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Recent trends for Social Enterprises in the United Kingdom

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Abstract

In this presentation I want to provide you with a picture of some of the trends that are developing for social enterprises in the United Kingdom (U.K.). Social enterprises are becoming an increasingly important part of the U.K. landscape and part of a wider European Union agenda. Social innovation, which in turn is linked to a broad policy objective of smart growth. The economic difficulties currently being experienced in the U.K. are leading to cuts in state funding, the retreat of state welfare services, the opening up of services to other providers (including social enterprises), the development of a social investment market and the need for more socially innovative ways of delivering services.

The Emergence of Social Enterprises

Although social enterprises have a long history which dates back to the 18th century, they did not really come into being as an organisational construct until the 1990's and this was part of a wider narrative around the development of the third or voluntary and community sector. However, the importance of the voluntary and community sector as a deliverer of services began to emerge in the 1980s in response to a changing governmental view of the welfare state, public sector cuts and a belief in the importance of the market and business management techniques. There was also a shift in policy development away from a belief in a centrist driven agenda to a much greater focus on users' rights, community and neighbourhood, aligned to an emphasis on giving people more choice and control through an emerging trend around personalisation (Durkin, C. and Gunn, R. 2010). In parallel to the developing agenda in the U.K. has been significant policy developments in the European Union around Social innovation which is defined as 'using new ideas to meet unmet social needs'¹, a central part of an innovation programme which in turn is part of a European Union Smart Growth policy to boost growth and jobs.²

Social enterprises, therefore 'emerged' out of a changing policy framework, an increased role for the voluntary and community sector and public sector cuts. Within this context local authorities' role has also changed moving away from being a deliverer of services to a commissioner of services. This trend will continue changing departmental structures, de-professionalizing much of the workforce, whilst at the same time demanding new skill sets to adjust to a more

¹ See : http://ec.europa.eu/enterprise/policies/innovation/policy/social-innovation/index_en.htm

² Europe 2020 http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/priorities/smart-growth/index_en.htm

localised and personalised welfare agenda. Staff are, for instance, having to be more publicly and socially entrepreneurial³ and there is also a need for more intrapreneurs, i.e., people who behave entrepreneurially in large organisations.

In thinking about how to identify the trends it is important to first of all think about what we actually mean by social enterprises, something that has always been contested and continues to be of interest and ongoing debate, often differentiating social enterprises between different countries and cultures. At its simplest social enterprises are organisations that use business models that also focus on social issues; the so-called double bottom line.

It was only in the 1990's that the term Social Enterprise was officially defined as businesses:

“... with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners”. (Department of Trade and Industry 2002:7).

The status of social enterprise was ensured when a new legal category came into existence in 2005; a Community Interest Company which is a distinct legal form that contains a community asset lock, locked in the assets into the business to ensure they are used for a social or community purpose. The Social Value Act 2012 which comes into force in January 2013, however, may be an even more important piece of legislation for social enterprises in that it will require all public bodies in England and Wales to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area. At present there is increasing concerns that large private sector organisations are potentially 'squeezing out' social enterprises from local authority contracts because they are seen as less of a risk than smaller less financially well resourced organisations (Social Enterprise UK 2012). Peter Holbrook, the chief executive of Social Enterprise UK, argues that Government's role must not only to be to act as a legislator but also a 'market shaper' to ensure social enterprises are in a much stronger position to gain some of the contracts being commissioned (White, A. 2012).

The legislation mentioned above is important in that it is part of social enterprises 'coming of age,' a statement of intent and recognition of the importance of social enterprises and what is interesting about the definition used is that it is not organisationally prescriptive and can include mutuals, cooperatives and even charities. The use of such an inclusive definition is a move away from a concentration on a specific organisational form, seeing social enterprises in a broader based socially entrepreneurial/social innovation spectrum. This widens the discussion from a narrow debate about organisational definitions to a much greater focus on process and people, in particular how can social entrepreneurs and social enterprises develop new and innovative solutions to societal problems.

³ http://www.jbs.cam.ac.uk/interactive/expert_comment/2011/articles/article_pitelis_mahoney_defining.html

Before going any further it is important to recognise the size of the sector in the U.K. Currently there are over 68,000 social enterprises in the UK, contributing over £24 billion to the UK economy.⁴ The number of social enterprises being developed continues to grow and is one of the few sectors that have continued to grow during the current economic recession.

The Changing Landscape

Within this changing narrative there are a number of trends emerging and to understand these we must begin by looking at the current financial crisis. In 2007 the U.K. like many countries was 'hit' by a dramatic financial crisis which has led to a period of almost constant debate about the economy, its institutions and the overdependence on the financial sector. For some, like the Occupy Movement, this questioned the whole purpose of the western capitalist system whereas others like the entrepreneur Richard Branson see it as part of the changing or evolving nature of the capitalist system, albeit nobody is sure what this new capitalist system is going to look like. What is clear, however, is there are changes taking place requiring organisations or companies to be more socially innovative, with all sectors increasingly having to work together.

The debate taking place about the economy is not exclusively about the public sector, many organisations in the private sector are also changing with a much greater focus on issues like social value and sustainability, recognising in part that for many companies their focus has been almost exclusively on profit and short term gains built on a linear supply chains, rather than recognising that companies and organisations are part of communities and interconnected networks (Ellis, T. 2010, Haque, U. 2011 and Porter, M. 2011). This changing focus requires companies to look to what has been called the double (profit as well as social or environment value) or triple bottom line (economic, social and environmental aspects) with social responsibility being central to a companies values part of a wider social eco system rather than a mere add on (Bloom and Dees 2008). In some respects companies are also being required to be more socially entrepreneurial.

The Opening Up of Services

Although, the current coalition government's economic philosophy is one of neo liberalism they have continued New Labour's focus on community and localism as a policy objective to develop civil society and empower communities. At a time of public sector cuts the Government recognises the important role communities, neighbourhoods, residents and voluntary and community organisations play in filling the gaps left by a retreating state and is part of the current coalitions agenda around the 'Big Society' which has three elements:

- i) Community empowerment;
- ii) Opening up public services, and

⁴ <http://www.socialenterprise.org.uk/about/about-social-enterprise#what%20data> and http://www.socialenterprise.org.uk/uploads/editor/files/Publications/Fightback_Britain.pdf

iii) Social action- the government wants residents to be more involved in 'society'⁵.

Although the notion of the Big Society has largely been dropped from the political lexicon of the current government its three elements remain strategically important. With concerns about rising inequalities in income and health as well as concerns that residents in many areas are feeling disenfranchised and disconnected from mainstream society because of unemployment and rising poverty, social enterprises and other voluntary and community organisations are seen as playing an important role in trying to address many social issues. Social enterprises focus on both profit and social mission and I would argue focus on seeing the individual within a wider community and social eco system; recognising the importance of the development of social capital and the development of wider civil society. Some would see this as an opportunity for the development of much more of a community and cooperative economic system which has at its heart are more participatory forms of organisations (Gregory, D. 2012).

One of the strengths of the social enterprise model is that it starts from an asset and strength based approach to development and puts at its centre the user perspective in contrast to much of traditional statutory health and social care models which are primarily focused on need and is designed primarily to respond to crises. However, a number of local authority social work teams are changing and some have tested out the notion of teams operating independently from the local authority through the social work practice pilots. Some of these like Topaz in the London Borough of Lambeth that works with adult service users have now become totally independent (Smith, R. 2012). Although there has been mixed success with these pilots, particularly in the area of children and families (Department of Education 2012), adult social work practice pilots in England will carry on providing services until 2014 (Cooper, J. 2012).

What is clear is that all local authorities are going have to be more creative and innovative in the future in response to the deteriorating public sector finances, a policy directive on opening up public sector services to other suppliers (H.M. Government 2012) and a retreating welfare state despite rising demand. The National Endowment for Science, Technology and the Arts (NESTA) and the Local Government Association, for instance, have begun working with six local authorities to support innovation, which includes at least one council developing a social enterprise to work with service users⁶.

Delivering Services in a Different Way

The main focus of the coalition's agenda is to cut the level of borrowing through cutting vigorously the public sector finances rather than increasing taxation. The debate is also about opening up of public services to other suppliers, rethinking the role of government (H.M. Government 2012) and about a need for services to

⁵ <http://www.cabinetoffice.gov.uk/content/big-society-overview>

⁶ See Nesta 'Creative Councils'

http://www.nesta.org.uk/areas_of_work/public_services_lab/creative_councils

be delivered in different ways. In adult social care, for instance, the emphasis on personalisation and co-production is forcing people to reassess both the type of services needed and how they are provided with an increasing importance being given to social innovation, particularly through social enterprise. The coalition, for example, talks about creating the largest social enterprise sector in the world by 'freeing up' the NHS (Department of Health 2010), this includes encouraging staff to opt out and set up their own social enterprises. Central Surrey Health,⁷ for instance, was the first social enterprise to come out of the NHS providing therapy and community nursing; an organisation owned and run by the nurses and therapists it employs. Many public sector bodies are also looking at community asset transfer and creating alternative models of delivery, particularly through the medium of social enterprises.

The population of the U.K. is changing; it is growing, increasingly ethnically diverse and ageing with institutions that have been designed in a previous era; centrally driven and centrally designed services that are not sufficiently responsive to the needs of a demanding population. Too much of the National Health Services resources, for instance, are concentrated on responding to episodic care whereas over 60% of its budget now goes on caring for people with long term conditions with a staggering 30 – 40% of hospital patients who should not be there⁸. This requires a change of approach with a much greater focus on preventative strategies, care in the community and greater cooperation between health and social care services. This is an area in which social enterprises are already significant service providers, which is likely to increase substantially both as individual providers and on occasions in collaboration with other providers from either the public or the private sector.

Social enterprises are often seen as organisations which straddle all three sectors of the economy, albeit seen by some as part of "the hinterland of the public sector" (Mulgan, G. 2007:10) because of the way they address many of the social issues that are the focus of Governmental social policy. Examples include Jamie Oliver's Fifteen⁹ which is a restaurant chain that trains and employs unemployed people and Goodwill solutions¹⁰, a social enterprise which works with offenders. What I have found interesting is the way social enterprises use socially innovative approaches to address social issues. The need for more socially innovative approaches will remain and is likely to drive some of the policy agendas connecting sometimes different agendas like the example of Goodwill Solutions which through its logistics business aims to provide employment for offenders.

One of the most significant trends is likely to be the greater cooperation between social enterprises and organisations in both the public and private sectors, a

⁷ <http://www.centralsurreyhealth.nhs.uk/page/index>

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<http://webarchive.nationalarchives.gov.uk/+/www.dh.gov.uk/en/Healthcare/Longtermconditions/tenthingyouneedtoknow/index.htm> see also <http://www.guardian.co.uk/society/2012/dec/18/hospitals-specialising-community-healthcare-future-nhs>

⁹ Fifteen <http://www.fifteen.net/>

¹⁰ Goodwill Solutions <http://www.goodwillsolutions.co.uk/>

good example of which is the Bromley by Bow centre, which grew out of church expanding into operating a children's nursery, a health centre and a number of small enterprises which ultimately have been part of a wider community regeneration project in East London¹¹.

Although more social enterprises are likely to deliver services, it is also an area in which large private sector companies are also competing for contracts. This provides a greater potential for collaboration and partnerships which may be good in principle ensuring the provision of holistic services; it often may not be a 'marriage of equals' with the private or even public sector organisations likely to have greater power and resources than relatively small social enterprises.

One of the objectives of the current coalition when it came into power was the opening up of the social investment market; a market that will generate both financial and social returns. This was in part done by the launch of a new financial institution called Big Society Capital in 2012, which Ronald Cohen (2012) sees as marking a paradigm shift citing the development of the Social Impact Bond at the Peterborough Prison as an example of a different approach, with the bond backed by private finance targeting prisoners and aimed at reducing re-offending. Although the social investment market has opened up dramatically with considerable sums of money now on offer through Big Society Capital and other financial organisations, the numbers of organisations that are investment ready remains small. However, as part of this developing agenda investments by Government will be increasingly linked to payments by results, which will also require the need for clear evaluation on social impact and value.

Conclusion

What is clear is that the social innovation field and social enterprise sector are expanding fast, in part due to public sector cuts and the need to explore different ways of delivering services. Sectors that have been formally delivered by the state in areas such as health and social care and criminal justice are going to continue to open up. It is the socially innovative way that social entrepreneurs and social enterprises operate; responding quickly to perceived need that is so important. However, it must be recognised that although the social investment market is opening up and private finance is entering the market, the majority of social enterprises cannot survive on trading income alone and will still remain dependent in part on grants and government finance. Although the future for social enterprises remains bright this will be part of a broader social innovation narrative, with less concerns about organisational types and more on the need for people and organisations to be more open, collaborative and socially entrepreneurial with an increasing emphasis on co design and co- production.

¹¹ Bromley by Bow Centre <http://www.bbhc.org.uk/>

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