterprise credit and social risk capital – helping social economy projects with loans and long-term viability

FINANCIAL TOOLS FOR FUNDING THE SOCIAL ECONOMY



Supporting the System as a Whole

INTERMEDIARY SUPPORT BODIES

- Set up intermediary bodies that can operate within overall political objectives but at arms length;
- Pooling for back-office activities – payroll accounts etc;
- Combined purchasing – ‘phones, utilities, IT etc;
- Call centres etc;.

Supporting the System as a Whole

NETWORKING, INFORMATION EXCHANGE

- Bringing the players together to express their “network strength”;
- Identifying, disseminating and exchanging good practice;
- Support across the network to get economies of scale;
- Using Internet and ICT solutions;

Support for Social Entrepreneurship

- Social entrepreneurs and social enterprise managers in short supply;
- Systems needed to sponsor, develop and train;
- From basic capacity building through to MBA;
- Not just a branch of standard management education;

Support for Individual Organisations

- Dedicated Business Support
 - Appropriate to social enterprise;
- Asset Base Development
 - Allow building reserves – use as assets/collateral for loan funding;
- Tailored public contracting
 - Removing market barriers in the tendering process

Avoiding the Dangers of “Isomorphism”

- The mobilisation of social capital, and reciprocal relationships is built up on an ethos of *service to the community*;
- *BUT a warning*
- The move to money and value model can serve to distort *independent voice and community ethos*;