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nick petford **research globalisation**

# Reconstituting the university as a social enterprise

What is a social enterprise and why should UK universities take notice? Social enterprises can be defined as organisations that use business methods to make profit for reinvestment in order to achieve a social mission, and not necessarily shareholder gain. This makes them different from charities and mutuals, and could be used as inspiration for universities.

At Northampton, we are asking what it would mean to reconstitute ourselves as a social enterprise, as a means of reconciling the opposing forces of the market with those traditional cultural values that have made higher education what it is today.

A recent research report published by ClearlySo for the City of London Corporation, City Bridge Trust and Big Lottery Fund, points the way to a number of significant opportunities to engage with the social enterprise agenda. *Investor Perspectives on Social Enterprise Financing* shows that, in 2010, City investment in social enterprises (businesses with a social agenda but without shareholders) was a paltry £190 million, a tiny figure in comparison with traditional 'finance first' investment models.

But things are changing. Since the financial meltdown in 2008, concern has mounted across the world about the desirability of a global financial and banking system seen as serving its own self interest over those societies in which it is embedded. The mood music is that regulation alone may not be enough to satisfy people's concerns over a system gone awry. But while a command economy is not the solution, blended investment vehicles designed explicitly to maximise return on social impact for the greater good, combined with an expectation of near-market rate returns, may provide an elegant way forward.

The report also shows, however, that despite evidence of demand, institutional investors in the square mile are struggling to identify social-investment products due to a lack of choice. This is compounded by concerns over liquidity, risk mitigation, size of investment required (bigger projects favoured over smaller) and how to measure social impact in a coherent and compelling way.

But what's in it for universities? The need to maintain income in the new fees environment is one driver and brokering of investment opportunities in social entrepreneurship provides one opportunity. Social impact bonds such as the scheme run in Peterborough prison that brought together 17 social investors to reduce repeat rates of offending show how the private, public

and third sectors can work together towards a common goal that offers a real financial return on investment. But this is surely just the tip of the iceberg. Universities, with a wealth of expertise in community-focused social care, policing, law, health, teaching and volunteering are sitting on a potential gold mine of intellectual property capable of developing exactly the type of innovation-led products sought after by socially responsible investors.

Key to this will be the Big Society Bank, set up by the government and the UK's four biggest high-street banks under Project Merlin. Its role is to stimulate the nascent social market by investing in intermediaries who are able to bring social enterprises and allied third-sector organisations together with investors willing to provide access to capital. The outcome would be a suite of financially sustainable social enterprise products geared towards addressing outstanding social needs.

So while the bank represents a supply-side initiative by providing finance, the demand side is where new opportunities await innovative universities, either by creating 'oven-ready' social enterprises able to receive investment or by fostering a climate of social entrepreneurship in which social enterprise can flourish.

Students, staff and alumni all have roles to play. Evidence suggests that some of this investment could come from high net worth individuals. Seventy per cent of wealth managers when questioned saw a link between their clients' philanthropic goals and a bias towards social investment in their asset-management strategies. But just as for institutions, investment by private clients is hampered by lack of choice. A university that can steer its fundraising and development effort towards satisfying this demand is likely to reap significant rewards.

The report makes a number of clear recommendations: use the bank to support intermediaries in building the social market; create pooled financial vehicles to build economies of scale; develop metrics that allow potential investors to assess social return on investment; and develop case studies and models of best practice to promote your strengths to investors. Universities have the ability to play a crucial role in taking this agenda forward and it is in their best interests to do so.

More to say? Email [comment@ResearchResearch.com](mailto:comment@ResearchResearch.com)

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