Title: A Comparative Overview of Social Enterprise 'Ecosystems' in Scotland and England: An Evolutionary Perspective.

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Abstract: Social enterprise has been identified as a culturally and socially constructed phenomenon that varies in its meaning both internationally and within geographic regions. Over recent years there has been increasing academic focus on how social enterprise 'ecosystems' differ across different countries. This focus has been both global (examinations of differences between North American, Asian and European social enterprise) and regional (exploring differences between countries within Europe). There has however, been less focus on the differences in social enterprise ecosystems *within* countries, where subtle regional differences in the cultural, political and social environment can potentially lead to significant variations in the environment for support. The recent history of the United Kingdom, with devolution for Scotland, Northern Ireland and Wales, has led to all four countries (Scotland, Wales, Northern Ireland and England) developing fairly diverse political and policy environments despite sharing relatively similar social and cultural backgrounds. This paper seeks to explore this through the lens of evolutionary theory. Evolutionary theory posits that within an ecosystem all organisms are a product of the evolution of that ecosystem, and that this evolution is based upon genetics, epigenetics and phenotypes. The research reported in this paper draws upon qualitative data gathered as part of a European Commission FP7 project. Semi-structured interviews explored the perceptions of a variety of key stakeholders in regards to the historical, socio-political, cultural and regulatory environments, at both local authority/city (either not both) and national levels, in Scotland and England. The results are discussed in relation to evolutionary theory and how socio-political and regulatory differences can lead to the rapid divergence of social enterprise ecosystems.

Introduction

Despite, or perhaps because of, the significant increase in focus across the world in recent years, the concept of social enterprise has become "fluid and contested" with meanings that are "politically, culturally, historically and geographically variable" (Teasdale, 2012: 100). This variation has become the focus of several academic studies over the last decade including within Europe (Defourny and Nyssens, 2008, 2010; Galera and Borzaga, 2009) and globally (Kerlin, 2010). Indeed, much of this research has demonstrated that across countries, social economies and social enterprise institutional forms and practices can vary significantly, and the reason for this variation often has its roots in socio-economic, political, cultural and religious history, which acts through path-dependency to shape the construction of social sectors today (Kerlin, 2010, 2013). For instance, Defourny and Nyssens (2008) have pointed to the differing origins of social enterprise across southern Europe when compared with northern Europe, based upon the sector's origins in those countries' social cooperative sectors (particularly around work-integration).

While research has focused mostly on international comparisons or individual national or regional studies, there is still relatively little research that has explored regional differences in the understanding of SE within nation states. Yet, many modern states represent the amalgamation of several different historical cultures/societies, and even (in the case of the UK) different countries. In the United Kingdom (UK) this is particularly pertinent at the current time as national identities and the notion of the 'British state' itself have become increasingly contested, with uneven and asymmetrical political devolution arrangements for Scotland, Wales and Northern Ireland one of the root causes of a number of ongoing crises and challenges to the nature of the UK itself. (For example, although the vote for Scottish independence was defeated, the question is far from settled.) This paper seeks to comparatively explore the social enterprise 'ecosystems' in Scotland and England through the theoretical lens of evolutionary theory, in order to demonstrate the significant divergences that can occur *within* states.

Terms from biology and ecology such as 'ecosystem' have been used in relation to mainstream business for 20 years or more (see Moore 1993) and the term has been used increasingly by practitioners (for example NESTA 2015; Ashoka 2014), by academics (Arthur et al. 2006; Grassl 2012; Bloom and Dees 2008; Roy et al. 2015) and even by the European Commission (2014) in relation to the characteristics of the environment – both market and non-market (legal, financial, institutional, cultural, political and socio-economic aspects) – that operate in various combinations to support or restrict social enterprise activity from flourishing in a particular context.

The structure of this paper is as follows. Firstly, the regional divergences in Scottish and English social enterprise ecosystems are discussed in relation to the historical developments in both contexts. Then the interpretative lens of the evolutionary theory is presented. The data gathered during the research fieldwork are then explored comparatively in relation to evolutionary theory, in order to demonstrate the similarities and differences between both countries social enterprise sectors. The paper ends with a discussion of the importance of political, institutional and socio-economic factors (both micro and macro) in the development of social enterprise ecosystems and presents a model for the development of social enterprise ecosystems based in evolutionary theory.

Historical development of diverse social enterprise ecosystems

In the UK, the uneven regional geographies of social enterprise have been noted (Buckingham, Pinch, and Sunley 2012) with several studies adopting a regional focus. Roy et al. (2015) focus their attention on the rhetorical claims of politicians for Scotland to be considered 'the most supportive environment in the world for social enterprise'. Jones et al. (2015), meanwhile, document an uneven reliance on public sector funding between organisations in Bristol and Liverpool, while Mazzei (2013) found similar explanations for some of the differences in the social economies of two regions in the north of England. However, considerations of the implications of such differences are still few and far between (Vincent and Harrow 2005); Muñoz (2010) notes that comparatively little is known generally about how 'place' shapes the development of social enterprise.

A comparison of the English and Scottish ecosystems is indicative of this divergence within states. Scotland and England have been united politically since the 1707 Act of the Union. This has led to some cultural alignment through a mutual embrace of Enlightenment, the Industrial Revolution and a universal education system (Herman 2003; Buchan 2007; Allan, 1993; Young, 2009). However, both countries still have separate legal system and distinct political and social cultures, which in turn have shaped different development of SE and their ecosystems. An overview of the historical developments that have led to such divergence is provided in the next section and this section seeks to explore the development of these sectors chronologically across three distinct historical periods.

1945-1979 – Welfare Consensus and the Creation of a New Welfare State

The publication of the Beveridge Report in 1942 saw the UK make its first step towards a universal system of welfare provision and marked a turning-point for the role of the third sector in the delivery of welfare services. The Beveridge Report ultimately led to the creation of the National Health Service (NHS) (Dworkin, 1997; Hudson, 1998), free universal secondary education (the 1944 Education Act); the provision of unemployment insurance to all unemployed individuals aged over 16 years; and the creation of state-owned housing, particularly but not exclusively, for low-income

families (Balchin, 2002). In addition, in the 1950's local authorities were also tasked with establishing children's health and welfare departments (Dworkin, 1997). The creation of this new welfare state received relatively unanimous cross-party support and there was a welfare consensus within the UK from 1945-1979, a belief that the UK should be a social democratic state with universal access to welfare services. This newly expanded role of the state towards a paternalistic and encompassing method of welfare provision inevitably caused a crisis of identity for third sector organisations. These organisations had been established during the severe conditions of the Industrial Revolution and were not sure how they would operate at the interface of the state and communities in the way that Beveridge envisioned (Maxwell, 2007). In this respect there was an inevitable decline in the involvement of these organisations in direct welfare provision as the marketplace was effectively closed to non-state actors.

Throughout the 1960's and 1970's the state as the sole provider of welfare provision became increasingly criticised within certain academic, financial and policy-making circles. Arguments were put forwards about the need for the state to reduce its role in welfare provision and for market forces and free-market thinking to be used in encouraging people to take ownership of their own welfare needs (Bochel, 2012). This marked the beginning of the drive towards more entrepreneurial and managerial visions of government and welfare/public service delivery (Osbourne and Gaebler, 1992) and also represents the beginning of divergence between the political makeup of both Scotland and England (or certainly southern England) (Curtice, 2002). This was accelerated by the election of the Thatcher government in 1979, which gave the UK a government that was a right-wing proponent of free-market economics, monetarism, and individualism. Despite the election of the Conservative government, the majority of Scotland remained Labour and there had not been any meaningful rejection of Keynesian policies. This laid the foundations of two divergent socio-political landscapes within the UK, as Scottish political and economic opinions became increasingly marginalised (Keating, 1996). It can be argued that this also paved the way for the beginnings of divergent social enterprise ecosystems in England and Scotland.

1979-1999 – Marketisation, the Third Way and Devolution

The election of the Thatcher government saw a radical reform of the entire UK economy and welfare state, and arguably also its societal structure with a drive towards individualism and social policy focused on monetary and free-market considerations. Policies were introduced that sought to make public services more entrepreneurial, outcome orientated and responsive to service-user needs (Osbourne and Gaebler, 1992); the Local Government Act (1988) introduced 'Compulsory Competitive Tendering' (CCT) in which non-statutory services had to be contracted out on a competitive tendering basis (Aitchison, 1997); the UK's first public service spin-outs were created in

the form of Housing Associations and New Leisure Trusts; and utilities, such as British Telecom and British Gas, were privatised. These policies opened up public service markets to the third sector again and led to the growth in social enterprises as new opportunities for innovative delivery mechanisms developed.

However, within this context many of the policies and reforms remained unpopular in parts of the UK, including Scotland, Wales and the North of England. In areas such as Scotland that were predominantly left-wing and Labour/Scottish Nationalist supporting, the perceived unrepresentativeness of the UK parliament caused disenfranchisement and a democratic deficit (Keating, 1996). This led to the identification and adoption of new types of social/community businesses, in which multifunctional cooperatives were created that employed local people to provide local services. These cooperatives were usually established with a combination of local government grant funding and community share capital and were used to establish community businesses in both rural areas (heritage centres; salmon hatcheries; community cafes) and urban areas (employment services; residents associations) (Pearce, 1993). However, despite the relative success of many of these businesses that are still thriving today, some high-profile failures led to the popularity of community businesses declining in the 1990's [see McArthur (1993) and Pearce (1993) for discussions of this decline and examples of community business failures].

The election in 1997 of the New Labour government created another turning-point for both welfare policy and the social enterprise sectors. The New Labour government was committed to a 'third-way' in welfare provision that built upon the entrepreneurial and marketisation policies of the 1980's and early 1990's, but through the language of partnership and collaboration (Morgan and Price, 2011). This 'third-way' in welfare provision envisioned third sector organisations as providing the organisational foundations for a shift in welfare policy in which the public, private and third sectors would work in partnership to solve societal problems and deliver welfare services (Haugh and Kitson, 2007) and was seen as a move away from the individualism of the 1980's (Teasdale, 2012). This policy framework further opened up the welfare marketplace to third sector organisations and specifically social enterprises and marked the beginning of the current era of social enterprise growth and involvement in welfare and public service provision (Osborne and McLaughlin, 2002). Crucially during this time, the process of Devolution was begun, which gave Scotland its first nationally elected executive since the Act of Union in 1707 (Curtice, 2002). Whilst in the early years the effect of this was limited, as a Labour government was in power in both Scotland and England, the dual political system still created political divergence and this process only accelerated following the election of a Scottish National Party (SNP) government in 2007. These

processes also accelerated the ongoing divergence that it could be argued is occurring today between the Scottish and English social enterprise ecosystems.

1999-2015 – Divergence and the Development of Distinct Social Enterprise Ecosystems

Following Devolution, the Scottish Executive and the Labour government in England began to create independent policies targeted at growing and developing the social enterprise sectors in both countries. Initially, these differences were not significant, with the introduction in England of the Social Enterprise Unit in 2001 (now the Office for Civil Society in the Cabinet Office); the creation of the Futurebuilders programme; and the establishment of the Community Interest Company legal form in 2004 (which applies in both Scotland and England). In Scotland, the Scottish Executive did not diverge greatly from English policy partly due to the fact that both governments were Labour-led.

However, the emergence of an SNP minority government in Scotland in 2007 and a majority government in 2011, alongside the election of the Conservative-led Coalition government in Westminster in 2010 (and majority Conservative government in 2015) has seen the divergence between policies in both countries increase, and hence has started to alter the social enterprise ecosystems in each country in different ways. In England there has been a shift in focus away from state support for social enterprise towards a marketised model, in which social enterprise seeks finance from private and social investors (Nicholls, 2010); NGOs such as the Big Lottery Fund provide investment readiness support; public services leaving the public sector to become social enterprise spin-outs (originally a Labour policy but since 2010 state financial support in the form of the Social Enterprise Investment Fund has been withdrawn) (Hazenberg and Hall, 2014); and legislation has been introduced to support social enterprises in public procurement (the Localism Act 2011 and the Social Value Act 2012) (DCLG, Nov 2011; Teasdale et al., 2012). In Scotland, financial and political state support for social enterprise has remained through the introduction of the Community Empowerment Bill and the Procurement Reform (Scotland) Act (2014). Finally, whilst the take-up of the CIC legal form in England has been relatively successful with 9,301 CICs registered by April 2015, Scotland has only 516 registered CICs to date (DBIS, 2015).

In summary, this review has shown that while Scotland and England share many historical, political, socio-economic and cultural traditions that have led to similar evolution in their social enterprise ecosystems, the divergence that began to occur in the 1970's has accelerated since. Devolution is increasingly leading to the development of distinct ecosystems.

Using the lens of Evolutionary Theory to understand the divergence of Social Enterprise Ecosystems

The focus in much of the academic studies of entrepreneurship and social entrepreneurship has to a large degree sought to use both managerialist/economic explanations and language (business), as well as political and policy-based analyses (social sciences) to understand these phenomena. There have also been past attempts to utilise metaphors, such as biological concepts and theory, in order to explore and explain entrepreneurship, including economic ecosystem theory (see Nambisan and Baron, 2013) and path dependent social system theory (see Van Assche, Beunen and Duineveld, 2014). However, aside from Gordon's (2015) recent paper that imagined social enterprises as technologies undergoing dual evolution (combinatorial and domain based), to date no attempt has been made to utilise metaphors drawn from evolutionary theory for the explanation of a socio-economic phenomenon such as social enterprise (During, 2014). This section seeks to explore the conceptual framework of evolutionary theory in more detail and to specifically relate its applicability to social enterprise development in Scotland and England. .

Evolutionary theory at a simplistic level states that variation in the species (in this case social enterprises) occurs due to three main factors: *genetic*, where change randomly occurs and the better of these random solutions sustains, succeeds and inherits; *phenotypes*, where variation within species occurs due to genetic and environmental factors; and *epigenetics*, where experience and environmental factors change the genetic makeup of an organism (During, 2014). Maturana and Varela (1987) have argued that within a biological ecosystem, everything that exists is a product of evolution *within* that system (what they termed 'autopoiesis'). However, organisms within that ecosystem also have their own internal logics and structures that cannot be wholly explained by external environmental factors. This means that internal structures exist that regulate reproduction and the continuation of the species (i.e. cell reproduction), but that this process can also be indirectly influenced by external factors that can input to the cells internal processes (Van Assche et al., 2014). In essence this means that whilst environments always affect the internal structures and systems of biological organisms, this influence is always subject to the internal interpretation of these systems.

An evolutionary theory approach also shares the belief in the power of communication that is adopted in social systems theory (Van Assche et al., 2014). In social systems theory, autopoiesis is borrowed to explain the development of social systems through the medium of communication (Luhmann, 1989). Indeed, Luhmann (1989) argued that within a social systems it is not people or actions that determine the development of society, but rather continual interpretation and reinterpretation of the internal and external environments (cited in Van Assche et al., 2014). Such

approaches have important consequences for scholarly understanding of the development of social enterprise sectors, as by understanding these sectors as ecosystems that have both internal and external logics, which interact with and shape each other to drive evolution; academics can better understand the holistic development of such sectors and the reasons behind inherent differences within them. Indeed, as During (2014) argues, evolutionary theory has three main benefits in developing our understanding of social enterprise ecosystems. First, social enterprises operate in a social environment and so cannot be detached from this to be understood as merely organisational business models and financial mechanisms, in the same way that a highly specialised biological organism can be removed from its environment and expected to flourish. Second, social value and social impact are produced through multi-stakeholder collaborations and partnerships that are inherently social and as such resembles succession in an ecosystem and other related biological concepts of evolution (such as cooperation). Third, any small social enterprise can be the beginning of a societal change (i.e. the Fenwick Weavers) that alters the institutional framework and fabric of society, just as genetic mutation may lead to the emergence of new species that alter the direction of evolution. This paper seeks to build on this framework by utilising evolutionary theory to understand the similarities and differences between the social enterprise ecosystems in both Scotland and England.

Methodology

The research underpinning this paper is part of the Enabling the Flourishing and Evolution of Social Entrepreneurship for Innovative and Inclusive Societies (EFESEIIS) project - funded by the FP7 (Seventh Framework) Programme for research, technological development and demonstration (see http://www.fp7-efeseiis.eu/ for more information). This three-year (2014-2016) project involves 11 countries (Albania, Austria, England, Scotland, France, Germany, Italy, Netherlands, Poland, Serbia and Sweden) and aims to increase understanding of the conditions under which social enterprise and social entrepreneurship starts, develops and contributes effectively to solve societal challenges in a sustainable way. Drawing from some elements of this wider work, the aims of the research underpinning this paper is threefold: to comparatively explore the social enterprise ecosystems in both Scotland and England in reference to their historical development, present state and future progress. It also attempts to assess the explanatory power of evolutionary theory in conceptualising social enterprise environments as 'ecosystems'. Finally, it seeks to develop an understanding of the variation that can occur in distinct countries within a single state.

The research design was qualitative in nature and consisted of semi-structured interviews being undertaken with key stakeholders in the sector to explore their perceptions of social entrepreneurship in Scotland and England. Specifically, the interviews explored the national

historical development of social enterprise; the role of political, financial and other institutions (local, national and European) in this development; the current context/problems facing social enterprises and the future of social enterprise in both countries. The interviews used a narrative approach (Reissman, 1993) in order to elicit participants' perspectives and their understanding of social entrepreneurship and its development. The narratives were used to gather a rich picture of how change occurred within each ecosystem, in particular what factors participants felt 'enabled' or 'prevented' the growth of the social enterprise sector (Feldman et al., 2004).

In total 35 individuals participated in the interview phase of the data collection: 18 from Scotland and 17 from England. These individuals represented key stakeholders in the social enterprise sector and included intermediary organisations, SE support organisations, practitioners, policy-makers, social bankers, national bodies, trade unions and law firms. The interviews were conducted either in person or over the phone and were recorded on a digital audio recording device and transcribed. All interviews took place between May and December 2014.

The analysis of the interview data was combined with a prior historical overview/literature review derived from the secondary/grey literature. The approach to the data analysis was inductive and iterative, as whilst we were aware of the literature (academic, historical and grey) surrounding social entrepreneurship and social innovation in each country, we did not set out to test any predetermined theories, but instead use the data gathered to develop our theoretical understanding of how social enterprise ecosystems develop (Feldman et al., 2004). This analysis identified three emergent themes from the data, namely: Language, Values and Definition; Ecosystem Support; and International Factors.

Language, Values and Definition

One area that Scotland and England remain closely related in is in relation to the approach (both politically and 'on the ground') that is taken to the definition of social enterprise and social entrepreneurship. This is perhaps unsurprising given the similar historical roots that the sectors have in both countries, emerging as they did from the cooperative movements of the 18th and 19th centuries. Indeed, from an evolutionary perspective it could be argued that this is part of both sector's 'genetic inheritance' (Maturana and Varela, 1987; During, 2014) from the early cooperative movement. Indeed, as one participant stated when discussing issues of definition:

> *"…for me, 'social enterprise' is about co-operation and collective effort, so unlike for a lot of people, for me organisational structure and fundamentally whether something is 'not-for-profit' and 'collective' is important, whereas some people say it's what you do, it's not how*

you are structured, that's important…For me 'social enterprise' has to have at its root some form of collectivism and co-operation." (SE Stakeholder, England)

"*Obviously the UK has a rich cooperative history. I have spoken to people who think that the social enterprise world is just Co-op's, certainly Social Enterprise London came out of cooperative organisations that were failing in London. There were one or two work Co-op's that we're involved in and another set of organisations that came together to make London co-opted training.*" (SE Stakeholder, England)

This similarity in outlook in defining social enterprise and the shared historical roots has however, not led to the governments in both countries producing definitions of social enterprise that are similar. Indeed, it can be argued that the political and socio-economic divergence that has occurred between both countries over the last fifty years, culminating in devolution, has led to a different focus as to what social enterprise and social entrepreneurship is (although neither country has a legal definition of social enterprise). This process of epigenetic transformation due to internal and external factors in the ecosystems of both countries (Maturana and Varela, 1987; Van Assche et al., 2014; During, 2014), has led to the English government producing a definition of social enterprise that is very broad and inclusive, as well as being market aligned (see the Office of the Third Sector definition, 2006). In contrast, the Scottish experience has been more practitioner-led with the 'Social Entrepreneur Network for Scotland' (SENSCOT, June 2010) producing an operational definition that is much more focused on values such as dignity, common ownership, equality, fairness and cooperation. Nevertheless, the participants in both countries were somewhat critical of the attempts made thus far to define social enterprise, and the need for more effective communication in order to develop and homogenise the ecosystem (Luhmann, 1989) was also stated:

"*I think that the* [SENSCOT] *code is flawed, in some ways. There isn't enough emphasis on how social enterprise works. It's much more on its impact and change. I believe that social enterprises should be offering good terms and conditions for employees. And they should have some sort of employee participation in them. Although that is one of the behaviours of values attached to the code, it's not one of the key elements of a social enterprise. I think it should be.*" [Practitioner and Academic, Scotland]

"*It's nuances. For us internally it's hard, but it's harder externally for those trying to agree on definitions and legal forms. For a new minister it will be hard, we need to communicate the message, and provide a united front.*" [Lawyer, England]

"*I think the area of definition is one where you get a lot of practitioners who don't like it… because they see it as irrelevant, it is an academic argument… I tend personally to take quite*

a narrow view of social enterprise. The reason for that is I think that because there was no consensus as to what a social enterprise actually is or what a social entrepreneur is, the practitioner community have by and large said, 'Let's be as inclusive as possible and if anybody self-declares to be in a social enterprise or a social entrepreneur then who are we to say no?" [Academic, Scotland]

Despite this desire to see more effective definition and communication of this definition by some, other participants expressed frustration that the issue of definition was still dominating the discourse both politically and academically. Indeed, these participants ultimately felt that this inhibited the development of the ecosystem as it shifted the focus away from where it should be, that is on values, social innovation and impact on the ground and meant that the heterogeneous nature of the ecosystem and the multiple phenotypes (Maturana and Varela, 1987; During, 2014) that exist within it was being overlooked. Finally, there was also an argument being put forward that the issue of definition was one that was politically motivated and part of the wider trend of using managerial and apolitical language to 'sell' the social enterprise sector for political gain (Parkinson and Howorth, 2008; Dey and Steyaert, 2010):

"*I think people attach so much importance to defining the words that go around it. For me, when you actually get to the nitty gritty of doing it the words are not the important thing. It is what is behind it, and it is about how you approach things and about your own values that you bring to it. For me, it is not about all of those terms.*" [Practitioner, Scotland]

"*Social innovation may have somebody or group of people in an organisation or group of organisations might be public or private sector or third sector, it can happen in all of these spaces, very often mixing them. Social entrepreneurs may well be social innovators and social enterprises may well be doing social innovation although not necessarily, you may get someone doing stuff that isn't really new but it is really important stuff for the fabric of society and the economy, the way things work, so it's kind of in circles really.*" (SE Stakeholder, England)

"*I don't always avoid that. I suppose most of my career has been around looking at how other people define social enterprise…My interest is in how politicians define it for their own ends, how definitions of social enterprise emerge particularly in the UK and how they've changed over time.*" [Academic, Scotland]

The interview data reveals that there is a tension present in both ecosystems in relation to the definition of social enterprise and how this is used to shape the sector both internally by practitioners, and externally by politicians and other stakeholders. Indeed, the language used and

how it is communicated is key to the evolution of the ecosystem, as it leads to constant reinterpretation of the ecosystem internally and externally (Luhmann, 1989). This can be used to explain the divergence that is seemingly beginning to emerge in the ecosystems of both countries, as a left-wing narrative centred on values is adopted in Scotland and a right-wing narrative based upon managerialism and the market is adopted in the rest of the UK. In this way, social enterprise can be presented as the saviour of public services and welfare in both countries in very different ways (Dey and Steyaert, 2010), which over time leads to an epigenetic transformation of the ecosystem and the development of new (or the domination of existing) phenotypes (Maturana and Varela, 1987; During, 2014).

<u>Ecosystem Support</u>

The interviews also revealed that the external support environments in both Scotland and England had developed over the last fifteen years to be relatively distinct, with a Scottish system that was more dependent on government support and grant funding and an English system that had moved towards a model that eschewed state support (certainly financially) in favour of a social investment market and the idea of the 'Big Society'. This latter concept has gained less traction in Scotland possibly as it is deemed as a 'Conservative' policy, but also because Scottish policy has been more centred on local authority support and community engagement since Devolution. Nevertheless, there was some critique relating to the lack of coordinated support in Scotland and the detrimental effect that this has had on the development of the Scottish ecosystem, although there was also acknowledgement that this had improved in recent years:

> "*The Big Society agenda has been quite relevant, of course there was quite a discussion about it being political or not political, and I don't want to go into that discussion, but definitely it has been relevant and has had an impact on the sector*" (Academic, England)

> "*It's a bit of a messy support environment to be honest with you. I think everyone is aware of that. There are lots of organisations doing lots of things to support social enterprise and not always well co-ordinated. We've tried to improve on that…there's lots of overlap with organisations. Historically there has been no strategy, things have just spring up organically and independently and now it's reached a point where people are questioning that again. There are a lot of organisations doing the same thing.*" [Practitioner, Scotland]

> "*In the last few years*… [we have sometimes seen] *duplicating effort. I think what we want to do is try to co-ordinate activities as much as possible, rather than to compete with each other…I think that an important means of making sure that we're efficient and that we're collaborating together.*" [Practitioner, Scotland]

In England the support environment was seen as relatively positive and stakeholders viewed the Coalition government's policy interventions in a positive light, with the implementation of the Localism Act and the Social Value Act ultimately being viewed as positive for the sector. The positive effect of cross-party support for social enterprise was also mentioned, and the external support for the social ecosystem in England was embraced by the participants. This has a positive effect on the development of the ecosystem from an evolutionary theory standpoint as internally practitioners are positively interpreting the external environmental factors put in place by the government and adapting their logics accordingly (Van Assche et al., 2014). Indeed, such a position was also acknowledged by a Scottish social entrepreneur who identified the effect that changing circumstances and environmental flux have on the ecosystem. In this respect, as in biology, the ecosystem is constantly changing due to external influences and the interpretation of and interaction with these influences by the organisms within (Maturana and Varela, 1987; Nambisan and Baron, 2013; Van Assche et al., 2014; During, 2014).

> "*There are policies around to make it encouraging and make it easier to set up SEs and charitable groups, and policies encouraging social action cross-party...Even at the heart of government it's being recognised and increasingly understood and somehow in public services it is making the most sense, trying to do more with less. I think we're in a good place right now...the Coalition has been supportive, the private members Bill, the Social Value Act which is a great step forward.*" (SE stakeholder, England)

> "*Social needs are always changing and evolving, as are economic circumstances. I think the combination of changing economic circumstances, and changing needs, have given rise and created the opportunity for social enterprises to become more prevalent and better known, over the last decade in particular. But social needs continue to change, and social enterprises, and indeed, charities and community and voluntary organisations will continue to respond to those in different ways. But the ways that those responses are organised will change, depending on the legislative frameworks, regulatory positions, and indeed, policy priorities and funding programmes.*" [Practitioner, Scotland]

There was also a focus on the financial support mechanisms that were present in both ecosystems to assist social enterprise growth and sustainability. Again, the differences in political culture between Scotland and England have led to subtly different approaches to the funding of the social enterprise sector, with the former focused on grant and community finance and the latter more on repayable investment. This has led to different organisational phenotypes (Maturana and Varela, 1987; During, 2014) emerging in the two ecosystems, with Scottish organisations being more grant-dependent, but community focused; and English social enterprises being more focused on market-based

sustainability. The true sustainability of the English model was however questioned, with the relative failure of Social Impact Bonds and the gap being the demand and supply-sides of the social investment market being acknowledged (Hazenberg et al., 2014).

> "*I think a lot of the weaknesses are they all rely on funding, like external funding. I don't think there's anything wrong with that, however, obviously, where you've got an organisations relying on central government or local government finding then there obviously going to be cutbacks in that, and there has been. So I think that's a weakness.*"
> [Practitioner, Scotland]

> "*Things like Social Impact Bonds just have not taken off, and will I think in time prove to be a complete dead-end for us to have gone down, that's something that Big Society Capital got, as did others, got quite excited and put money behind.*" (SE Stakeholder, England)

> "*Access to finance is a big issue for social entrepreneurs, only lent small amounts, few programmes for young people etc. There's a big gap between that, the Big Lottery, and then the big jump up to social investment and taking on hundreds of thousands of pounds. The bit missing from the finance prevents people being able to scale up.*" (SE Stakeholder, England).

It can be argued that both the Scottish and English ecosystems have significant amounts of support available to them from both government sources and private/community initiatives, and that these are shaping the development of both sectors. However, as the types of support available differ based upon the differing political and socio-economic factors present in both sectors (as well as the ways in which social enterprises in both countries internalise and react to these factors) this means that both ecosystems are seemingly diverging, with the Scottish sector dependent on grant and community funding and the English sector seeking sustainable sources of finance. This leaves both ecosystems vulnerable to different types of shocks, and means that the development of phenotypes within the ecosystems will diverge further over time due to these differing epigenetic factors (Maturana and Varela, 1987; During, 2014).

International Factors

The impact of international organisations was also acknowledged by the participants from both Scotland and England, particularly in relation to England. However, it was also identified that both ecosystems were viewed (rightly or wrongly) as world leading and ahead of most other countries in the support that was on offer for social enterprises:

> "*Scotland seems to be way ahead of most other countries even though I am saying we have a lot more to do.*" [Scottish Government]

> "…*I get told by people around the world on twitter that the UK is more advanced or mature as a sector, so the ecosystem of support here is more established and developed than many other countries in the world.*" (SE stakeholder, England)

Within this acknowledgement of the advancement of Scottish and UK social enterprise ecosystems, was also an acceptance amongst most participants that this was partly due to the support that the European Union had offered over the last 20 years. This support (in the form of policy, legislation and funding) was seen as a key external factor in shaping the ecosystems in both countries, and one that has largely been accepted within the internal logics of the sector. Indeed, some participants stated that the EU was ahead of national governments (particularly in England) in relation to driving social innovation. Whilst much of the data presented so far has evidenced the role that different external factors and internal logics (Luhmann, 1989; Van Assche et al., 2014) have had on the Scottish and English ecosystems, the role of the EU with its continental-wide focus on social innovation and use of social ventures to drive change is perhaps having a homogenising effect on and limiting the divergence of the English and Scottish ecosystems.

> "*I think the EU's money and programmes have been absolutely essential [to] its growth and development. I think without that money half the stuff that is out there just wouldn't exist anymore. What it allowed was all of the various programmes that they have had over the last 20 or 30 years in an area of social and economic regeneration. It came through local authorities, as they looked for partners, partners emerged, charities, voluntary organisations, social enterprises they evolved, the relationships developed, the language got more ambiguous, complicated.*" [Academic, Scotland]

> "*There does seem to be real momentum in Europe around social enterprise, in particular in Spain and Italy and Scandinavia. It is interesting that what's coming down the road in terms of European funding…Europe is looking more reliant or becoming reliant around how social ventures can be a real catalyst for change more so than their domestic league.*" (SE stakeholder, England)

> "*I think a lot of the EU's stuff is ahead of the national UK government…Some of the recent directives and strategies, particularly around procurement directives, are really welcome, and push the UK government further than they might otherwise go or want to go…I think the EU, and EU funds for many years, have been very important, actually, to the emergence and growth of the social enterprise sector*" (SE stakeholder, England)

There were some dissenting voices amongst the participants in relation to the external impact of the EU on both countries ecosystems, but these were limited to discussions around language and aims

and the rejected discourse of free-market approaches to social entrepreneurship (from the Scottish perspective); and a discussion of whether the impact delivered by the EU would have happened anyway if the monies sent to Europe had remained with the national government (English perspective).

> "*I am critical of some of the things that come with the European Union. I do think they're guilty, in some respects, of seeing this as just another…type of free market, private industry strand. They're also, obviously, tied by European Union treaties that, I think, contradict the ethos."* [Trade Union Representative, Scotland]

> "*There is an argument that the work of the EU and sending our monies over there to pay our contribution that that money would be available in the UK anyway.*" (Practitioner, England)

In assessing the data gathered in relation to the impact of international government (EU) it can be argued that the funding and policy support emerging from the continent has had a largely positive effect on the social ecosystems in both Scotland and England, and has acted as a homogenising influence on the development of both ecosystems and restrained their divergence. This is largely because the funding and support emerging from the EU has been internally accepted within both ecosystems and the social enterprises have generally embraced the logics emerging from the EU (Luhmann, 1989; Van Assche et al., 2014). From an evolutionary theory perspective this can be seen to be creating a similar epigenetic environment and therefore reducing the diversification of phenotypes (Maturana and Varela, 1987; During, 2014) within the ecological social enterprise landscapes of both Scotland and England.

Discussion

We have demonstrated that there is a growing divergence in the social enterprise ecosystems of both Scotland and England that can largely be explained by the political and socio-economic differences that have emerged between the two countries in the last fifty years, which have been accelerated, or provided an outlet, through the means of political devolution. Nevertheless, it is important not to overstate the differences between the two countries, with both ecosystems still sharing many similar characteristics in keeping with their shared heritage, national macro-economic policy, shared company law and the support of the EU. Indeed, in many ways the Scottish and English ecosystems are similar to many developed western economies, with high-levels of institutional, funding and policy support. The differences that are represented within these areas are subtle, but these subtleties in the types of support offered and the internal logics of practitioners and policy-makers are, alongside the growing autonomy of Scotland politically through devolution (and possibly independence) leading to a growing divergence between the two ecosystems.

From an evolutionary theory perspective both ecosystems have a similar historical (genetic) base that has for the last three centuries being subject to similar environmental factors (epigenetics), which has resulted in relatively similar types of social enterprises emerging (phenotypes) that have their origins in the cooperative movements of the 18th and 19th centuries (Maturana and Varela, 1987; During, 2014). However, over the last fifty years the epigenetic influences on both ecosystems have diverged as both countries have adopted differing internal logics in relation to politics (right-wing versus left-wing), socio-economic policy (monetarist versus Keynesian) and institutional structures (devolution). This has to a degree been moderated by shared structures (Scotland is still not an independent state) and shared engagement with transnational institutions (the EU), both of which have acted as a restraint on this divergence and hence limited the differences in the ecosystems. This development has led arguably to the Scottish ecosystem being based largely on the community enterprise (collective/social) form (as defined by Teasdale, 2012); whilst in England the dominant discourse has been centred upon social business (economic/individualistic) (Teasdale, 2012). Whilst further research would be needed to test this hypothesis, it would suggest that the divergence of both ecosystems is moving both sectors in opposite directions (genetically) and leading to different dominant organisational forms (phenotypes) emerging (Maturana and Varela, 1987; During, 2014). Figure 1 below illustrates a theoretical model of the comparative development of both the Scottish and English ecosystems, based upon the argument outlined above.

Figure 1 – Comparative Development of the Scottish and English Ecosystems
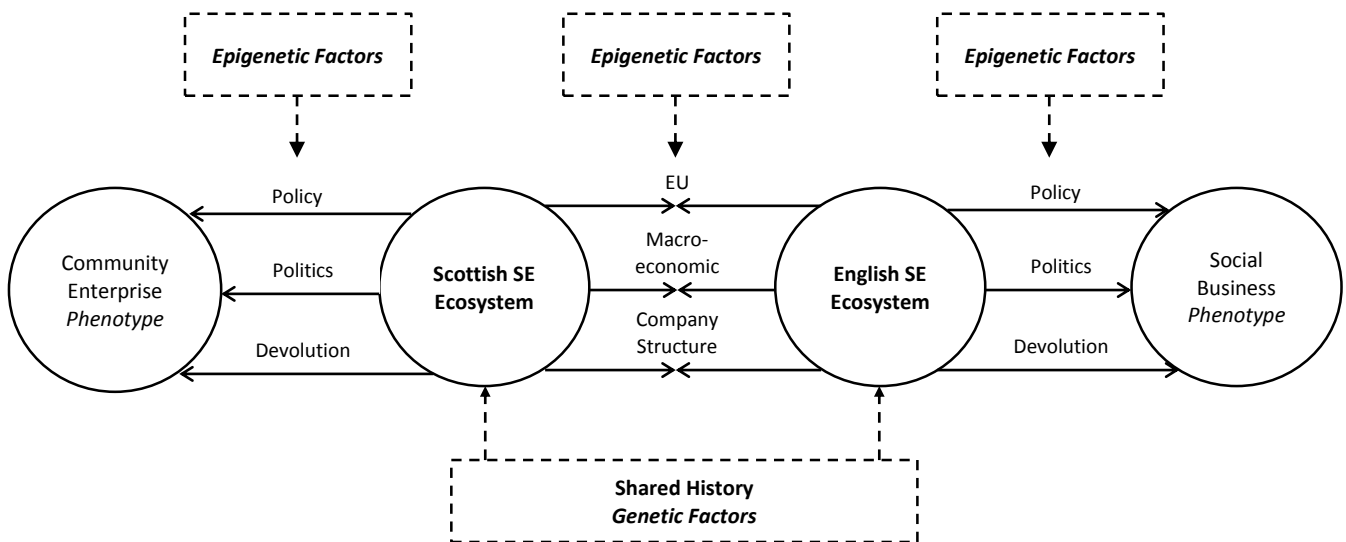
Conclusion

This paper has sought to explore the comparative development, present-day state and possible future progress of the Scottish and English social enterprise sectors. In doing so it has sought to theorise these sectors as ecosystems that behave similarly to biological ecosystems in that they

evolve based upon internal and external environmental factors (genetic, phenotype, epigenetic) (Maturana and Varela, 1987; During, 2014). In evaluating and comparing these two social enterprise ecosystems the data has revealed that what were once historically very similar sectors have over time evolved independently based upon political, socio-economic and cultural factors.

We can see that this divergence has led to the development of separate phenotypes within the ecosystem: community enterprise focused on social and collective agendas (Scotland); and social business focused upon individual and economic agendas (England) and thus it can be seen that even within singular states, relatively significant differences can occur in the social enterprise ecosystem based upon regional differences in political, economic and cultural factors. We consider that this work supplements the work of other studies engaged in exploring national and inter-regional differences in social enterprise ecosystems. However, further research is needed to test this model both within the UK (comparing regional differences *throughout* the country) and also internationally, looking at differences within states.

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