The Development of
Social Enterprise in the UK.
Some Operational and
Theoretical Contributions to Knowledge.

Michael Frederick Bull

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Statement of Authorship

I hereby confirm that this thesis entitled 'The Development of Social Enterprise in the UK. Some Operational and Theoretical Contributions to Knowledge' represents my own work except where specified in this thesis.

I also confirm that I am a contributing author to each of the publications submitted as part of this thesis. In each the contribution has been 40% or more where co-authored and my own work where sole authorship.

Michael Frederick Bull

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For all my family. Mom, Dad, Karen, Katie, Esme, Freddie and Miles.

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Abstract

Social enterprise is an 'emerging' research paradigm, yet it is not an entirely new phenomenon. There are calls from academics, policy makers and practitioners for greater understanding of the organisational models and business practices of social enterprises which this research thesis aims to contribute to.

This thesis is based on a selection of my previously published research in the field of social enterprise. The eight publications selected have contributed to knowledge about both operational concepts and the theory building of social enterprise in the UK.

My research in this subject area began in 2004 at a time when the concept of social enterprise was in its infancy. The fieldwork was conducted between 2004 and 2007. The publications based on the fieldwork span from 2006 to 2014. I begin this thesis with a contextual commentary on the field of research. The commentary charts theoretical conceptualisations of social enterprise. I map out how my research links to the broader research and policy landscape of social enterprise in the UK. Thereafter I summarise the contributions to knowledge made by each of my eight publications. I conclude by synthesising my overall findings. I draw attention to some operational challenges, such as financial sustainability and social performance management, as well consolidating my thinking around the theoretical conceptualisation of social enterprise in the UK. In doing so I conclude with a new theoretical framework that I have developed whilst writing this thesis. The theoretical framework aims to emphasise the breadth of organisational forms of social enterprise. The final section of the thesis includes a critical reflection and outlines directions for further research.

Contents

Publication 1: Bull, M. and Crompton, H. (2006) "Business practices in social enterprises" *Social Enterprise Journal*. Volume 2, Issue 1.

Publication 2: Bull, M. (2007) "*Balance*: The development of a social enterprise business performance analysis tool". *Social Enterprise Journal*. Volume 3 Issue 1

Publication 3: Bull, M. Crompton, H. and Jayawarna, D. (2008) "Coming from the heart: (The road is long)". *Social Enterprise Journal*. Vol 4 number 2.

Publication 4: Bull, M. (2008) "Challenging tensions: Critical, theoretical and empirical perspectives on social enterprise" Guest Editorial. *International Journal of Entrepreneurial Behaviour and Research*. Volume 14. Number 5.

Publication 5: Bull, M., Ridley-Duff, R., Foster, D. and Seanor, P. (2010) "Conceptualising ethical capital in social enterprise". *Social Enterprise Journal*. Volume 6 Issue 3

Publication 6: Ridley-Duff, R. and Bull, M. (2011) "Defining Social Enterprise". in Ridley-Duff, R., and Bull, M., *Understanding Social Enterprise: Theory and Practice*. Sage Publications UK

Publication 7: Seanor, P., Bull, M., Baines, S. and Ridley-Duff, R. (2013) "Narratives of Transition from social to enterprise: You can't get there from here!". *International Journal of Entrepreneurial Behaviour and Research*. Vol 19 Issue 3

Publication 8: Seanor, P., Bull, M., Baines, S. and Purcell, M. (2014) "Where social enterprise practitioners draw the line: Towards an understanding of movement from social entrepreneurship as boundary work". *International Journal of Public Sector Management*. Vol.27 No.4

1. Introduction

This thesis is based on a discussion of eight key publications which are drawn from my research scholarly activities in the field of social enterprise over a ten year period. I have been involved in researching social enterprise from the outset of this discipline gaining interest and drawing the attention of policy makers and academics. My involvement in the field of social enterprise has many layers. This interest includes being the Principal Investigator on a number of projects ranging from two European Social Fund projects aimed at improving knowledge of the operational side of social enterprise, to being involved in a consortium of UK and European academics in the instigation of a successful ESRC seminar series (see appendix 3). I have made strong links with other academics in the field through my active participation in research networks and journal development. I am involved with researchers from Europe and beyond through my role as Track Chair of the Social, Environmental and Ethical Enterprise track of the International Small Business and Entrepreneurship Conference. Likewise in my role as Chair of the Social, Environmental and Ethical Enterprise Special Interest Group, which is a global network of researchers affiliated to the Institute of Small Business and Entrepreneurship. My work has garnered interest from policy makers at a national level - for example, I was a guest speaker to Westminster Briefings to talk about the development of social enterprise in the NHS. In terms of teaching and learning, in 2007 I developed one of the first undergraduate teaching units on social enterprise in the UK. I have acted on external validation boards of social enterprise teaching programmes. I recently visited Vietnam to discuss the development of teaching social enterprise at postgraduate level at Thai Nguyen University in Hanoi. My scholarly esteem in this field is acknowledged through co-authoring a book on social enterprise with Ridley-Duff, which has had a global impact and is used by co-operative and social enterprise educators on four continents, published by Sage. We are currently writing a second edition of the book. I have been involved in regional policy networks and held Directorships in two social enterprises. Furthermore, some of my research has been practitioner focussed action research. For

example, I developed a diagnostic tool (Balance) with the aim of helping social enterprises to reflect on their management practices (see publication 2 and appendix 2). This diagnostic has not only been useful in supporting the management development of social enterprises but also as a research data collection tool, of which I currently have statistical data on 750 social enterprises that I have yet to publish from. Other research I have been involved with has been more theoretical and reflective. A key aim has been to ensure that my research has impact on end users, policy makers and academics. Evidence of achieving impact from my research is visible in that my research was selected as part of an impact case study in Manchester Metropolitan University's Research Excellence Framework 2014. The feedback from the sub-panel highlighted two of MMUs cases as 'outstanding', of which this was one.

The work that I have selected to focus on for this PhD by publication aims to showcase my work and my contributions to knowledge. The work highlighted in this thesis is a combination of empirical research on the operational aspects of managing social enterprises and conceptual modelling which contributes to a deeper understanding of social enterprise. I map out how my research links to the broader research and policy landscape of social enterprise in the UK. Thereafter I summarise the contributions to knowledge made by each of the eight publications. I conclude by synthesising my overall findings. I draw attention to some operational challenges, such as financial sustainability and social performance management, as well consolidating my thinking around the theoretical conceptualisation of social enterprise in the UK. In doing so I conclude with a new theoretical framework that I have developed whilst writing this thesis that aims to emphasise the breadth of organisational forms of social enterprise. The final section of the thesis includes a critical reflection and outlines directions for further research.

2. Conceptualising Social Enterprise

Theorists' position social enterprises as organisations with aspirations to trade and generate earned income (opposed to charity or grant finance) as the capital to achieve their social missions (Dees 1998; Nicholls 2006a). Portrayed as the business model capable of repairing socially damaged Britain, post Thatcherism (Amin, *et al* 1999), the concept of social enterprise has a good deal to live up to.

Social enterprise is an 'emerging' research paradigm, yet it is not an entirely new phenomenon. Nicholls (2006b) suggests that we need to know more about the organisational models and business practices of social enterprises, he refers to a need to understand the DNA of social enterprise. This is a space that my research sought to contribute to.

Social enterprise in the UK was born out of three inter-related contexts in the 1990s: (1) Influential radical left wing movements within cooperatives and community development institutions (Leadbeater 1997; Pearce 2003; Ridley-Duff and Bull 2011). (2) A tool for economic growth within deprived communities, increasing social cohesion, tackling worklessness and social deprivation (Leadbeater 1997; Amin, *et al* 1999; Westall 2001) and (3) A reshaping and expansion of government funding models for voluntary sector organisations, namely opportunities for social economy organisations to compete for delivering public sector contracts (Leadbeater 1997; Westall 2001). These three contexts are fleshed out in the commentary, yet, as I highlight, the disparate origins of social enterprise are not always acknowledged in the discourses of the concept.

The following commentary introduces theoretical positions and government policy development in a timeline between 1981 and 2010. My empirical fieldwork was collected between 2004 and 2007 - which coincided with the first UK strategies for the development of social enterprise under the Labour Party who were in Government at that time (DTI 2002, OTS 2006). Where

appropriate I have indicated the relevance of my publications and these are fully discussed in the section after.

In this commentary, I aim to provide a background to the development of social enterprise in the UK, drawing on theoretical models to illustrate conceptualisations. There are commonalities and contradictions between commentators in their views on the concept of social enterprise. My intention here is to outline the messiness and ambiguity of conceptualisations of social enterprise during this period but also to place my own research within the timeline and development of the field in the UK.

Mapping the Research Terrain: The timeline of development of the concept of social enterprise in the UK

In order to clearly present and contextualise the contribution of my research publications I outline some key milestones, both theoretical and political, in a chronological development of social enterprise in the UK. I interweave this with several influential visual representations that I argue do not fully capture an inclusive representation the concept of social enterprise in the UK.

Nicholls (2006a:7) states that Banks (1972:53) first coined the term 'social entrepreneurship' in the context of value led, democratically owned enterprises, responding to social problems in society. Etzioni (1973), a year later, focuses on the US and Soviet economies, suggesting a movement in public and private management towards a third system that blends both state and private management concepts. Describing a reduced state economy and the rise of alternative business models servicing what he calls *'domestic missions'*, Etzioni theoretically positioned these new enterprises as being closer to that of the private sector, than the public sector.

Social enterprise in the UK, in Ridley-Duff and Bull (2011), is traced to Freer Spreckley's work in 1981, who devised a training manual for social enterprise, from his time at Beechwood College in Leeds (Spreckley 1981). The manual describes a process for co-operatives to prove their impact against economic, social and environmental criteria. Social enterprise is the term he uses in the context of co-operatives, democracy and employee ownership.

Research introducing the idea that traditional business and management concepts could be brought into non-profits, alongside studies critically questioning this assumption, was surfacing in the US in the late 1970s (such as Newman and Wallender (1978) in *The Academy of Management Review*). By the end of the 1990s the term social enterprise was being used to describe the trend towards a more commercial approach in non-profits (eg; in the US, Dees 1998; and in Europe [notably Sweden] Pestoff 1998). Dees warns of the 'dangers' for non-profits that may be operationally and culturally challenged by

commercial funding systems (1998:56). Dart (2004) concurs that this new 'business-like' model modifies the moral legitimacy of virtuous organisations towards 'pro-market' political and ideological values. Dees (1998) conceptualises a 'social enterprise hybrid spectrum' (Figure 1), which Peattie and Morley (2008) claims the model to have influenced the entire UK research agenda.

		Purely philanthropic ←——————————→ Purely commercial		
Motives, methods, and goals		Appeal to goodwill Mission driven Social value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Key stake-holders	Beneficiaries	Pay nothing	Subsidized rates, or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donation and grants	Below-market capital, or mix of donations and market-rate captial	Market-rate capital
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices

Figure 1: Dees (1998) Social Enterprise Hybrid Spectrum

Dees' spectrum proposes that social enterprises are the result of a transition, a hybrid type of organisational form that blends two very different ideologies in equal measure, mission (social value) and market (economic value). Boschee (2006) offers a comparable analogy of a changing tide in England's voluntary and community sector. Although this model represents the US non-profit sector, my research shows this fails to fully map across to the diversity of organisational forms in the UK social enterprise sector. Articles 4 and 6 highlight the limitations of Dees' (1998) model. Furthermore, articles 7 and 8 give space for practitioners to reflect on the model and provide insightful perceptions on how the spectrum relates to their world views. I draw on these articles in the conclusion of this thesis to outline a new theoretical framework that is more representative of social enterprise in the UK.

In Belgium, the EMES network of European scholars was established in 1996. Enterprising non-profits were conceived slightly different in Europe, where co-operatives feature in the concept. Defourny (2001) highlights the emergence

of a new, socially entrepreneurial form of creative destruction, where social innovation leads to economic change in a number of ways: (1) new services/products, emerging from the crisis of welfare systems, (2) new methods, emerging from multi-stakeholder arrangements, (3) new markets, emerging from state reform and devolution. He conceptualises social enterprise (again as a single identity) as being positioned between traditional non-profits and cooperatives (Figure 2).
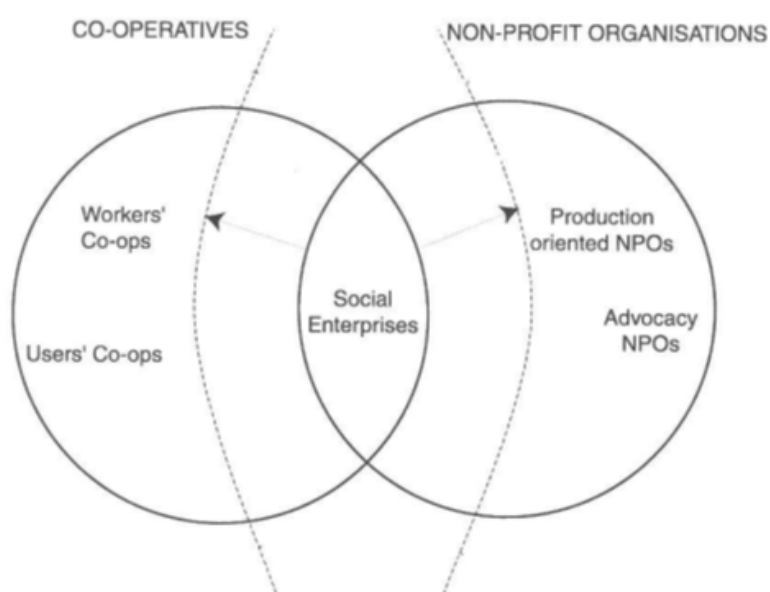
Figure 2 Social Enterprise at the "Cross-roads" of Non-Profit and Co-operative Economies (Defourny, 2001, p. 22, in Borzaga and Defourny, eds)

Defourny states that the social enterprise sector is enlarging. This is not only represented by a growth in new start social enterprises but that the two economies (non-profit and cooperative) are coming closer. I see Defourny's conceptualisation as a fluid diagram, the dotted lines indicating gaps where organisations pass through. Therefore, the concept is one of two types of economies in transition into a new business model. Although the model draws attention to both co-operatives and non-profits, my research shows this model has limitations in fully explaining the concept of social enterprise in the UK. In relation to my contributions, publications 4, 5 and 6 position both non-profits

and co-operatives in defining different types of social businesses under what Peattie and Morley (2008) term the umbrella of social enterprise.

Well over a decade later than Spreckley, Leadbeater (1997) re-contextualises social enterprise within UK welfare reform. He explains the withdrawal of the state (from delivering public services) and the individual social entrepreneurs (and their businesses) that tackle social problems, referring to practical examples from health care, housing, sport and youth service.

Politically the movement towards social enterprise gained momentum as an alternative to neo-liberalism rising from the Thatcher (UK) and Regan (US) political administrations of the 1980s (Westall 2001). A new political ideology shifted Thatcher's Conservative Party's 'small' government policies towards more involvement from the state and the rebuilding of communities (Amin, *et al* 1999). Ridley-Duff and Bull (2011) argue that the concept of The Third Sector gained recognition in the UK after Anthony Giddens (1998) adopted the phrase 'the third way' to describe Tony Blair's political philosophy (Labour Prime Minister in the UK between 1997-2007). (This is discussed more fully in publication 6, alongside definitional differences between US, EU and UK).

Westall (2001) notes The National Strategy for Neighbourhood Renewal Units report *"Enterprise and Social Exclusion"*, HM Treasury in 1999 (Policy Action Team 3) was the first time the term *'social enterprise'* had appeared in a government document. The report was written in relation to social inclusion, regeneration and entrepreneurship in deprived areas, so not exclusively a social enterprise initiative but part of the wider remit for community development. Following the report The Phoenix Development Fund was set up later in the same year to help all forms of new businesses in disadvantaged communities in England access pre and early start-up financial and non-financial support (Ridley-Duff and Bull 2011). The fund was one of many Government financed incentives that were targeted at enterprise as a solution to worklessness and social and economic inequalities (OTS 2006).

In 2001 the Labour government formed a Social Enterprise Unit (SEU) within the Department of Trade and Industry (DTI)[1]. The SEU was later subsumed

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[1] The DTI was the predecessor of Department for Business, Innovation and Skills (BIS)

within The Office of the Third Sector (OTS) in 2006[2]. The formation of the Social Enterprise Unit had a clear role in (i) co-ordinating social enterprise policy, (ii) championing the sector, and (iii) identifying and tackling the barriers to the growth of social enterprises (Bull and Crompton 2005).

In order to highlight the development of the concept of social enterprise in the UK, a timeline of key dates, including my research timeline, contextualises the period of this research (Figure 3). As shown, my research began in 2004 and empirical research was undertaken until 2007, with associated publications from the period until 2014.

Year	UK social enterprise development timeline	My research timeline
1981	Beechwood College, Leeds. Delivering social audit training package to co-operatives, which Spreckley' coins as a manual for social enterprise.	
1997	The Labour Party came into Government	
1997	UK think tank publication by Charles Leadbeater - *The Rise of the Social Entrepreneur'*	
1998	UK Government influenced by political commentary by Anthony Giddens - *The Third Way'*	
1999	UK publication by Amin *et al.* - first UK academic reference to 'social enterprises'	
1999	National Strategy for Neighbourhood Renewal Policy Action Team (PAT) 3 Business - within the strategy was the first policy reference to social enterprise. *"Enterprise and Social Exclusion"* HM Treasury	
1999	The Phoenix Development Fund unveiled to support the development of enterprise and entrepreneurship in disadvantaged communities.	
2001	UK think tank publication by Andrea Westall – *"Value Led Market Driven"*	
2001	UK Social Enterprise Unit set up within the Department of Trade and Industry	
2002	First UK Social Enterprise policy *"Social enterprise: A strategy for success"* (for England only)	
2003	UK Practitioner publication by John Pearce - *"Social Enterprise in Anytown"*	
2004	1st UK Social Enterprise Research Conference (SERC)	Empirical data collected 2004-2007
2005	*Social Enterprise Journal*, funded by Social Enterprise London	
2006	UK Government creates The Office of the Third Sector	Publication 1 in 2006 Publication 2 in 2007
2006	The Office of The Third Sector unveils *"Social enterprise action plan: Scaling new heights"*	
2008	*Social Enterprise Journal* moves to Emerald Group Publishing Limited, from 1 to 3 issues a year	Publication 3 in 2008 Publication 4 in 2008
2010	Change of Government from Labour to Conservative and Liberal Democrat Coalition. A change in Cabinet Office to The Office of Civil Society	Publication 5 in 2010 Publication 6 in 2011 Publication 7 in 2013 Publication 8 in 2014

Figure 3: Timeline in the development of social enterprise to the UK

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[2] OTS was renamed The Office of Civil Society in 2010 with the change of Government

Academically, the earliest UK research study embracing social enterprise is Amin, *et al* (1999), in relation to regeneration, neighbourhood renewal and the rebuilding of marginalised communities (related to the fore-mentioned government initiatives such as the National Strategy for Neighbourhood Renewal and the Phoenix Fund). Interestingly, Amin, *et al* state that the Department of Environment, Transport and Regions (DETR) claimed in 1998 that there were 450 social enterprises in the UK, with a combined turnover of £18 million. This is in contrast to ECOTEC figures from 2003 which suggest 5,300 social enterprises. Both study's claims rest on what they applied as a definition - which they both concede may not be accurate (due to definition and constraints on accessing information). Amin, *et al* (1999) explored sixty case studies and claimed that the UK social economy was at a crossroads. They highlight barriers from the public sector in recognising the sector's value (as self-sustaining as well as community autonomy), funding opportunities, and the acknowledgement that this is a genuine alternative to traditional business and not a bridge between deprived communities and mainstream employment. (The precarious nature of financial sustainability surfaced in my research, in publications 1, 2 and 3 and is discussed more fully in the following section).

Borzaga and Solari's (2001) outlined some of the management challenges for social enterprise. They state,

> *"Their* [social enterprises] *multi-faceted mission obliges social enterprises to consider how they can manage commercial activities, which by their very nature require adequate management practices which are typically orientated toward effectiveness and efficiency..... as social enterprises move from reliance on donations and funding to the delivery of goods and services, the balance shifts from advocacy and fund raising activities to management of quality and customer satisfaction, which in turn requires an increase in operational efficiency"* (2001:334)

They outline the gap in social enterprise management theory, suggesting there is a need for a greater understanding of product/service quality, skills, management expertise and support, finance, networks and governance structures (2001:336). They conclude with a call for the development of

theoretical and practical knowledge on the internal challenges of the management of social enterprises as knowledge cannot easily transfer from other domains. Business practice, management skills and operations were the focus of my research in publications 1, 2, and 3, where I used the Balanced Scorecard and Organisational Life Cycle theories as frameworks to study social enterprises, as a response to their call for empirical research.

Research for the Small Business Service (SBS) in the UK by Smallbone, *et al* (2001) reveals that social enterprises face many business challenges, as they lack expertise in marketing (especially in promoting their distinctiveness), measuring performance (reporting on their social impact) and finance (understanding and utilising social finance). This is potentially due to the background of many social enterprises, which are wedded to community and voluntary sector funding mechanisms (grants and donations) rather than debt finance. Business planning and organisational decision-making (balancing mission and market issues) were also highlighted as an area of weakness. They are quick to point out that this skills gap is hard to close as the national landscape of SBS provision is weak, with only twenty-five percent of regions with a specific social enterprise policy. In terms of my research publications 1, 2 and 3 contribute to this area of knowledge development in two ways. Firstly, publication 2 includes a discussion of the development of a sector specific business analysis diagnostic tool called Balance (see appendix 2). The tool was utilised in their business support process by Social Enterprise North West (SENW, the regional sector support agency, established to deliver the Government's strategy for social enterprise). The engagement from SENW with the Balance tool as part of their consultancy responds to Smallbone, *et al*'s (2001) gap in support provision. Secondly, publication 1, 2 and 3 also provides evidence that chimes with their findings of business skills shortages. In particular, publication 2 evaluates business and management concepts through an analysis of social enterprises using the Balance diagnostic tool. The findings converge with Smallbone, *et al*'s research, as social accounting and reporting, financial sustainability and business development are all judged to be undeveloped in my sample of social enterprises. This is discussed in more depth in the conclusions.

In 2002 the first UK Government strategy for Social Enterprise was launched, the *"Social enterprise: A strategy for success"* (DTI 2002), outlining a new era and a political framework for the development of social enterprise in England. A three year focus was outlined to offer an environment for social enterprises to flourish and to promote a '*better understanding'* of social enterprise, for their '*abilities'* to be better understood and for them to become '*better businesses'*. To its credit the Strategy recognised the various organisational forms under the social enterprise umbrella. Yet, as part of the positioning of the sector, the Strategy included a single definition of social enterprise that on reflection fails to accommodate all organisational types under the umbrella. It read:

> *A social enterprise is a business 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.*

The DTI, in the *"Social enterprise: A strategy for success"* (2002), go further in stating (2002:21);

> *While fledgling social enterprises may derive less than half their income through commercial activity, mature social enterprises aim for close to 100%.*

This however goes without mention in subsequent reports. Interestingly, ECOTEC's 2003 research for the DTI sought to count the numbers of social enterprises with <=50% trading income. Whilst The Small Business Survey in 2005 stated their study defined organisations as social enterprise with a minimum level of earned income of 25%. Lyon, *et al* (2010) provides some clarity in explaining that those organisations with between 25% and 50% trading income are classed as in transition, whilst those at 50% and above are fully-fledged social enterprises. However, research fails to refer back to the DTI's claim of mature social enterprises achieving 100% trading income. Furthermore, the concept of a transition phase is interesting, yet appears to have had little attention in the literature.

In 2006 the UK Government launched their continuation of support for the development of social enterprise through their subsequent strategy; "*Social*

enterprise action plan: *Scaling new heights*" (OTS 2006). Building on *"Social enterprise: A strategy for success"* (DTI 2002), the action plan had four main aims; (i) it aimed to foster a social enterprise culture, (ii) to fund agencies to deliver specific business support, (iii) to improve access to finance (iv) to open up a market for social enterprises to deliver public sector services. Intriguingly, the action plan failed to define social enterprise as having a required level of trading income. Consequently, rather than narrowing the parameters and reducing the size of the movement, at a time when the Government sought to grow the numbers, the omission meant a broad church of organisational forms could associate themselves, and be defined, as social enterprise.

Leadbeater (1997), Westall (2001) and Pearce (2003) contributed (non-academic) publications on social enterprise/social entrepreneurship from a UK policy/practitioner perspective, alongside Alter's (2004) work from the US. All four provided visual conceptualisations of the sector. Notably their models which outline their theoretical positions; social entrepreneurship (Leadbeater 1997, Figure 4); the fourth sector model (Westall 2001, Figure 6); the social economy (Pearce 2003, Figure 7) and the hybrid spectrum (Alter, Figure 8). I argue each model has its limitations. I critique these models in publications 4, 5, 6, 7 and 8. I also return to this critique in the conclusions of this thesis in presenting a new theoretical framework that represents the various forms of social enterprise in the UK. In Figure 4, Leadbeater (1997) draws on case studies, where social entrepreneurs have brought about social change through their organisational endeavours. He outlines that socially entrepreneurial activities can take place at the crossover between public, private and voluntary sectors. The model is interesting as it highlights that social entrepreneurship is not solely occurring within any one sector.
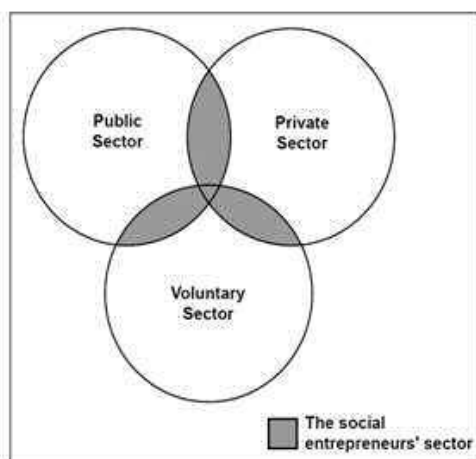
Figure 4: Leadbeater (1997) Social
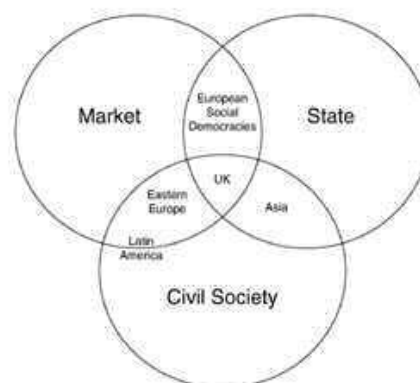Entrepreneurs Sector

Figure 5: Nicholls (2006) Positioning of
Social Entrepreneurship Internationally

The three-sector Venn diagram was also used in Nicholl's (2006) seminal work, highlighting the relationship of differing countries contexts for the development of social entrepreneurship (Figure 5, p5). Nicholls places UK social entrepreneurship differently to Leadbeater, in the inter-section of all three sectors. What they both share is a common claim that there is a space for social entrepreneurial endeavours. This space is fostered by social innovations as responses to social needs that are driven by *extraordinary* individuals. However, what they both lack is identifying where organisations are theorised in their models, a point I discuss in depth in publications 4, 5, 6, 7 and 8.

Westall (2001, Figure 6) outlines the space for social enterprise as a *multi-stakeholder governance* (charity type) or *multiple owners* (co-operative type) fourth sector. The space for social enterprise is interesting as she acknowledges the relationship between the voluntary sector, government sector and private sector at the crossovers. She identifies the voluntary position as reliant on grants, with no owners - in opposition to fully self-financing position and outside shareholders, with social enterprises in the middle, yet also in the crossovers. The model appears to focus on organisational types from the labels on the diagram. However, this is not the case (there are two co-operatives [Poptel and Coin Street], an employee-

owned business [St.Luke's] and a trading charity [FRC]). She explains that the fourth sector represents organisations that have (socially) innovatory practices, breaking free from 'historical baggage' (2001:24). Therefore again, it would appear that social enterprises are being defined with shared characteristics as the focal point. My arguments, made in publications 4, and 6 (developed more fully in the conclusions of this thesis) are that there needs to be a theoretical framework that clearly identifies distinct features of each type of social enterprise, acknowledging the differences as opposed to side-lining them.
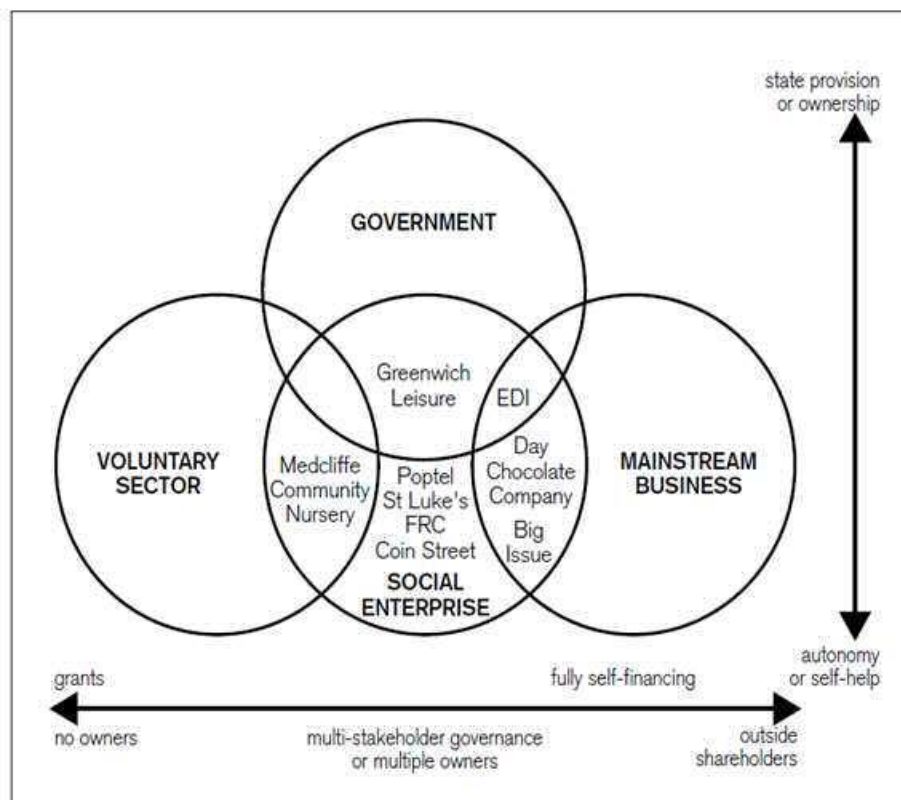
Figure 6: Westall (2001) Four sectors of the economy
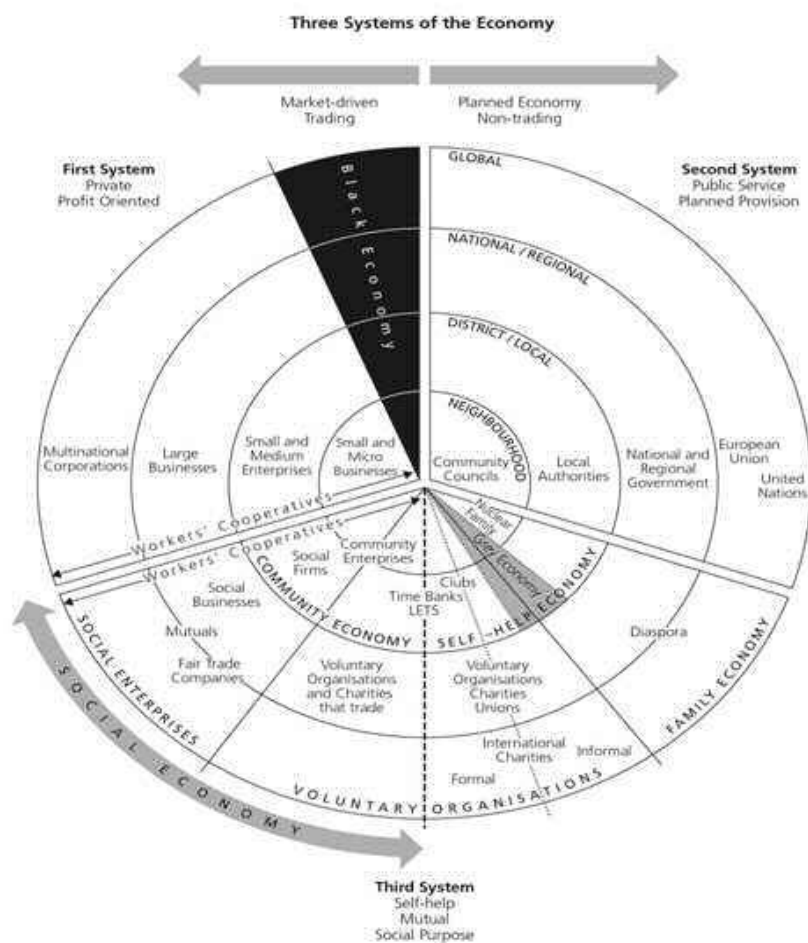
Figure 7: Pearce (2003) Three systems of the economy

Pearce (2003) claims social enterprise is - *'not primarily about running a business'* - in the sense of maximising profits for individual wealth creation (2003:34). In making sense of the place of social enterprise in the economy Pearce's three systems model (Figure 7) outlines public, private and social economies, where social enterprises are seen as part of the third (social economy) system. Pearce identifies social enterprise as being closer to the first (private enterprise) system, which highlights social enterprises as community enterprises, social firms (a particular form of social business for people with disabilities), social businesses, mutual and fair-trade companies. The model indicates social enterprises as operating from local to global and positioned on the trading side of an economy, as opposed to the planned side (led by state ideas). The model is useful in demarking social enterprise as a trading business, within the third system of the economy. However, the model fails to address the relationship that social enterprises have with the state - delivering services in the planned provision of the economy, which is

represented in both Leadbeater's model (Figure 4) and Westall's model (Figure 6).

In Alter's (2004) theoretical model, she highlights the hybridity from traditional for-profit businesses to traditional non-profits, through business models positioned in terms of their level of social value. The rise of responsible business represents a movement in mainstream business towards a more conscious business model. On the other hand, social enterprise represents a movement in traditional non-profits towards more commercial activities. Alter (2004) divides the lines of distinction on motive, accountability and what happens with profits. Alter's perspective, like Dees (1998), is one of non-profits becoming more enterprising alongside a business model that reinvests income in the business. In relation to my research, this model is elaborated on when introducing the notion of ethical capital, which I develop in publication 5. Likewise, the definitional debate from Alter's framework is discussed and critiqued in publications 4, 6, 7 and 8.

Hybrid Spectrum

Traditional Nonprofit	Nonprofit with Income-Generating Activities	Social Enterprise	Socially Responsible Business	Corporation Practicing Social Responsibility	Traditional For-Profit

Mission Motive •   • Profit-making Motive
Stakeholder Accountability •   • Shareholder Accountability
Income reinvested in social programs •   • Profit redistributed to shareholders
or operational costs

Figure 8: Alter (2004) Hybrid Spectrum

As highlighted from all these theoretical frameworks there are a patchwork of conceptual lenses through which to view social enterprise. Many share commonalities in their hybridity, yet the breadth of organisational types within the concept of social enterprise is not sufficiently acknowledged. A concern with narrowing the focus of the concept to one based on commonalities, fails to engage with the differences inherent in the disparate entities that have been

badged together as social enterprise. Indeed, Parkinson and Howorth (2008) argue that myths embodied in the field have become self-perpetuating and that there is a necessity for greater theoretical exploration before refining and narrowing the concept of social enterprise.

Also represented on the timeline is the instigation of the Social Enterprise Research Conference (SERC), which began in 2004 at the Open University, Milton Keynes. This was followed by the launch of the *Social Enterprise Journal* (SEJ) at the conference in 2005 providing the main platforms for the theoretical development of the field of social enterprise in the UK. The success of the journal and the growth of interest in the field of social entrepreneurship/enterprise gave way to Emerald Group Publishing Limited signing the journal in 2008, which provided further opportunity to increase the output from one to three issues per year. The publications in this thesis all developed from conference papers at SERC (between 2004 to 2012, the conference latterly becoming International Social Innovation Research Conference, ISIRC), with four publications published in the SEJ. This is testament to the value of these social institutions for the theoretical development of social enterprise and for the dissemination of the UK (and International) social enterprise research community.

The timeline of relevance to my research ends in 2010 coinciding with a change of government from Labour to a Conservative and Liberal Democrat Coalition government. Along with the change of government came a repositioning of social enterprise as part of The Big Society rhetoric (which is beyond the scope of this research, as it is outside of the empirical research period that informed publications 1, 2, 3, 7 and 8. Likewise, publications 4, 5, and 6 are theoretical articles written prior to the change of government).

In this commentary, I have positioned social enterprise in an historical timeline from the emergence of the concept. I have made reference to each of the publications in this section where my work has contributed to knowledge. In the next part each of my publications are discussed in detail, highlighting specifically how each adds to the development of the field.

3. My contributions to Knowledge: Publications 1 - 8

With the launch of the *Social Enterprise Journal* in 2005 theoretical contributions to the debates taking place in the US (through Harvard, 1993) and Europe (through EMES, 1996) began to gain resonance in the UK. Nicholls (2006b) called for descriptive, case study research that would add empirical evidence that capture actual practices to move the field forward. Haugh (2005), in the opening article of the journal, also called for research to develop and deepen the theoretical and practical knowledge of social enterprise/entrepreneurship.

This thesis, based on previously published work in the area of social enterprise, reflects a longstanding interest in its development in the UK since its rise to prominence in the late 1990s. The empirical research was undertaken within a time when the conceptualisation of social enterprise was in its infancy in both theory and practice. It was a time when the first UK Government Strategy for Social Enterprise *"Social enterprise: A strategy for success"* DTI 2002) was launched, closely followed in 2006 by the expanding continuation, *"Social enterprise action plan: Scaling new heights"*. The plan was operationalised across the country through the Regional Development Agencies charged with implementing the national strategy. The focus of the initial Strategy was on '*better understanding*' of social enterprise, '*understanding of their abilities*' and creating '*better businesses*'. Much like the focus of the *"Social enterprise: Strategy for Success"* (DTI 2002), my research publications presented in this thesis have each individually sought to either contribute to a '*better understanding*' of social enterprise, to an '*understanding of their abilities*' and to critique the concept of social enterprise in a context of political pressure for them to become '*better businesses*'.

In this section, I discuss each publication. I provide a critical account of how each publication makes a coherent and significant contribution to knowledge and scholarship. My interest in social enterprise began in 2004 with two successful ESF (European Social Fund) grants. I was Principal Investigator on both. The first grant was to investigate the business and management of

social enterprises in order to design and build a new diagnostic tool to support the development of social enterprises in the North West of England. This research led to publication 1, a qualitative case study of fifteen organisations, investigating the business practices of social enterprises. The second grant in 2005 was to utilise the diagnostic tool across the North West of England. Publication 2, a study of thirty social organisations, explains the development of the diagnostic tool and reports on the findings and data collected via the diagnostic tool (further information about the diagnostic tool is provided in Appendix 2).

The third publication, three case studies of social enterprises in healthcare, was based on interviews with practitioners and sector support agency staff during the ESF research project phases, yet not directly linked to the application of the diagnostic itself. Publications 4, 5 and 6, were conceptual articles, which problematise the 'social' in social enterprise, critiquing the emphasis on 'enterprise' in the theoretical conceptualisation of the business model. Publication 5 is a re-conceptualisation of social enterprise through the lens of ethical capital. Publication 6 is a chapter taken from the co-authored book (Ridley-Duff and Bull 2011[3]), which seeks to grapple with the defining principles of social enterprise. Finally, publication 7 is based on interviews with fifty-eight practitioners in social organisations, and publication 8 is based on forty three interviews which sought to challenge Dees' (1998) 'rising tide' analogy, through empirical research with organisations in the health and social care sector in transition to social enterprise.

Through advancing empirical and theoretical understanding of the sector my contributions to knowledge lie in; (1) an appreciation of the challenges in the *operationalisation* of the business model in terms of business and management practices (publications 1,2,3,7,8). (2) A critique of the *conceptualisation* of the social enterprise business model (publications 4,5,6), problematising the terms 'social' and 'enterprise' in the theoretical development of the business model.

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[3] Understanding Social Enterprise: Theory and Practice is the first UK textbook in the field, published by Sage.

The primary research within my publications in this thesis was obtained by face to face interviews with thirty one different organisations, which included sixty-two individual interviews in total (some organisations were interviewed more than once [full details provided in appendix 1]). All organisations were based in the North West of England, and were self defined or defined by others as social enterprises. The organisations were engaged in the delivery of services such as health and social care, arts, health, safeguarding the environment and increasing participation in sport. The types of enterprises interviewed were a mix of legal forms from Company Limited by Guarantee (some with charitable status) to Industrial and Provident Societies (co-operatives) (See Appendix 1 for further details of all the organisations that were interviewed as part of the studies within these publications). The following table (Figure 9) highlights the nature of each publication.

No	Authors	Type	Journal	Downloads
1	Bull, M. and Crompton, H. (2006)	Empirical. Interviews with 15 social enterprises/sector support agencies	SEJ	1140 downloads to date
2	Bull, M. (2007)	Empirical. Interviews with 30 social enterprises/sector support agencies	SEJ	957 downloads to date
3	Bull, M., Crompton, H. and Jayawarna, D. (2008)	Empirical, Case study of 3 social enterprises	SEJ	545 downloads to date
4	Bull, M. (2008)	Conceptual	IJEBR	2837 downloads to date
5	Bull, M., Ridley-Duff, R., Foster, D. and Seanor, P. (2010)	Conceptual	SEJ	1231 downloads to date
6	Ridley-Duff, R. and Bull, M. (2011)	Conceptual	n/a	140 Google citations and 2000 copies sold
7	Seanor, P., Bull, M., Baines, S. and Ridley-Duff, R., (2013)	Empirical. Interviews with 58 social enterprises/sector support agencies	IJEBR	409 downloads to date
8	Seanor, P., Bull, M., Baines, S. and Purcell, M. (2014)	Empirical. Interviews with 58 social enterprises/sector support agencies	IJPSM	122 downloads to date

Figure 9: The eight publications within this thesis, the nature of each, journal and the number of downloads

Having introduced the recent rise of social enterprise in the UK, providing the context for this research dissertation, the following part of the thesis outlines each of my 8 publications in terms of their contribution to knowledge. My thesis therefore positions the contributions I have made to knowledge in this

field of study responding to the call for both theoretical and practical knowledge of the zeitgeist of social enterprise.

Publication 1: Bull, M. and Crompton, H. (2006) "Business practices in social enterprises" *Social Enterprise Journal.* **Volume 2, Issue 1.**

This article was published in the second edition of the *Social Enterprise Journal*. As Figure 9 shows, it has been downloaded 1140 times to date. There was very little published research on the barriers, growth and development of social enterprises (Dart 2004, Haugh 2005) at this time, despite the focus of the DTI's *"Social enterprise: A strategy for success"* document that sets out the government's plans to remove the barriers to growth and development (DTI 2002). This paper contributed to the void. The paper highlights the management capabilities, skills and barriers faced by organisational leaders and their teams in adopting/following a social enterprise model through examining business and management concepts. This publication was part of the dissemination at the end of the first 18 month ESF research grant I was awarded.

In addition to critiquing the social enterprise literature, this publication draws together a review discussing the challenges in utilising business performance tools from private or public management. Methodologically the research investigation in this paper was influenced by Kaplan and Norton's (1996) Balanced Scorecard and parallel research at the time (Somers 2005) looking at how useful the Balanced Scorecard could be to non-profits/social enterprises and those that support their development (ie; sector support agencies/consultants). This publication fits well within the emerging *Social Enterprise Journal*, the article itself was published in the journal's second edition, and in the context of critical themes of discussion around the barriers to development of UK social enterprise (see Hines 2005; Somers 2005).

As this is an emerging field of study empirical research is in its infancy. Therefore the methodology employed was exploratory in nature and so based on an empirical, qualitative, grounded research which included fifteen interviews with a combination of sector support staff and practitioners in management positions (full details of the participating organisations in Appendix 1).

The findings of this paper highlight varying degrees of adoption to a recognisable social enterprise model (based on literature at the time) and a range of barriers and issues. Participants mentioned issues in the political

change and transition from grant to contract culture as a barrier to growth. In terms of finance a general struggle for financial sustainability was observed. One interviewee suggested that local authorities were exploiting social enterprises. They claimed that local authorities were aware of social enterprise's tendency to put mission before money and deliver 'on the cheap', knowingly offering contracts to a value below the full cost of the service provision. Interviewees suggested that local authorities legitimise this behaviour in assuming philanthropic funding/grant aid or the use of volunteers will cover the losses (akin to what Dees (1998) might have been referring to as below-market capital, where capital is supplemented with gift income).

In terms of learning and growth, the findings indicate the need for sector specific skills development, that caters for the differences in the business model and that responds to the needs of the people involved, with many staff local community volunteers, community leaders or community activists, who may lack the necessary business, management and enterprise skills to realise their capabilities (this supports and adds further depth to the findings of Hines 2005). In terms of internal business process the findings highlight that many participants were aware of a greater need to prove their capabilities through social value measurement tools and professional accreditations, yet considered the affordability and processing costs beyond their finances and skills.

In conclusion this empirical article sought to investigate the business practices of social enterprises, particularly focussing on the barriers and issues they face in organisational development. The research provides a deep understanding of a sector in development, where the practices are undermined by financial issues and managerial skills gaps. These challenges therefore make it difficult for organisations to live up to the ideals of the social enterprise business model.

Publication 2: Bull, M. (2007) "*Balance*: The development of a social enterprise business performance analysis tool". *Social Enterprise Journal.* Volume 3 Issue 1

This article follows on from the research project as presented in publication 1. Having previously conducted interviews around a conceptual framework of the Balanced Scorecard, this publication reports on the development of a social enterprise specific diagnostic tool. Figure 9 shows this article has been downloaded 957 times to date. The publication provides an analysis of the findings of utilising the tool with thirty socially orientated organisations in the North West of England (Full details of the participating organisations in Appendix 1). This publication outlines the design of the diagnostic tool Balance, and reports on the findings from the data collected, as part of the second grant I secured from the European Social Fund (ESF). I was again Principle Investigator.

In addition to critiquing the social enterprise literature, this publication draws together a review discussing sector skills needs. The Social Enterprise Unit (SEU – DTI 2002) identified some major barriers to the growth of the social enterprise sector. This was in terms of the internal skills and capabilities within organisations, such as managing the tensions and conflicts in meeting both the financial and social bottom lines and secondly in educating stakeholders about their social value, correlating with the findings in Bull and Crompton (2006). This article draws attention to the Strategy for Neighbourhood Renewal, in recommending that business skills, business support and sustainability are critical factors for successful social enterprises. Whilst policy literature has highlighted skills shortfalls, academic theory has been slow to add to this evidence base. Building on literature within the *Social Enterprise Journal*, Hines (2005) reports on business support, likewise Lyon and Ramsden (2006) and Somers (2005) on the process of a Social Enterprise Balanced Scorecard. Todres, *et al* (2006) on capacity building and Brown (2006) on equity finance. This article (Bull 2007) and adds great value in providing scholarly research that addressed some of the shortcomings of other academic literature at that time.

The findings highlight that social enterprises see themselves as being entrepreneurial, seeking opportunity exploitation and growth. However, proving their social value and impact was under-developed, with only a third of the sample (10 of 30) measuring non-financial performance, yet almost half working towards some form of social accounting. This evidence supports the call for higher business skills and a greater understanding of social value. The findings also highlight that there are different types of organisations, some more *social* than others, some more driven to become more *business-like* than others. This finding is different to Dees' (1998) rising tide of commercialisation. These findings therefore represented a new potential line of inquiry into a deeper understanding of social enterprise - one that looks at a continuum of *social* to *enterprise*, in order to widen understanding of complexity in this new business model. Publications 7 and 8 develop this angle.

Publication 3: Bull, M. Crompton, H. and Jayawarna, D. (2008) "Coming from the heart: (The road is long)". *Social Enterprise Journal.* Vol 4 number 2.

This article was written from a research study comprising of three case studies of social enterprises. Figure 9 shows it has been downloaded 545 times to date. This publication utilises a theoretical framework from mainstream business research (advocated by Haugh 2005, 2012). Adizes's (1999) Organisational Life Cycle (OLC) model provided a way of reflecting on the three organisations, from their courtship years, through infant, adolescence and stable phases (Adizes 1999).

The three cases were health and social care social enterprises (full details of the participating organisations in Appendix 1). A case study methodology was used to understand and listen to the stories of growth and development, allowing the social entrepreneurs to express themselves in order to capture their world views.

The findings mirror many of the findings from Leadbeater's (1997) study. Our findings highlight passionate individuals who strive to address a social need within their community, on scant resources, working long hours, mostly without pay. Milliband's foreword in the *Social Enterprise Journal* 2007 also acknowledges the great efforts of social entrepreneurs in striving for their vision. However, beneath the heroic work of the social entrepreneur this paper highlights the chaos, lack of structure and a relentless search for financial sustainability. The paper highlights the challenges of adopting a social enterprise business model. Of note is that the financial positions of these case study organisations does not change over time, as income is largely tied up in the costs of service delivery rather than organisational infrastructure. This highlights that public sector funding inhibits growth and maturity. With a drive for social enterprises to become more accountable in terms of proving their non-financial value (Haugh 2005; Lyon and Ramsden 2006), the cases highlight the shortcomings in terms of skills, resources and the infrastructure to adopt such systems. The Organisational Life Cycle model by Adizes (1999) also indicates that the 'stable' phase of organisational maturity, triggers an ageing process, where the eventual end of organisational life is in the over-

bureaucracy of a firm, where an internal focus on process replaces a customer focus. The threat of becoming overly bureaucratic is an interesting tension that surfaces in the paper, the quest for greater control and measurement of social value raises the question. The tension, in hindsight, could have been developed more fully in the paper but the journey to the end of life for social enterprises may either be in the inability to support the infrastructure to report on their value - or indeed in the costs of the infrastructure (ie; the internal focus) to report value!

Publication 4: Bull, M. (2008) "Challenging tensions: Critical, theoretical and empirical perspectives on social enterprise" Guest Editorial. *International Journal of Entrepreneurial Behaviour & Research.* **Volume 14. Number 5.**

I include this guest editorial introduction of a special issue in IJEBR as an important step in my contribution to the theoretical development of social enterprise. As Figure 9 shows this article has been downloaded 2837 times to date. The guest editorial was secured on the back of a successful seminar I organised and chaired. The special issue includes two papers from the seminar in 2006, entitled; *'Critical Reflections on Social Enterprise'*. My thinking around this time was beginning to question the policy pursuit for economic growth through social enterprise, with more emphasis being placed on the *enterprise* than the *social*. I argue within the article that there needs to be space to problematise the dominant theoretical conceptualisation of social enterprise.

Having attended the UK Social Enterprise Conference in successive years from 2005 onwards at London South Bank University, conversations with fellow academics often challenged the under-representation of the social in the defining characteristics of social enterprise. Although my research to date had been particularly focussed on an empirical base, the definitional debate and theoretical conceptualisation was interesting to me.

The Manchester seminar brought together papers that questioned the social enterprise business model as overly focused on an enterprise dominant narrative to the detriment of the social.

This guest editorial galvanised my thinking at that time. In this publication I drew attention to the government's push towards self-sufficiency as the financial model of the social economy, through a marketisation ideology. With the shift to marketisation, a more business-like model is suggested to influence the organisational form (Dart 2004). The foundations of a business whose primary purpose is social (Pearce 2003) is then faced with the problem of commodification (Maitland 1997). Maitland explains it well, the market frees individual acquisitiveness from moral/social and or religious constraints. Thus it erodes aspects of organisational life that cannot be measured or converted into economic terms - ie; it commodifies (1997:18). It follows that

managerialism prevails with a business narrative; marketing, quality and management systems are prioritised over the purpose of what those management systems are utilised for - i.e.; mission obligations.

I further suggest the definition is confusing, as there are three very different entities (from the entrepreneur [company law], democracy [society law] and philanthropy [charity law] backgrounds), which whilst emerging from very different historical, conceptual and ideological camps have all been tarred with the same brush. A point I return to in developing a new theoretical framework in the conclusions.

Publication 5: Bull, M., Ridley-Duff, R., Foster, D. and Seanor, P. (2010) "Conceptualising ethical capital in social enterprise". *Social Enterprise Journal.* **Volume 6 Issue 3**

This publication was awarded the Emerald award for excellence in 2011 as the best paper in the *Social Enterprise Journal* that year, and features in all of the top 20 download statistics for the journal since it was published (Harrison 2013). Figure 9 shows it has been downloaded 1231 times to date. The contribution to knowledge from this article I wish to focus on is in drawing on Alter's (2004) hybrid spectrum (figure 8) and Wagner-Tsukamoto's theory (2005, 2007) of ethical capital from the *Journal of Business Ethics*.

The paper presents a different approach to exploring the conceptualisation of social enterprise. The focus in the context of this thesis is on the front end of this paper, theme 1, with the latter end, theme 2 and 3 the contributions from the others authors thoughts on the concept of ethical capital. The notion of ethical capital as an interesting topic came to me a good while before I began thinking about the paper. Tim Smit, CEO of the Eden Project, gave a rousing speech at Voice 2007 - A Social Enterprise Conference (a practitioner/policy conference as opposed to an academic one). In the speech he refers to his top eight executives that all decamped from successful careers in London to work for Eden Project, as there was no *ethical capital* in the organisations they previously worked for.

With some space to think and reflect on this, I found very little written on the topic in the non-profit literature, and the term was not in the social enterprise vocabulary. Although in Doherty, *et al* (2009) they discuss ethical theory and corporate social responsibility to contextualise social enterprise, ethical capital as such is not mentioned.

A literature search predominantly in the business ethics literature provided the context to theorise and build a conceptual framework. Consideration of the relationships to private sector organisations has not featured in the social enterprise literature. Indeed, there are many who call for theory to move beyond the definition of social entrepreneurship (Mair and Marti 2006). As Nicholls stated in his introductory article to the *Social Enterprise Journal* in 2006, the search for the true meaning is like chasing a chimera (Nicholls 2006b). However, in the same article, he also suggests we need research that

grapples with an understanding of the distinct value proposition, and the articulation of the DNA within every social venture, to which this article contributes to knowledge.

Tsukamoto's (2005, 2007) *Journal of Business Ethics* articles and the three levels of ethical capital he conceptualised within the private sector provided a good fit. Alter's (2007) hybrid spectrum model was also a good fit with the three levels and so level four and five were plotted on the Alter spectrum to suggest what Smit had eluded to with the highest level of ethical capital in the charity type social organisation. The implications of this paper are that social enterprises and charities maximise ethical virtue beyond any other form of organisation and as such hold great value beyond their missions (levels 4 and 5 in figure 1. Page 256). More so, the publication highlights that there may be many different ways of understanding social enterprise and that ethical capital is offered here as an alternative and original conceptualisation in the field. This conceptualisation opens up ways of developing the field, placing ethics more centrally in the defining characteristics of social enterprise.

Publication 6: Ridley-Duff, R. and Bull, M. (2011) "Defining Social Enterprise". in Ridley-Duff, R., and Bull, M., *Understanding Social Enterprise: Theory and Practice*. Sage Publications UK

This publication is a chapter from my co-authored book. The book, as shown in Figure 9 has according to Google stats been cited 140 times, with 2000 copies of the book sold worldwide. The chapter encapsulates a lot of the thinking and development of ideas from the previously mentioned discussions between Rory Ridley-Duff, Pam Seanor and myself. Grappling with the complexities of the social enterprise business model, this chapter brought together a lot of our thinking. Namely; (i) Debates of the foundations of social enterprise, building on definitions from US Development Banks (Alter 2004); EU Research Networks (EMES 2001); Cooperative movement (Spreckley 2008), and UK Government (DTI 2002, OTS 2006) perspectives, examining the allegiances and legitimacies in each context, supporting and building on the research of Alter (2001), Borzaga and Defourney (2001), Kerlin (2006) and Westall (2001): (ii) Drawing on our own research we position our thinking – and that of social entrepreneurs we had interviewed - in the context of (a) linear models that explored social (mission) and enterprise (market) (Figure 3.1. page 85) and (b) cross-sectoral models of the positioning of social enterprise in the economy (Figure 3.6. page 94). The empirical data we gathered, in the form of participant pencil markings, squiggles and drawings is discussed more fully in publications 7 and 8. It is sufficient to say for now, that the two-dimensional spectrum model and the cross-sector model paved the way for some interesting conversations with social entrepreneurs that fostered a deeper understanding of social enterprise in the UK. Through various alternative ways of describing social enterprise in a spectrum model we move on to discussing cross-sector, three-dimensional models, arriving at a typology of four different forms of social enterprise, representing the foundations and legitimacies of each form.

The chapter highlights the importance of history and antecedents (Ridley-Duff and Bull 2013) to the positioning of social enterprise, as well as various forms of enterprise within the umbrella: Charity type organisations have non-profit governance structures, external boards and trustees to uphold a mission without financial conflicts of interest. Co-operative type organisations have for-

profit governance structures and internal boards. Therefore to consider a normative definition of social enterprise as somehow adequate to describe the sector is critically flawed.

The chapter further highlights the political ideology in the UK as highlighted previously in the earlier commentary. In three reviews of the book in journals, authors draw attention to the significant contribution the book has made to the historical foundations and developing both theory and curriculum (Scott-Cato 2012; Somerville 2012; Myers 2012). Myers (2012), gives particular focus to this chapter;

> "[the book]... begins with a well-grounded theoretical and historical discussion providing a useful analysis and conceptualisation of differing contexts ... This discussion culminates (in chapter 3) in the contemplation on the dilemma of definition. As such, chapter 3 provides an overview of some of the consensus and difference in interpretations and definitions of *a* social enterprise....This gives credence to the differing histories and contexts of development and the bottom-up process that is or will be largely informed by the 'social practices and institutions that are associated with, and labelled as, social enterprises' (p 79)."

This chapter was instrumental in the development of our thinking at the time. The chapter identifies different forms of social enterprise in the UK, providing the reader with the contexts of each. In writing the chapter, the development took us back to our early research data and the drawings that became part of the conversations in making sense of the positioning of social enterprise (developed in both publications 7 and 8).

Publication 7: Seanor, P., Bull, M., Baines, S. and Ridley-Duff, R. (2013) "Narratives of Transition from social to enterprise: You can't get there from here!". *International Journal of Entrepreneurial Behaviour & Research.* **Vol 19 Issue 3.**

The final two articles are also linked to reflections on the definition and positioning of social enterprise. In response to Parkinson and Howorth's (2006) contribution in questioning the narrative of the dominant discourse, this publications adds a similar critique. The article has been downloaded 409 times to date (as seen in Figure 9). Pam Seanor and I had both began our own sense-making of the concept of social enterprise through spectrum and cross-sector models from the literature (discussed in publication 6). We both brought out printouts of these models in our interviews with practitioners, gaining their perceptions of placing social enterprise. Informed by the further reading and conversations with other researchers and exploring methodological interests, we developed these final articles to highlight and provide empirical evidence of the ways in which practitioners in social enterprise were questioning the dominant pro-business discourse. Parkinson and Howorth (2006), suggest an interpretive approach, and our interests resonate with their interest in the interplay between 'meta rhetorics of enterprise' and 'on-the-ground' constructions. Thus questioning how far the discourse of entrepreneurship is meaningful for those involved in social entrepreneurship. Similarly, we were influenced by their approach, as within the articles we allow practitioners time to explore how they position and enact their world of being involved in social enterprise. These articles also reflect Dey and Steyaert's (2012) myth-busting (problematising the tales of social entrepreneurship as truth or fiction) and critiques of transgression (essentially looking at different viewpoints, that run counter to the dominant pro-business narrative). These themes are discussed in more depth within the two articles themselves.

This article was based on the research during the ESF project connected to publication 1 and 2 from 2004-2006 and likewise Pam Seanor's research for her PhD, which was data from between 2004-2007. This publication brings our research together. All the data discussed in this publication was from organisations that were referred to by themselves or others as social

enterprises (and their sector support agencies). All organisations were competing for public sector contracts. The focus of the publication is in notions of hybridity (conceptualising social enterprise) and how practitioners made sense of being entrepreneurial. This paper looks in depth at the professionalisation of third sector organisations described by Dees (1998), who uses an analogy of a rising tide of commercialisation. In this publication we sought to understand the space that social enterprises occupy between mission and market, between state (servant) and being entrepreneurial (master). The paper utilises a theoretical framework; grand, counter and little narrative (Dey and Steyaert 2010). Grand is described as the dominant narrative of social enterprise, this is exemplified in public policy that suggests social enterprises need to become 'better businesses' (DTI 2002, OTS 2006). Ideologically immersed in a neo-liberal political philosophy of its time, the development of social enterprises have been supported by infrastructure support agencies throughout the time in the UK, tasked with the delivery of this strategy. The counter narrative opposes the grand and questions the taken-for-granted assumptions of the grand narrative. The little narrative, that this publication brings to the fore are alternative views that adds new knowledge to theory building. The paper was awarded best paper in track at the 2010 ISBE conference. The paper was also central to an ESRC Seminar Series award in 2013 (further detail are provided in Appendix 3).

In terms of methodology, semi-structured interviews were supplemented with the use of a visual aid advocated by Mitchell (2011) (the spectrum model). The visual aid prompted entrepreneurs and advisors to pick up a pencil and draw on the diagram to expand and explain their sense of place. The use of drawings is an innovative methodological approach advocated by Meyer (1991) and Stiles (2004), yet is an under-utilised methodological technique. We found the drawings fascinating and informative, we felt that they helped practitioners explain their opinions better than words alone. To some the diagrams allowed their feelings to surface, Figure 4 from page 335 was a particular example of how emotional responses were to the diagrams. In this particular interview the respondent was angry with a continuum from 'social' to 'enterprise', making what we recalled as machine gun-like actions with his pencil to dot near the 'social' as emphasis to the only reasoning of engaging

with 'enterprise' is to ultimately achieve the social mission - and not, as he underlined in the model, to move towards becoming more pro-business. In this example this interesting, innovative methodology was an approach to research which roused enthusiasm from practitioners in defending their opinions and expressing their points through drawings, that words alone would not have captured.

The paper provides empirical evidence of practitioners that articulate from their everyday practice, oscillations, contradictions and paradox. Our findings from fifty-eight[4] interviews with practitioners and sector support agencies contributes to the theoretical development of social enterprise by suggesting entrepreneurial activities are less *'business-like'* and more about finding efficient strategies to protect their social missions. Transition is arguably a permanent existence, i.e., organisational survival ebbs and flows between income sources (grants to contracts) based on the opportunities that come along, as opposed to rejecting contracts and only seeking trading income. Social enterprise was referred to with negative connotations (supporting critique from Pharoah, *et al* 2004, Curtis 2008). The rising tide analogy is critiqued as a grand narrative, replaced with a little narrative of a tidal movement, or incremental movement where the perceived identity of being seen to be enterprising is a dual one with both social and enterprise identities. We found that practitioners are holding on to social aspects of the old world (economy), whilst operating in more business-like circles in the new economy. Entrepreneurial endeavour surfaced in the actions of those in transition as the manipulations of the ambiguities in their environment to promote the survival of their social missions. This internal entrepreneurialism of survival, is the opposite of the grand narrative that social entrepreneurs are social change agents and have an external outlook (Nicholls 2006a).

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[4] of the 58 cases for this research my contribution towards the data was drawn from 17 interviews, material from publications 1,2 and 3. details are provided in Appendix 1

Publication 8: Seanor, P., Bull, M., Baines, S. and Purcell, M. (2014) "Where social enterprise practitioners draw the line: Towards an understanding of movement from social entrepreneurship as boundary work". *International Journal of Public Sector Management.* Vol.27 No.4.

This article follows on from the previous publication (7) and therefore the focus here is in the differentiation between the two papers. Figure 9 shows it has been downloaded 122 times to date. This paper is focused on public sector delivery by social enterprises, as was the previous paper. This paper was also central to an ESRC Seminar Series bid and subsequent award (Teasdale, Dey, Nicholls and Bull, see further details in appendix 3). This paper also challenges the commercialisation (transitions) of third sector organisations. Drawing on Seanor's research material and the same methodology of drawings as publication 7, we analyse the material through notions of boundaries, boundary work and boundary objects (Dey and Steyaert 2010). The paper draws on literature about boundaries (Star and Griesemer 1989), which is about the identities of us and them (Jones, *et al* 2008), to problematise the sector concept (public, private and third). This is with the specific aim of understanding where those involved in social enterprises that deliver public services see themselves and describe their world in terms of defining their organisations in relation to the three sector model.

This study is interested in the transition phase and shift from grant to contract funding, i.e., dependency to autonomy. It is presented in the literature that social entrepreneurial activity occupies a cross boundary space (Arthur, *et al* 2006, 2009) between public, private and third sectors (Pharoah, *et al* 2004; Leadbeater 1997), yet little attention has been given to the views of social entrepreneurs themselves in articulating the space they occupy. We grapple with this to challenge notions of commercialisation (Dees 1998, Dart 2004), but also to add empirical research to the argument by Grenier (2006) of whether or not entrepreneurial innovation and social change is apparent in social enterprises that deliver public services. We postulate whether these servants of public services are alternatives to state provision in business structure only, providing the same service, rather than radical alternatives, as raised by Amin, *et al* (2002) and Schwabenland (2006).

Our findings from forty three interviews with practitioners and sector support agencies suggest the linear model of commercialisation towards social enterprise misses the 'messiness' of everyday practice and that practitioners recognise the boundaries and legitimacies of their work in terms of social and enterprising organisations, where the two concepts are different yet mutually inclusive. The findings further highlight the fragility and perceived intrepidation of occupying the boundary space. The findings highlighted that the commercialisation narrative in the literature fails to capture concerns about the space between mission and market that social entrepreneurs felt uncomfortable and hostile within. Others provided reasons why the space was precarious, relaying concerns of cost over opportunity, similar to the findings of Bull, *et al* (2007), in as much as delivery from social enterprises was seen as provided 'on the cheap', and they questioned the perceived opportunity as a risk. We conclude that many are neither servant nor change agent but agents protecting identity and values in a challenging political climate.

4. Publications

Publication 1: Bull, M. and Crompton, H. (2006) "Business practices in social enterprises" *Social Enterprise Journal*. Volume 2, Issue 1.

Publication 2: Bull, M. (2007) "*Balance*: The development of a social enterprise business performance analysis tool". *Social Enterprise Journal*. Volume 3 Issue 1

Publication 3: Bull, M. Crompton, H. and Jayawarna, D. (2008) "Coming from the heart: (The road is long)". *Social Enterprise Journal*. Vol 4 number 2.

Publication 4: Bull, M. (2008) "Challenging tensions: Critical, theoretical and empirical perspectives on social enterprise" Guest Editorial. *International Journal of Entrepreneurial Behaviour and Research*. Volume 14. Number 5.pp268–275

Publication 5: Bull, M., Ridley-Duff, R., Foster, D. and Seanor, P. (2010) "Conceptualising ethical capital in social enterprise". *Social Enterprise Journal*. Volume 6 Issue 3

Publication 6: Ridley-Duff, R. and Bull, M. (2011) "Defining Social Enterprise". in Ridley-Duff, R., and Bull, M., *Understanding Social Enterprise: Theory and Practice*. Sage Publications UK

Publication 7: Seanor, P., Bull, M., Baines, S. and Ridley-Duff, R. (2013) "Narratives of Transition from social to enterprise: You can't get there from here!". *International Journal of Entrepreneurial Behaviour and Research*. Vol 19 Issue 3

Publication 8: Seanor, P., Bull, M., Baines, S. and Purcell, M. (2014) "Where social enterprise practitioners draw the line: Towards an understanding of movement from social entrepreneurship as boundary work". *International Journal of Public Sector Management*. Vol.27 No.4

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S·E·J

Business practices in social enterprises

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INTRODUCTION

The emergence of 'social enterprise' in the UK is set to establish and grow over the next decade. In the North West the potential impact that social enterprises can contribute to the social and economic regeneration of the region has been recognised at both local and national levels. However, there is little or no empirical evidence about the sector. Using the broad framework provided by the Balance Scorecard (BSC) (Kaplan & Norton 1996), this paper seeks to address that gap by providing a better understanding of social enterprise business practices and issues. This paper is the dissemination of the findings of a project funded through the European Social Fund (ESF) to investigate and develop managerial skills in the sector. Qualitative and grounded research investigation was conducted across Greater Manchester and Lancashire with owner/managers of 15 social enterprises.

The research sets out to achieve two objectives, presented in this paper, (1) to develop a strategic understanding of social enterprise business practices and issues and (2) to develop baseline information to develop a management tool based on the BSC framework.

The paper starts by developing an encompassing definition of social enterprise, essential in both identifying the size and structure of the sector and enabling the recruitment of research participants. Following this, a brief background of the post-war development of the sector, its recent growth and increasing competition for resources is provided. It is argued that social enterprises have come under increasing pressure to become efficient, commercial and sustainable leading to the adoption of mainstream business practices and management tools. One of these tools is the Balanced Scorecard (Kaplan and Norton 1996), a strategic performance measurement and management tool designed for and mainly used by large private companies. The debate about the applicability of this tool to SMEs especially those in the social enterprise sector is then discussed in more detail. The research was undertaken as an initial step in testing the adaptability of this tool to organisations facing increasing calls to show accountability and performance measures. The findings presented will eventually be used as the basis for the development of a practical management tool based on the BSC framework.

PROBLEM OF DEFINITION AND MAPPING

A fundamental issue in researching the sector is the definition of social enterprise. Tyler (2005) suggests that little research has been conducted to quantify the significance of the social enterprise sector due to the range of definitions and interpretations, compounded by 'company registration' under different frameworks. In 2002, the Department of Trade and Industry defined a social enterprise as:

'*A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profit for shareholders and owners.*' DTI (2002)

However, ECOTEC (2003) raises the issue that social enterprise cannot be identified solely by legal form or pre-set categories, which means that mapping social enterprises is problematic. Following this, the survey conducted by the Small Business Service (2005) on behalf of the DTI used an extended definition of a social enterprise to include businesses where: their regular, everyday activities involve providing products or services in return for payment; at least 25 per cent of their funding is generated from trading, i.e. in direct exchange of goods and services; they have a primary purpose to pursue a social or environmental goal (as opposed to being purely or mainly profit driven) and they principally re-invest any profit or surplus that is made in the organisation or community to further the social or environmental goal.

The survey estimated that there are over 15,000 social enterprises in the UK with a combined turnover of around £18 billion a year employing over 777,000 people. However, these figures may be an underestimate, as the survey does not describe the total population of social enterprises, and concentrates mainly on firms registered as Companies Limited by Guarantee (CLG) or Industrial & Provident Societies (IPS). The Community Interest Company (CIC) was a legal form that was introduced in July 2005 to enable social enterprises to raise finance from private investors by allowing them to return some of their profits via dividends (Tyler 2005). The CIC can be structured as a private company limited by shares, limited by guarantee or a public limited company. However, as Burrows (2004) points out, some established social enterprises structured under IPS may be reluctant to change to a CIC as they will lose tax relief presently received by social enterprises originally set up as charities.

In recognition of the vagaries of the term 'social enterprise' Kendall & Knapp (1995:66) refer to it as '*A Loose and Baggy Monster*'. Alter (2004) also confirms that social enterprise is an emerging field that is currently ill defined, suggesting that many social enterprises defy neatly labelled boxes. According to Smallbone *et al*. (2001:18) international evidence suggests that social enterprises are more common than is often realised. They identify 16 different forms of social enterprise (2001:17) accepting that identification is dependent upon which definition is used. Some social enterprises fall within all of the definitions whilst others may adhere to only one. Fundamentally, Dees (1998) suggests that because of the complex structure of third sector organisations, and variance in their definition, any generalisations are problematic, which affects our understanding of the social enterprise sector. According to Communities Scotland and the Non-profit Enterprise and Self-sustainability Team, social enterprises are referred to as comprising 'the third sector', 'the not-for-profit sector', 'the voluntary sector' and the 'social economy' made up of 'voluntary organisations', 'non-profit businesses', 'community enterprises', 'social purpose business', 'civil society organisation', 'non-governmental organisations', 'charities', 'non-profit enterprise', 'self sustainability team' and others. For the purposes of this research we use this more holistic interpretation of social enterprise allowing us to include within the investigation a wide remit of businesses within the social economy.

'contract culture'. Social enterprises are seen as customer-focused quality providers but face competition in procuring contracts between others working in a similar field, either other social enterprises or private companies. There is also a political 'push' to become commercial (sustainable) and form socially responsible partnerships with the business sector. In becoming commercial, social enterprises are not only increasingly accountable to funders but are also facing growing demands for transparency and public accountability (Herzlinger 1996; Krug & Weinberg 2004).

The pressures to prove efficiency and compete for funding have led to the adoption, implementation and **integration of mainstream business practices**. Competition, scarce resources and the push towards sustainability through not-for-profit commercialisation has led to an emphasis on competitive strategies and financial management, with models and tools imported or copied from the business world (ergo the management of costs and revenues for profit maximisation). According to Conti (2002) the most applicable business tools for nonprofits include strategic planning, technological capacity building (fund-raising, databases, internet and e-mail), marketing and new management practices.

However, **business models do not always 'fit' with the social enterprise model**, which has several 'bottom lines'. As noted by Anheier, '*Financial management is first and foremost formal management, not management of purpose and mission.*' (Anheier 2000: 5) Standard business ideologies are not readily translated for use in a social enterprise context and cannot fully replicate standard business practices (Anheier 2000). For example, in business terminology, measurement is emphasised in relation to a single bottom line (financial) and does not include social and environmental outcomes, which social enterprises excel in. Management approaches need to be sensitive to multiple bottom lines. An issue for managing performance in social enterprises is the difficulty in articulating all its objectives in a measurable way.

Running a social enterprise is a dynamic process. It is a balancing act requiring strategic reflection and analysis on the part of managers and stakeholders in achieving an ongoing sustainable impact by incorporating business strategy to accomplish vision. Yet it is important to determine the different managerial needs of social enterprises. As long ago as 1978 Newman & Wallender warned:

 '*The popular belief that business management concepts can be applied readily to not-for-profit enterprises needs qualification. Not-for-profit enterprises differ widely; each has its own managerial needs, and many have discriminating constraints that sharply modify which concepts will be effective.*' (1978: 24)

Anheier (2000) also presents a model of the non-profit form as a conglomerate of multiple organisations with multiple bottom lines that demand a variety of different management approaches and styles. He suggests that:

'*The notion of non-profit organisations as multiple organisations and as complex, internal federations or coalitions requires a multi-faceted, flexible approach, and not the use of ready-made management models carried over from the business world or public management. This is the true challenge non-profit management theory and practice face: how to manage organisations that are multiples and therefore intrinsically complex.*' (2000: 8)

Given Anheier's comments, this research study, in its attempt to ascertain the business practices that are pertinent to social enterprise as a form of non-profit organisation, is therefore timely, appropriate and valid to the knowledge capital of the sector. The next section will highlight the theoretical framework of the Balanced Scorecard, which underpins the examination of these business practices.

THE BALANCED SCORECARD AS A BUSINESS MANAGEMENT TOOL

Included in the management tools in business management concepts, is the Balanced Scorecard (BSC) (Kaplan & Norton 1996; Kaplan 2001). The BSC is a strategic performance measurement and management tool designed for the private sector acting as a communication/information and learning system, to measure 'where we are now' and 'where to aim for next'. It prescribes a plan for translating 'vision' and 'strategy' into concrete action across four perspectives (measures) at different stages, depending on the business. These perspectives are 'financial', 'customer', 'internal processes' and 'learning and growth', each of which is connected by cause-and-effect relationships that reflect the firm's strategy. Kaplan & Norton (1996) have suggested that the BSC could be easily transferable to non-profit organisations. Morrison *et al*. (2002) have also suggested that the BSC could be used as a learning pathway to shape strategy and the process of financial management practices in the SME sector.

In examining the applicability of the BSC model to non-profit organisations criticisms emerge. One such view is that tools such as the BSC are tailored to reflect financial impacts and do not focus on social performance (Pestoff 1998; Paton 2003). Despite the enormous investment in performance measurement systems there is actually little empirical evidence of their impact on this investment (Zingales & Hockerts 2003). Furthermore, the BSC has been criticised for its neglect of any environmental or community issues and its absence of a people perspective (Bourne 2002; Brignall 2003), referred to as 'relationship capital' by Marr & Adams in their 2004 critique.

Additionally, there are few studies addressing the use of a balanced scorecard within small companies (Deakins *et al*. 2002). In the case of small firms Deakins *et al*. (2002) develop an evolutionary process view of financial management and argue that the inclusion of innovation, learning and the environmental influences upon SMEs would be a more holistic approach to the understanding of process issues that remain under-researched. They call for a modified balanced scorecard approach, refined for the small firm, to represent dynamic financial decision making processes influenced by environmental factors, including customers, creditors and suppliers. They present arguments that a more balanced and evolutionary approach needs to be taken that accounts for the qualitative aspects of decision-making behaviour and learning by SMEs.

According to the Social Enterprise Partnership (SEP 2003) there is limited understanding of management tools across the sector and little work has been done to see how existing tools work for social enterprises. Following from this the New Economic Foundation in conjunction with SEP developed the Quality and Impact toolkit in which amongst other tools the BSC was piloted to social enterprises. This research highlighted that the BSC needed to be adapted to the social enterprise sector by incorporating social goals, broadening financial perspective to focus on sustainability, and customer perspective being widened to capture the larger group of stakeholders (Somers 2005:8)

Additionally, Social Firms UK have constructed an on-line 'Dashboard' intended as an integrated management performance tool, using 'core' and 'non-core' measures to produce 'action plans', related to social enterprises set up to help people with disabilities, but easily adaptable to other contexts. It is based on the principles of the BSC, but designed to be more practical and user-friendly. However, it appears to be much more of a working-level tool than a strategic tool and time consuming to initiate.

The developments of the BSC highlighted above provide an understanding into how importing business models into social enterprise are often challenging and a process of trial and error. For the purpose of this paper, the BSC model was selected because it provided a baseline

analytical framework due to its potential flexibility for adaptation and its inclusive approach to business development, as noted by Deakins *et al.* (2002). The BSC provided a framework for holistically analysing businesses. It is important to note that the technicalities of the BSC itself and the exact nature of the utilization of this framework as a management analysis and strategic performance measurement tool was not the purpose of this paper. The sole purpose was to use the five dimensions of the BSC as a framework for analysis within the research. The next section will highlight the methodology used to develop this research.

METHODOLOGY

The literature reviewed suggested that business structures and sustainability are key issues for the growth of social enterprises and that little is known of the business practices of the sector that face these issues. This research aimed to look at various aspects of business practice across social enterprises in order to understand the key issues, barriers and heterogeneities of the sector. The research sought to investigate and understand the actual practices of owner/managers of social enterprises as it related to the two key research questions, which were (1) what are the business practices of social enterprises? and (2) what are the barriers/issues that they face?

The research follows Hill and McGowan's (1999) suggestion that in relation to small business there is a need for an approach to research that reflects the unique characteristics and circumstances within small firms, advocating **qualitative, grounded** and **ethnographic** research. The parameters of these three characteristics are outlined below:

Qualitative data is built around the concepts of themes and individual differences and developing theory through dense descriptive matter. Curran and Blackburn (2001) argue that quantitative research methods are not as effective as qualitative research methods in capturing and explaining the nuances and heterogeneity of working practices in small businesses. **Grounded theory** (Glaser & Strauss 1967) is a method of exploring a subject into an emerging theory. Grounded theory begins with loosely defined question areas; semi-structured interviewing evolves, changes and builds data and concepts until the researcher has reached the point of 'total data saturation'. Themes and theory emerge out of the data through rigorous data analysis. The approach challenges 'armchair' a *priori* theorist's way of conducting research by suggesting that theory should emerge from data as opposed to the testing and verification of pre-supposed theorising. The intensity and complexity of the analysis of the data strives towards verification and validity of its resulting hypothesis (Strauss and Corbin 1994), much the same as quantitative data seeks validity and reliability. Finally **ethnography** involves studying actors in their social and cultural environment (Glesne and Peshkin 1992) in order to imbed and get as direct, and close, as possible to the phenomena under investigation.

With this qualitative, grounded and ethnographic approach in mind, the research began with preliminary open-ended interviews, which took place with social enterprise support agencies and social enterprises across Greater Manchester. The recruitment of owner/managers for the in-depth interviews was undertaken by building on existing links, consultation with steering group members and partners and finally through snowball sampling once interviews were underway. The interview questions were based on three key areas; the sector, the skill needs in the sector and the barriers that social enterprises face.

The literature search coincided with these interviews, developing a greater understanding of the sector (familiarisation and focusing) and to establish an interview and analysis framework. The balanced scorecard (BSC – Kaplan & Norton 1996) was identified (details of the BSC model are addressed in the previous section).

Further semi-structured interviews were conducted over a three-month period. Interviews were open-ended. An evolving question set framework (aide memoir) was planned around the five key areas of the BSC; finance, customer, internal operations, learning and strategy. The majority of interviews lasted between one and two hours, were tape recorded, supplemented with observations and note-taking and then subsequently transcribed for analysis. Subsequent issues emerged from the interview analysis, saturating the BSC framework with data from the interviews.

Utilising narrative around the interview material, this paper presents an analysis of the findings in a qualitative, grounded and ethnographic style that lets the data speak for itself. The heavy use of quotations from owner/managers was deliberate to give weight to the arguments that evolved from this study and gather as much as possible from the deep insights this methodological approach provides.

FINDINGS

The following analysis of the findings of the research is representative of a cross section of social enterprises from the Greater Manchester and Lancashire area of the North West of England. The 15 interviews are discussed here around the dimensions of the Balanced Scorecard: Financial; Customer; Learning and Growth; Internal Business Process; and Vision and Strategy, which are defined and explained below.

Each section provides an overview of the dimension, a qualitative narration of the business practices, followed by an analysis of the findings.

Financial dimension

Within the BSC framework, the financial perspective represents the long-term objectives of a firm through product or service life cycle. The main objective is to improve profitability measured, for example, by return on sales and return on investment. In this paper empirical evidence analysed under this section of the findings looks towards the issues of finance and the return of investment for social enterprises, which we see here is not necessarily measured by the single bottom line.

Many social businesses in recent years have experienced the **upheaval of political change to the sector from moving from grant to contract funding**. We observed a wide range of stages of maturity in the businesses we met. Some social enterprises were considering the legal status that would best fit their business objectives while others were at different stages of managing their financial resources in terms of budgeting to equilibrium or to creating surpluses. The demands for sustainability however did not fit easily with some organisations that do not focus on mainstream provision or the latest trend in funding. One manager described a common scenario:

'*When we started one of the main things we wanted was to be able to generate money internally so that we could spend it on the areas of work which were seen as a priority which are completely left out by mainstream services and if you look at what we do in our service delivery it just doesn't get funded by mainstream.*'

And so their focus for surplus was not for sustainability but for service delivery. Stability is a key factor, and for many organisations the insecurity caused by the reliance on short-term funding awards is seen to affect future planning. Many social enterprises felt that they were not in control of where their businesses were heading. Business plans were commonly deemed irrelevant and any long-term strategies and ambitions stifled. Capital investment and establishing an asset base were also challenged, with many managers suggesting that

every penny was tied up in delivery. Short-term funding issues also affected the people employed by social enterprises, where many managers suggested they found it difficult to employ, or difficult to retain, staff as employment contracts were essentially fixed to funding awards, further compromising business goals and growth.

Becoming more 'business like' has affected some organisations more than others. In many social enterprises problems associated with being 'business like' were due to cuts in funding rather than any mismanagement. One organisation suggested that they had costed their service provision, only to be offered half their anticipated finance as a 'take it or leave it offer'. They explained;

'*We knew our service wasn't going to be covered by other suppliers to the extent and quality that we gave them [customers], so we had no choice – that's the trouble with [the funder] they know that we're a social enterprise and they can take advantage of us because we're community based and know that we're providing a much needed service and we won't see it compromised – they get us on the cheap, we've got no choice.*'

A number of organisations we spoke to appeared to be coming through the 'pain barrier', created by the contract culture changes, in the realisation that **now they have to become more accountable, transparent and structured**. Financial streams are moving on and businesses have to monitor their spending against specific targets. In one organisation the pressure and accountability to funders was so high that they decided to break away from the funding loop (albeit to enter another loop) and generate their own income through contracts – relieved that contract awards offered greater opportunities (one advantage being that the tendering opportunities were greater). This represented a psychological shift to spend revenue. As noted by one participant '*I think for us, as soon as the grant stopped I said, we're not going to do this again because spending other people's money is really hard*.'

Analysis: In looking at business practices and issues for these social enterprises, many are faced with uphill battles as they strive to deliver social good outside of financial streams and on budgets that leave little room for capacity building that all important asset base. Conversely, the majority of businesses interviewed were extremely financially savvy and were constantly seeking and keeping themselves informed of the latest opportunities available to them in order to exploit entrepreneurial opportunities. The drive of many to create financial surpluses was to re-invest in other service provision, not necessarily utilised for organisational development or growth. Contracts were heralded as the future financial funding resource where different psychological attachments were viewed as to the benefits of these financial streams as opposed to the grant streams.

In terms of the BSC indicators there would appear to be significant differences of the rhetoric and language utilised by owner/managers of social enterprises. Social benefits, social purpose and meeting needs are the returns sought by many, as opposed to any financial gains or returns.

Learning and growth dimension
In terms of learning and growth, the BSC framework is focused on internal skills and capabilities. The objective is to identify gaps and improve staff skills and to measure it, for example, by employee productivity and hours of training per employee.

Within social enterprises there was a broad section of views and attitudes towards learning and growth. Most organisations that we spoke to engaged in training and development, participative decision-making, team working and the notion of a learning culture. Of the more 'rational' business-model types of social enterprises, we observed a rhetoric that focused on how the **organisation was learning**, and how individual learning fitted with

the organisational plan was dominant. The types of training opportunities offered to staff were directly focused on building the skills-base along traditional lines; human resource, finance, marketing, health and safety, etc. Many managers of social enterprises interviewed, spoke about the structure around policies and procedures. One organisation explained that it has a mandatory staff-training programme where training needs analyses are conducted through appraisals. A training manual is provided to staff, which contains varied mandatory and non-mandatory sector- specific courses such as health and safety, first aid, dealing with difficult situations and mental health in the workplace. Additionally, there are some courses that are compulsory for staff members, including managers and some that people could choose to do.

In more 'naturally' evolved, less structured or 'informal' social enterprises training tended to be centred on **individual learning and personal development.** Firms offered opportunities to their staff that were not directly related to their work or the organisation (e.g. Yoga, Tai Chi, vocational education, GCSEs and more work-based learning NVQs). Many managers talked about people bringing diversity to the organisation – as opposed to moulding everyone into thinking and acting the same. Organisations spoke about how they chose to employ people within the community. They also felt that following the traditional, 'rational' methods of training and development focusing on 'job roles' would contradict their business ethic of allowing people to develop their own development agendas through a creative environment. To some, this was how they differed in their service delivery to stakeholders in comparison to the attitude of the mainstream:

'I think people need a certain amount of freedom rather than a manual that says, "this is the manual of how you will do It" because the communities that we work with are so different anyway and you can't have the same way of doing things for everybody, different people want different things in different ways, so we're not scared to try them.'

In terms of leadership, many social enterprises appear to have been **driven by the work ethic, courage and personalities of their leaders**. Additionally, a culture of **staff inclusion** was observed across most organisations, where people were encouraged to have a say and feel valued. Managers were there to lead and champion a learning culture. In this example a strong management team drives the spirit of the organisation, ensuring the staff are involved:

'I think part of being a good manager is to ensure that everybody is involved in the development of what is going on in the company. And I think the only way to run a company is by development, so it works both ways, the company has got to develop, it has got to evolve, it has got to be different in 10 years time. We talk about the future together, planning vision, change, as well as with our board members as well.'

In terms of **team working and participative decision-making**, there were a variety of views about involvement. None of the organisations admitted to making management decisions without involving their staff in some way. Many social enterprises talked about involving the board of directors in their decisions, playing heavily on the professional backgrounds, skills and knowledge that appeared to exist on many boards. An organisation explained that they had reached a level of maturity in their organisation and they could almost pick and choose new board members. They advertise for particular skills, e.g. IT, marketing, communication and financial, to assist in their development as an organisation in terms of both knowledge and sustainability.

Most organisations concerned themselves with their **staff learning the culture and values** of the organisation. One organisation explained they took great care in their particular methods of working and were very ethically driven, so staff had to become aware of the values required to achieve and uphold the ethics of the organisation. They learnt these

through shadowing colleagues or in collaborations and partnerships with other like-minded organisations, suggesting the importance placed on the ethics 'rubbing off' on others over and above formal learning development. Thus, in terms of utilising external knowledge many social enterprises in our study learnt tacitly through collaborations and partnerships with other organisations in terms of both service delivery and in dealing with management and organisational issues. They chose these methods over formal training, such as through business consultants, advisors and educational institutions.

A recurrent finding in the research was that social enterprises had '**strategic away days**' or '**development days**'. These were considered important to decision making, growth and change management within their organisations. We observed that many organisations were rapidly evolving and 'away days' were seen as a means through which organisational development and learning experiences were reflected back to everyone involved in the organisation. One organisation explained their format:

'Part of the development day is where the management team get together on their own to talk about our issues and then later on the staff get involved. We spend the day together and do something in the evening, have dinner together and a night away. It's not all fun and games, they've got objectives and they've got to achieve something as a result of that and we always come back to the Board with a report of what was discussed.'

Analysis: The learning and growth area of analysis identified two types of organisations. There are those with a business focus, concentrating on building the skills base and capabilities of the organisation and those with an organic focus, concentrating on employing diversity and encouraging personal development within their organisations.

The BSC measures used here, would appear to have little relevance to the actual practices of these social enterprises. Most social enterprises tended to balance strong leadership with inclusive and participative environments indicating that organisational change is something that everyone in the business is involved in. The strategic away days are a further example of the commitment to learning and knowledge transfer, which these social enterprises emphasise through these events. New knowledge brought into these social enterprises seemed to be from peers of other like-minded enterprises (tacit knowledge) or through the board of directors (formal knowledge) as opposed to external knowledge avenues. There were many issues pertaining to training and development. Several organisations expressed how difficult it was to find training that was specifically focused, compatible or relative, or that could be easily transferable into their environments, or that was affordable and accessible. Although many organisations talked about their training and development for staff members, only a few mentioned managerial skill development and people taking on more responsibility, ensuring the future managerial capabilities of the organisation and the skills-base development. The opportunities to train people with disabilities into managerial-type courses are very few and far between. Consequently, many organisations suffer skills shortages and struggle to develop those areas of expertise.

Customer dimension
In terms of the customer, the BSC objective is to improve profitable customer loyalty measured, for example, by repeat sales, customer satisfaction and customer retention.

It was generally the case in the social enterprises that there was a juggling act between satisfying service levels and working within the organisation's financial constraints. On another level, some social enterprises were juggling time and resource constraints with lobbying for awareness, profile, funding, etc. These issues were all seen to affect stakeholder relationships where differing agendas were at play, from local communities through to funders/contractors, and influences at regional and national levels.

In terms of **competitor awareness**, many social enterprises were unaware of their competition. For some this was frustrating as they would welcome other service providers; it was felt that more competition would lead to further services being offered to the communities they served – and that would have meant more help for people. In contrast one organisation suggested that they were very competitive and ruthless towards other service providers in their sector. They were concerned about the service quality that end-users experienced from other suppliers and openly criticised them in the public eye.

We observed that in some sectors the **market environment was changing.** For some organisations, the markets they served were becoming more competitive. Changes in the finance stream, from funding awards to contracting, together with the statutory withdrawal of services (particularly in the health sector), have stimulated more socially aware competition. The changes have attracted both for-profit and not-for-profit businesses. One organisation told us that they were now beginning to think in terms of marketing strategies: conducting competitor analysis, market segmentation and developing their unique selling point. Hence, competition was making them more 'business-like' and serious about themselves.

One of the barriers we identified to the development of social enterprises was the **tendency to under price** compared with the profit sector. In part, this was caused by contractors' expectations that social enterprises will deliver at a lower price than for-profit companies:

'Our prices have been inherited from when it [the business] started and I really don't know how prices were set but we're currently looking at competitors to assess the market and look at the prices that we may be able to charge and then we're going to do some more analysis on our niche market as well. I think we are quite cheap, taking into account that we have funding.'

This organisation went on to explain that they were constantly wrestling with the need to create surpluses from their contracts in order to become more sustainable and competitive in the sector. Yet they were constrained by the mindset of the funders, who were able to detach themselves emotionally from their 'business decisions' and constantly cut their service contracts – in the knowledge that social enterprises may be prepared to make financial compromises when it comes to business decisions. The situation here may also suggest **social enterprises lack market knowledge or competitiveness**, which is utilised by the contactor to their best advantage. Fundamentally these issues were affecting the sustainability of this and many other social enterprises.

As well as a stakeholder perspective in social enterprises, we found the emergence of a **marketing philosophy**. Many organisations were becoming aware that their businesses needed to be marketed to their audiences. This organisation explained:

'I think we need to sell ourselves, we haven't got the profile – it has improved – I think that we have been so busy doing the work that we haven't prioritised the need to market ourselves – financially or in terms of work – but that is something that is changing and we want to prioritise it and we want to market what we do but it is finding the best way to do it.'

However, this was not fully observed across all social enterprises, as within some organisations there was a particular reluctance to engage in marketing. Marketing was seen as acting too businesslike, or too 'glitzy', when capacities were stretched and businesses were just too busy to find the time and resources to think of marketing. For some of the social enterprises we interviewed, developing marketing and branding of their communications occurred by reaching a maturity stage as the business had developed and learnt from experience.

As indicated in the quote below, some social enterprises were **under-resourced and under-skilled** to make the marketing impact they'd planned for:

'That is a challenge for us – we don't have that focus, so everybody is trying to do a bit of marketing as part of their job, when actually I think it is quite specialised in terms of what you need to do – in terms of what skills you need – and it is not something that is just add on or ad-hoc.'

Others often had a **low awareness** and just saw marketing as a means of promotion. For example, many organisations were unaware of the impact of communicating their social value, such as this social enterprise that reflected:

'It is one of our principles, that we will try and offer employment to people that are disadvantaged in some way but we don't advertise that fact, or promote it in any way – I suppose we could?'

Most social enterprises relied on word of mouth, and others had a reliance on websites with many social enterprises allocating a small budget for promotional material, newsletters or exhibitions. **Networking was seen as particularly important** by being in communities and learning and involving themselves. This was felt to be the best way to disseminate and develop further needs-focused services.

Analysis: Under the analysis of the customer dimension there is an interesting dichotomy in terms of marketing. On the one hand there is the lobbying, raising awareness of the issues to local and national bodies, such as government. This is juggled with reaching communities of need and promoting service delivery. On the other hand there is the resource issue, which needs to be balanced with meeting output targets of funders.

All in all it is a complex picture of multi-faceted marketing dynamics, where clear purpose, business presentation and networking would appear to be areas in which social enterprises have developed, which fits well with the BSC indicators for customer satisfaction and retention. Seeking outside expertise in the field is potentially a way in which social enterprises can draw in marketing knowledge. However, it is important to bear in mind that should these be driven by the same approach of the BSC, then there may be issues of transferability into the social business where social need is sought over and above profitable relationships (which are based on economic factors). Overall, the marketing skills that are already embedded in social enterprises include; networking abilities, word of mouth advertising, stakeholder focus and local knowledge. However, formal planning and strategising, competitor analysis and evaluation are beyond the skills and resource-base of most of the businesses we interviewed.

Internal business process dimension
In terms of internal business processes the BSC's objective is to improve process quality measured, for example, by orders filled and delivered on time (productivity and efficiency).

The social enterprises we interviewed varied in their **organisational structures** from full participatory environments in co-operatives to hierarchical structures with layers of managers, staff and volunteers. One member of a co-operative we interviewed explained their structure:

'We all work in teams, we're all part of at least one team…each team will make decisions about it's own area, they will then come to a forum which meets once a fortnight and the forum will ratify that decision or not…If it's a much bigger decision to be made, that will then go up to a quarterly members meeting where major decisions will be made that can't be really made by the smaller team.'

Counter to this approach, we interviewed social enterprises focused around one leader, with one decision maker or a team of management staff that decided every move of the organisation. Whilst extremes were observed, most of the organisations we saw were internally structured somewhere in between. As organisations grow and become more complex many found that a lack of structure inhibited workflow, stifled motivation and staff contribution – and that services may have spiralled out of control. For one manager fire fighting was still a common reality, '*We've found that we're very often chasing a target that has arrived.*'

Although there are some concerns that formalising an organisation's structure will introduce bureaucracy, inhibiting the initiative of staff, most organisations are forced to have defined job roles and formalised structures in order to simplify complex work situations. Keeping flexible is a key factor. One organisation reiterated that their success was built on addressing and controlling project situations; having systems, quality management procedures, monitoring and evaluation and finance procedures in place to be able to deliver each particular project. Therefore, **handling growth was a key issue**. One approach some social businesses had started to look at, was considering strategic business units of specialised functions. This began to address the skills base of the organisation and the effectiveness of their internal resources. This manager explained:

'*There's the core services which are finance, payroll, business planning and all those sort of services, finance services, research, communications, HR, development, training, core corporate services, we have them central within the cluster so each of the businesses pay a charge [for those services].*'

In most cases the **board of directors were a key feature in decision making**, giving direction and passing-on expertise within social enterprises. Whilst the majority reported that their board's involvement was critical to the success of the organisation, there were a few exceptions:

'*The board meet once every two months, they come in here when everyone's gone home, they never see the business operating. They get sent information the week before – but they don't read it – so how can they make decisions? They spend one to two hours every two months on the business and that doesn't put you in a position to make any decision…I don't think they feel very confident about it [making decisions]… their suggestions are not very good either.*'

This situation was not in isolation, as another organisation was also worried about the Board's power to decide on the future direction and the sustainability of the organisation, given the limited involvement of the board members in the day-to-day activities of the business.

On a more operational level, in terms of quality issues, many social enterprises found it hard to express the quality of their internal processes and constantly referred to the external quality of their services. When asked about using accredited quality standards many of the social enterprises were quite adamant they were not suitable for their business. In common with others, this particular social enterprise said they had no resources to cover such investment:

'*It all costs money and that's an issue, we can't ask for funding for these things and we haven't got the surplus that we require to pay for it at the moment. There are other quality standards we could go for but at the moment we just don't have the finances.*'

Very few organisations held registered standard kite marks, such as ISO (International Standard Organisation) and Investors in People (IiP) award. Of the few that had invested in these systems, ISO was of no interest to the social enterprises and the IiP and PQASSO (Practical Quality Assurance System for Small Voluntary Organisations) were favoured. However, due to the capacity required to organise such investment, together with the resources and bureaucracy involved, the majority of the social enterprises failed to see the benefits of accreditation.

Analysis: Most organisations embraced participative internal business processes. Many social enterprises were in a process of growth and change – with the issues of improving communication, team working and board integration high on the list of priorities. Several of the businesses were concerned that their participative cultures were under threat as their businesses were growing. The future may therefore require more structured environments within these businesses, where organisational standards may provide the necessary measures that can support development as the capacities of organisations grow, which fits someway towards the BSC consideration for improving process quality, measurement and efficiency.

Vision and strategy dimension
In terms of vision and strategy, the BSC suggests that this unifies the four sections of the holistic picture of the business (i.e. finance, internal business process, learning and customer) and outlines what the core goals of the business are.

The majority of these social enterprises suggested they were developing or had recently started to develop and **articulate formal strategies for the future**. This tended to be in relation to sustainability issues, funding and contract applications. In terms of business planning, we heard an array of issues. Some suggested their business planning was informal. Some suggested they could avoid structure, being a small business, choosing to rely on their core values rather than a business plan. Other social enterprises felt that their hands were tied by the financial implications of funding periods, where the gatekeepers and therefore ultimate power lay in the hands of those outside of the interests of the businesses themselves. A further issue was raised by an organisation who gave an honest account of their experiences of business planning, where the realities of strategising fall by the wayside when hands-on service delivery takes over:

'*…we produced our first business type plan – I think it was...really good while we were away [on a strategic "away day"] and then when we came back [to work] the reality of everyday life hit and actually it just sat on the shelf…It was something that we could send out to people to say this is what we are going to do and it looked really good because it meant that we were organised and forward thinking but actually if we were really honest and looked at the impact of that business plan I would say it was minimal…I think we did a lot of the things that were in the business plan but not because we had the business plan as our governing document. We did it by default as opposed to design.*'

For some social enterprises, business plans were used for focusing the business and to vision where the organisation wanted to be in the next three to five years. For others it was a way of calculating financial forecasts. However, business planning was not widely used amongst the social enterprises that we interviewed. Managers referred more to strategies and visions than business plans and the differences were unclear to many social enterprises. Few businesses mentioned mission statements. An exception was one organisation that stated strongly that their mission statement gave real strategic direction:

'All the work we do fits into the four aims. Everybody knows all the time these are the aims, this is the vision of the organisation, they are our values and ethos, not just how you treat other people but how we treat ourselves as colleagues, as team mates.'

In contrast, skills shortages were cited as reasons for poor business planning and strategising:

'We've not got a clarity of vision that says, this is what we're going for. I think we're probably poor on future business strategy.'

Some of the organisations we met had a website and had posted their values on their sites. However, many suggested that vision and communication was either internally or externally focused where such information was seen as a low priority, in terms of marketing and sharing their visions. One organisation explained:

'We don't communicate well some of the very good things we do, we're just so used to just doing… We had an external impact assessment…that was very good in terms of telling us what we do but we've then taken that document and we've not sold it anywhere really, we've just been so used to keep going, keep going, and we've not really had the chance to take stock of where we really are…'

The social enterprises we interviewed were weak in articulating their vision and it seemed that strategic management skills were in short supply in social enterprises.

Analysis: The vision and strategy section highlights some of the key strengths and weaknesses of the social enterprises we interviewed. Business planning was found to be infrequent and prevalent to the winds of change based on the financial powers of the providers. However, through articulated business visions, statements of ethics and goals, these social enterprises outlined their intentions and provided clear sense of direction. The BSC framework of vision and strategy in drawing together the four (finance, internal business process, learning and customer) areas, places importance on the balance of strengths of the component parts. Whilst many of the social enterprises were building their business capabilities this notion of a holistic view of businesses provided some food for thought. This integrated view of the business landscape, is described well by one manager as having the right ingredients in the business;

'It's a total package, quality service, quality staff, quality relationships, quality patrons – I think if any of that isn't balanced then you haven't got the right ingredients.'

Invariably, the empirical findings presented in this paper are skimming the surface of many issues. However, these findings offer the reader an overview of third sector attitudes and practice across general areas of business practice.

CONCLUSIONS

This paper has highlighted the current state of play in social enterprise business practice today. Whilst evidence of these 15 cases does not suggest or represent the global or UK picture, it is arguably representative of the position of many social enterprises in the North West, particularly Greater Manchester and Lancashire.
The emerging themes of this qualitative empirical research study highlights that these social enterprises adopt varying practices and face many issues. While many are beginning to make themselves more accountable in terms of their social value, there was

little evidence in the organisations interviewed to suggest that social enterprises were measuring their social impact beyond a reactive state – i.e. providing data that was sought by funders. Concurrently, many referred to having a good track record of delivering quality services. However, efforts were measured by contract renewal rather than through any clear evidence supporting their successful delivery of services. Social enterprise managers implied that the next step was to become more proactive in recording and marketing their social values and that developing social value indicators is the challenge ahead.

Of the social enterprises that sought to create surpluses there seems to be a balance between those organisations that seek financial control to provide services that are not directly met through funding, and those that feel they just want to be in control of what they do whilst delivering socially benefiting services. However, we identified that many social enterprises felt that funders were exploiting them over contracts in the knowledge that social enterprises would compromise financially for service delivery.

The research reveals that many social enterprises referred to valuing the diversity of their organisations and opportunities for developing the skills of their employees over direct business skill needs. These issues raised were compounded by concerns about the skills-base to support organisational structures (management functions and roles and responsibilities). Inclusive decision making was highly regarded, as was informality and flexibility. Strategic 'away days' were important to our sample of social enterprises in terms of participative decision-making, team working and organisational learning. However, there were issues as to whether these informal communication processes were stifling growth past micro stage or organic growth phases. Social enterprises were consequently slow to uptake structures, systems and procedures, preferring holistic or organic and less formal organisation structures.

Stakeholder satisfaction was a juggling act between financial constraints and service needs. Social enterprises were slow to exploit funding opportunities through marketing their uniqueness (their differentiation from mainstream competition – i.e. social value). These issues were becoming more relevant as some sectors were experiencing an increase in both social and mainstream competition. However, whilst some social enterprises were introducing marketing techniques, understanding of marketing was often limited to promotion. Financially ring-fencing marketing capital and the lack of specialist skills were problematic. Yet, social enterprises were becoming more aware of image and branding issues. Networking/word of mouth was seen as the main marketing activities of social enterprises.

From this initial research investigation a business performance analysis tool is being developed and we hope to offer further evidence on mapping the sectors business practices in the ongoing research. We provide evidence to suggest that 'tools' developed for social enterprises need to be 'informal', non-generic and based on 'experiential' learning (ergo acquiring tacit knowledge through experience or based on the experience of other organisations in the sector). The qualitative findings from this initial research have unearthed key concepts that will form the framework for a modified BSC, which is now underway and will form the basis of further research.

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'Balance': The development of a social enterprise business performance analysis tool

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INTRODUCTION

Performance measurement and analysis conjures up visions of quantitative data, spreadsheets of financially derived statistics and images of managers getting hot under the collar juggling numbers. This paper outlines the development of 'Balance,' a tool that provides an alternative approach – where the analysis incorporates an array of issues, mainly non-financial, involving self-reflection of managers own perceptions of where their organisation is now and where it wants to be in the future.

This paper is based on a research project, part funded through European Social Fund (ESF). The project sought to investigate the higher-level skills needs and learning provisions for Small Medium Social Enterprises (SMSEs) in the northwest of England in order to support strategies for lifelong learning and organisational development. The project particularly focuses on understanding learning that occurs through experiential routes that are grounded in the day-to-day activities of the enterprise. It is felt that small business managers prefer to learn as informally as possible, and therefore this was believed to be the most appropriate vehicle for delivering skills development within the social sector.

The paper builds on previous research (Bull & Crompton 2006) and outlines the current understandings and shortcomings of SMSE management knowledge. This paper adapts the Balanced Scorecard (Kaplan & Norton 1996) performance measurement and management tool, integrating the notion of incremental learning development, and utilises Kolb and Fry's (1975) organisational learning cycle as the basis of the tool development. Drawing on small business sector literature, the paper makes a case for an alternative approach to business analysis, where a qualitative approach is put forward. Whilst utilising an established framework, i.e. the Balanced Scorecard, the Balance tool was developed to differentiate in design from: (a) quantitative (numerical/statistical) tools; (b) bottom line/financial measurement; and (c) the standpoint of large, rational and resource-rich organisations. What Balance offers SMSEs is an easy to use diagnostic that collates managers subjective opinions over objective 'facts' in order to simplify the analysis process and provide a reference point for discussing management skills needs.

The paper discusses the findings of piloting the tool in 30 social enterprises, and provides a snapshot of the business capabilities of the sample of SMSEs. By highlighting both

strengths and areas where greater support may be required the research has both policy and practitioner implications. The findings from the 'Balance' business analysis tool reveal that the sample has similar organisational issues to that of private sector small to medium enterprises (SMEs). However, some SMSEs in the sample are found to be more sophisticated and strategic than SMEs. As expected, participative cultures exist, and enterprises are strongly mission focused. Many in the sample are slow to develop marketing strategies and are reactive to stakeholder needs, rather than proactively marketing their social values or demonstrating their organisational effectiveness through quality marks such as ISO. Fundamentally, these SMSEs are experiencing the upheaval of changes to the funding opportunities within the market. Many are experiencing organisational change, where social performances are becoming more critical to the sustainability of their organisations.

There appears to be a spectrum of social enterprise, at one end the 'social' driven organisation, and at the other the 'enterprise' driven organisation, with a multitude of businesses somewhere in-between. The findings add to the development of the knowledge base of social enterprise. The tool provides insight and sheds light on the business practices of SMSEs, and it is envisaged such tools may therefore be a catalyst in generating stronger social businesses, which offers further discussion for support agencies and academics alike.

SHORTCOMINGS AND PERFORMANCE MEASUREMENT IN SOCIAL MANAGEMENT

Enterprising Communities: *Wealth Beyond Welfare* (The Social Investment Task Force 2000) states that the UK is enjoying more material wealth than ever before. Unemployment is at its lowest rate for 25 years, yet, conversely, the UK is challenged by concentrations of social isolation, worklessness, poverty and inequality in some areas. Social enterprises are heralded as catalysts for revitalising disadvantaged communities through employment, training and countering welfare dependency throughout the UK (OECD 2003). However, despite the agenda for the sector, the Social Enterprise Unit (SEU – DTI 2002) identified some major barriers to the growth of the social business sector including poor understanding of value amongst stakeholders, tensions and conflicts in meeting both the financial and social bottom lines.

Research for the Small Business Service by Smallbone *et al*. (2001) evidenced managerial shortcomings of social enterprises, stating that management skills – in particular, marketing, finance and decision making, amongst others – were difficult issues for the sector. Furthermore, research undertaken as part of the Government work on neighbourhood renewal, PAT (Social Exclusion Unit - Policy Action Team 3 for Business and Team 16 for learning), recommends that business skills, business support and sustainability are critical factors for successful social enterprises. Whether serving social or environmental interests, social enterprise businesses will not necessarily thrive naturally and need structures to nurture and support them (PAT3:112). The Social Investment Task Force (2000), states that a lack of capital and managerial expertise is stifling entrepreneurialism within socially excluded communities, and that these barriers need to be addressed in order to realise the potential of the people within these communities.

Whilst knowledge of the social sector is growing, business failures are reportedly a feature (Hines 2005). Hines explains the problems; for instance, the plethora of enterprises and business legal models contained under the social enterprise model are complex (some of which may be alleviated by new legal structures in time), and that there is still a gap between the theory and the practice of social enterprise. Concurrently, Haugh (2005) suggests the sector is under-researched and that robust evidence of the value of social

enterprises' contribution to society remains illusive, while management practices, skills and performance and business models are unclear.

This paper seeks to address the latter point, highlighting management practices in the sector through the design and development of a business analysis tool.

PERFORMANCE MEASUREMENT

Social enterprise managers are challenged to constantly adapt to ever-changing environments – a balancing act requiring strategic reflection and analysis to achieve ongoing sustainability. Performance measurement through business analysis tools may offer organisations help in managing this process. However, according to the Social Enterprise Partnership (2003), many social enterprises see impact measurement as a burden, rather than a source of competitive advantage or a useful management tool.

Fundamentally, performance measurement tools have been brought over from the business world, designed and created from the perspectives of profit-based businesses (Speckbacher 2003). Such tools focus on large business models, where rationalization, resource maximisation, market growth and financial measures are highly sought-after (Garengo *et al*. 2005). However, much has been made of the differences between large and small businesses (Storey 1994; Scase & Gofee 1980; Jennings & Beaver 1997). Small businesses are, more often, centred round the aspirations and ambitions of the owner/managers, are less driven by formality and lack the resources and requirement for structures as they employ less people. Dandridge (1979) and Wynarczyk *et al*. (1993) suggest small business owner/managers have less tolerance for inefficiency than larger organisations, and they may adopt different business ideologies, ethics and organisational structures. Therefore, the transferability of business tools is a major consideration for SMSE's where the vast majority of performance tools have been designed through the lens of large organisations.

A second problem lies in the differences in social enterprise approaches. One of the inherent difficulties in the transferability of performance tools is how to include the measurement of social value, what it is, and indeed how to score or articulate social objectives in measurable and accountable ways. For many SMSEs, performance measurement and quantification are either economic indicators or unexpressed social values that are quite often intangible and difficult to quantify (Dees & Anderson 2003). The 'social' return may be reliant on notions of trust and mission value, unexpressed, immeasurable and unaccountable (Paton 2003). So how can SMSEs be expected to demonstrate their success through homogenous business models? Speckbacher (2003) comments, "profit as a single valued measure for success does not work because other output dimensions that profit measures do not capture are as important" (Speckbacher 2003).

A third issue is a question of resources; Thomas (2004) notes that the development of a comprehensive and reliable performance measurement system is potentially expensive, both in terms of generating data, staff time and investments in information technology. There are therefore both financial and human resource issues for social enterprises in instigating, analysing and implementing performance targets. There are the time constraints of busy managers and the instant access to information that organisations need in order to input data into such systems, which can be off-putting and laborious. All of this may not necessarily be seen to be essential to the success of the organisation, thus reasons why performance measurement is considered a hindrance.

Fourthly, as Holloway (1999) points out, there is little empirical evidence to suggest

that performance analysis tools have any real impact on the actual business practices of organisations. One of the issues here is in the objective/subjective standpoint in conducting business analysis. Thomas (2004) indicates inherent problems of perception and interpretation, 'the performance captured by a particular set of measures will always be partial and contextual, reflecting the fact that the measures have been selected, analysed and interpreted through the lenses of the organizations and individuals involved with the process' (Thomas 2004:11).

A fifth point as outlined by Pestoff (1998) suggests, 'performance is a multifaceted, fluid, problematic, ambiguous and contested concept,' all further complicated by different sector and stakeholder perspectives – the case in point within SMSEs. Paton (2003) adds that the relevance of 'mainstream' management ideas and their adaptation to social enterprises demonstrates that performance measures are not the universal solution promised. Yet he offers some hope to those of us interested in analysis, suggesting that performance tools are useful, but only in loose and variable ways.

An understanding of performance measurement is not as straightforward as hoped. The heterogeneity of small business and social enterprise add complexities and ill fit many concepts of performance measurement systems. This may go some way to understanding the limited use of business tools across the sector. It would also appear that little work has been done to alleviate the fears and provide thought-provoking tools that are not only specifically designed for the sector but that address the issues of time, resources and stimulation to engage managers in taking management tools seriously.

BALANCED SCORECARD

Kaplan and Norton's (1996) Balanced Scorecard (BSC), as shown in Exhibit 1, has all the baggage of a business analysis tool brought over from large business. Designed for 1990s manufacturing organisations, the tool requires vast amounts of resource and management time and is highly complex. However, the BSC is one such business model which may come some way to alleviating the inherent profit focus of measurement tools; hence, the BSC is a multi-criteria strategic management tool. The holistic approach to performance measurement steers away from economic indicators and incorporates various business issues

within the framework. These are multi-criteria perspectives: 'financial,' 'customer,' 'internal processes,' 'learning and growth' and 'vision and strategy.' Figge *et al*. (2002) state that 'The concept of the BSC is based on the assumption that the efficient use of investment capital is no longer the sole determinant for competitive advantages, but increasingly soft factors

such as intellectual capital, knowledge creation or excellent customer orientation become more important' (2002:3).

Furthermore, Kaplan and Norton have suggested that the BSC could be easily transferable to non-profit organisations. Morrison *et al*. (2002) have also suggested that the BSC could be used as a learning pathway to shape strategy and the process of financial management practices in the SME sector. Deakins *et al*. (2002) also calls for a modified balanced scorecard approach, refined for the small firm, to represent dynamic financial decision-making processes influenced by environmental factors such as customers, creditors and suppliers. They present arguments that a more balanced and evolutionary approach needs to be taken that accounts for the qualitative aspects of decision-making behaviour and learning by SMEs.

In light of the adaptability issues, two sector specific projects have provided some way towards progress. Firstly, Social Firms UK constructed an on-line 'Dashboard' intended as an integrated management performance tool based on the principles of the BSC, but designed to be more practical and user-friendly. However, it appears to be much more of an operational level tool than a strategic tool and is time consuming to initiate. Secondly, the New Economic Foundation in conjunction with SEP (Social Enterprise Partnership) GB Limited piloted the BSC to social enterprises. This research highlighted that the BSC needed to be adapted to the social enterprise sector by incorporating social goals, broadening financial perspective to focus on sustainability and customer perspective being widened to capture the larger group of stakeholders (Somers 2005:8).

The developments of the BSC highlighted above provide an understanding of how importing business models into social enterprise can often be challenging. The literature does however indicate that the BSC is a potentially suitable tool for modifying an adaptation that incorporates the business approach of social enterprises: the multi-bottom line, multi-stakeholder and social objectives within a multi-criteria model (Somers 2005). For the purpose of this research, the BSC model was selected, as it provides a baseline analytical framework that has the potential flexibility for adaptation and has an holistic/inclusive approach to business development, as noted by Deakins et al. (2002); Morrison *et al*. (2002) and Figge *et al*. (2002).

In order to address the issues outlined above, the development of Balance began with a thorough investigation of the sector, the business practices and issues experienced by social enterprise business managers (Bull & Crompton 2006). The essence of this investigation summarised in the next section formed part of the grounding process in building a tool from the bottom up (stage 1). The second and third stages of the research are the focus of this paper and are described here in detail.

RESEARCH DESIGN

Step 1
The first step of the design began with a qualitative investigation of the business practices of social enterprises (see Bull & Crompton 2006). This time was used to build knowledge of the sector, meeting with managers of social businesses, social enterprise stakeholders and sector support agencies at local, regional and national levels. Concurrently, a review of the current literature through academic and sector-generated publications was carried out. The literature review highlighted the use of management tools in establishing business practices within SMSEs. Evidence suggests that quantitative business analysis tools do not capture the heterogeneity of social enterprises and so are not readily transferable for SMSEs.

The task at hand was to reflect on the issues that were challenging for small firms (outlined in the previous section: human and financial resources, perception and ambiguity) and design an alternative business analysis tool. Taking on board the differences in small firms to those larger (Scase & Gofee 1980), the interpretation made from the literature was for a more qualitative, 'soft' analysis tool, which would be as robust as a statistically driven tool, but be more aligned to the sector and more user-friendly. Value would be added where users would get direct benefit in a relatively short timeframe of engagement with the tool. Using a qualitative approach to developing a business analysis tool represents a move away from linear quantitative approaches in recognition of the complexities of organisational forms such as that of SMSEs.

Step 2
The literature search had identified the Balanced Scorecard (BSC), as discussed, which was chosen as a 'loose' framework to be adapted, whilst addressing the criticisms raised above and recognising the need for an easy to use business analysis tool. A grounded theory (Glaser & Strauss 1967) type process of coding and re-coding took place where incidents were identified and categorised. This thorough analysis identified key issues and emerging theory. Coding allowed the grouping of concepts and the identification of themes, which were triangulated with the BSC framework. Utilising a qualitative analysis software package, N'Vivo, to aid in the analysis of the data, concepts were massed around the business areas of the BSC framework (financial, customer, internal processes, learning and growth and vision and strategy). These groupings are referred to as nodes in the software. Having massed a number of issues around the five nodes, causal mapping software (Decision Explorer) was used to filter, link, structure and visually analyse the data into patterns. Key subject areas were identified as critical factors for social enterprises across

EXHIBIT 2: THE BALANCE MODEL AND TOPIC AREAS
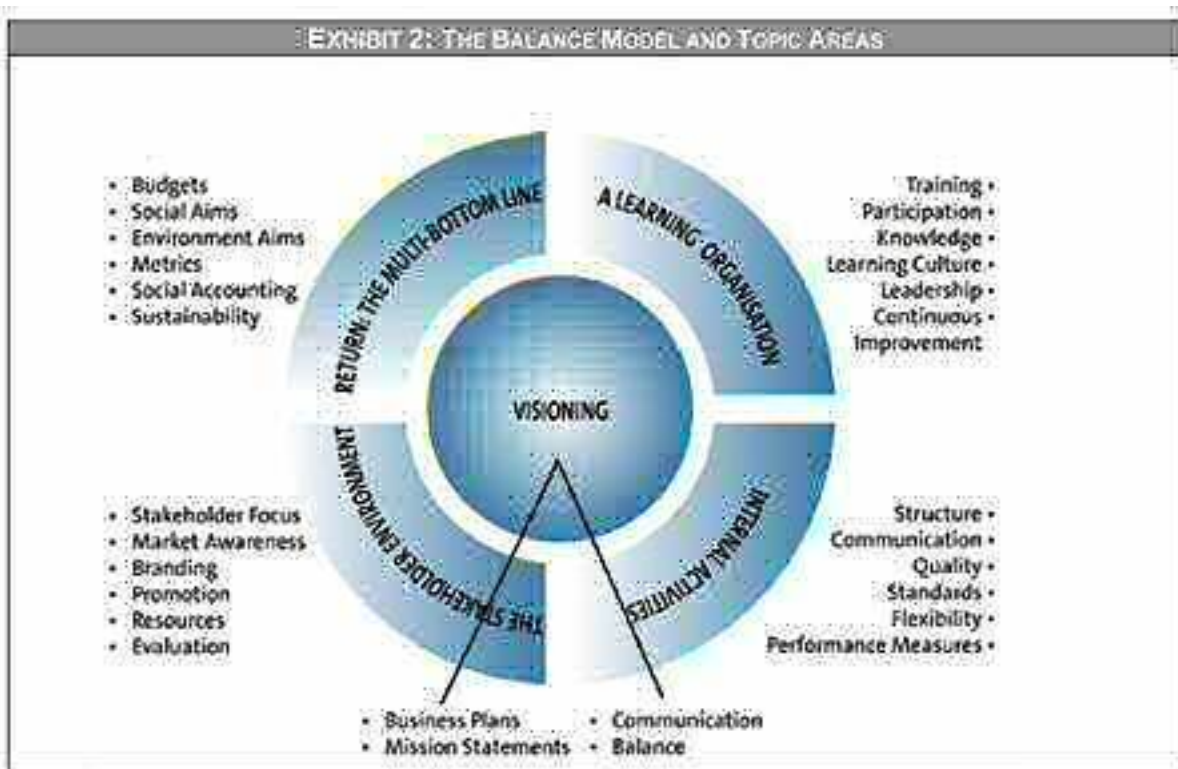
all the sections of the framework, and the tool began to take shape. The development took us back to the literature and to further discussion within our networks before finalising the issues that we included in the tool. The final topics within each section of the tool are shown in Exhibit 2.

financial terms of 'profit margins.' However, in social businesses the motives and objectives for being in business are very different; the philosophy of profit maximisation and market exploitation is replaced with an approach that strives towards strategies providing social or environment benefits. Social enterprises therefore exist to provide help and support for a wide range of social and environmental reasons that 'give back' to society – hence, the 'multi-bottom line.'

The essence of this section asks organisations, 'To achieve our vision, how can we demonstrate to our stakeholders that we can deliver what we say we can?' Some critical indicators that encapsulate the issues which the interviewed social enterprise managers feel are indicative to the performance of their organisations include: social, environmental and financial sustainability; budget and expenditure management; performance indicators combining social and economic accountability; and systematic approaches to articulating social accounting.

A Learning Organisation: This section explores the social capital and knowledge of organisations. The title changed from 'learning and growth,' as in the BSC, to move away from correlating growth with performance per se (evidenced in the small firm literature that not all small firms want to grow – Storey 1994). The essence of this section asks organisations the same as in the BSC: 'To achieve our vision, how will we sustain our ability to change and improve?' This section questions the difficult to measure – learning culture, creativity, participative decision making, team working, leadership and continuous improvement as a means of assessing the capacity to capitalise on knowledge and learning opportunities, which were the critical factors fleshed out of the interview data analysis.

The Stakeholder Environment: This section was renamed to replace the 'customer' section in the BSC, as the term 'stakeholder' is more representative of social enterprise, as many firms serve and satisfy multiple groups of people. This section includes customers, end users, funders, communities and society as a whole. The essence of this section asks organisations, 'To achieve our vision, do we really know our stakeholders and how do we appear to them?' The section is essentially about marketing. The critical factors unearthed from the interview data analysis were an awareness of the stakeholder, competitor identification and awareness, image and identity, promotional activities, marketing budgets and importantly, the evaluation of the effectiveness of each of these practices.

Internal Activities: This section was slightly changed from 'internal business process' from the BSC to move away from processes, leaving it much more open as activities that are involved within businesses. The essence of this section asks organisations, 'To achieve our vision, do we have the right business practices and systems?' The section is concerned with the working practices, structure and systems of organisations. Critical issues to social enterprise managers were the internal structure, managing internal communications, quality, management systems, flexibility and adaptability.

And finally, **Visioning**: This is the last section in the model, which brings aspects within the tool together into a vision for a business. Critical issues for social enterprise managers were concerned with how managers strategically engaged with business tools such as missions and business plans, and essentially how these plans are communicated to the various stakeholder parties.

of linking diagnostic tools and learning. The development of the tool drew on literature that suggests that organisations evolve in cycles and patterns of development around incremental learning stages. Kolb and Fry (1975) state that the stages are passed through in a learning sequence; each time an organisation develops and implements actions, a plateau is reached where reflection on what actions were successful or unsuccessful takes place. This provides an opportunity for learning, followed by development and a move to the next learning cycle. Critical to this development sequence at each juncture is an internalisation or settlement period of change. Change is brought about by many agents – internal and external factors, some crisis, others more incremental. One such incremental change agent may be provided by new knowledge. New knowledge is one of many agents that provide the impetus for taking actions and development within organisations. Taking both the learning cycle stage model and providing the change agent, i.e. new knowledge, the concept of the tool design evolved.

Therefore, for the tool, managers are provided with scenarios in order for them to reflect on where they feel their organisation is along the 1 to 5 scale. Through descriptive guidance and number scale at each scenario, the manager chooses the description that most suits their situation. Exhibit 3 provides a scenario and the stages with guidance text. For example, at stage 2, 'It's quite informal and unspoken,' suggests an awareness of the issue but nothing that has been strategically managed. This stage covers firefighting. Or at stage 4, 'Our vision is common knowledge within our organisation – or outside our organisation,' to say that the issue is formally managed by systems and structures in place, yet there is some way to go to the system being 'best practice.'

EXHIBIT 3: EXAMPLE SCENARIO ON BALANCE ASSESSMENT

We strive to communicate the visions

Effective communication helps to create an open and balanced culture, where people are central to the organisation. An informed, involved and focused team of people that understand, support and strive for the organisation's visions is where many social businesses have the edge over private sector organisations.

Stage 1	No
Stage 2	It's quite informal and unspoken
Stage 3	It's informal knowledge within the management and board members' teams
Stage 4	Our vision is common knowledge within our organisation – or outside our organisation
Stage 5	Our visioning is communicated internally and externally through a variety of means

On completion of the assessment, the software is developed to then show a histogram bar chart of the strengths and weaknesses across the 5 areas of the assessment (an example is shown in Exhibit 4). This not only provides instantaneous results but also the notion of 'balance' across the areas of the tool. The learning sequence steps then offer managers knowledge, guidance, actions and potential solutions, at each stage, in the shape of an 'action plan' in order to provide assistance in developing business practices. This action plan was guided by identifying 'best practice' in the social enterprises interviewed, triangulated with management theory and sector specific literature. The complete action plan is approximately 30,000 words long. However, it is envisaged that managers would

80%
80%
70%
60%   60.0%
50%   46.6%   46.8%   50.0%
40%   45.0%
30%
20%
10%
0%
STAKEHOLDER   INTERNAL   'MULTI BOTTOM   LEARNING   VISIONING
PERSPECTIVE   ACTIVITIES   LINE'
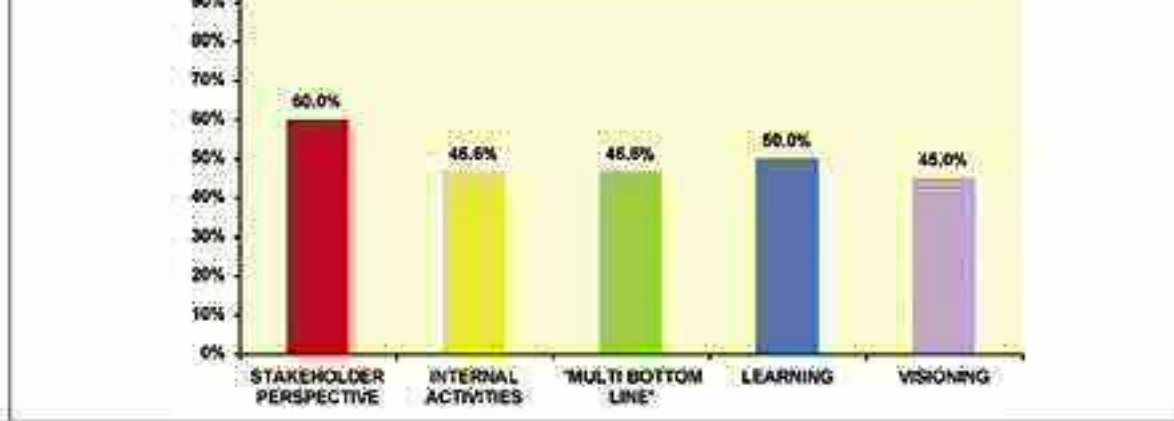
Usability: In essence the tool is an adaptation of the BSC framework that provides knowledge and learning opportunities in incremental learning cycles. Bespoke to the social sector, the tool takes into account the heterogeneity of the sector, for example, the multi-bottom line objectives (social, environmental, stakeholder, financial) and the participative management styles of leadership. Whilst having the structure of an assessment, the tool benefits from offering managers self-diagnosis, a qualitative approach to business analysis and space for critical reflection, without the time-consuming need for quantitative assessment through financial inputting and in-depth statistical analysis. This is why the name for the tool is 'Balance' (without the 'scorecard'). The tool is also based on a strategic level, as opposed to the BSC, which is at a more operational level. The action plan is therefore more pertinent to higher management needs and the strategic direction and development of the organisation. Through the tool, the gap between actual business practice and management theory is bridged by a three-step approach:

1. Critical reflection: business analysis self-assessment by the managers, based on their own perceptions of where the organisation is.

2. Organisations are provided with an instant 'snapshot' of their particular strengths and weaknesses across the BSC performance concepts (finance, customer, learning, internal activities and visioning), generated by the software of the tool.

3. An action plan offering stage-specific knowledge and suggestions for business development, growth and sustainability is provided.

It was foreseen that managers would either self assess in isolation, or in consultation with their staff, management team, board of trustees or sector support agents or advisors. With the tool being accessible via the Internet, it was also envisaged that managers would engage with the tool better through their own computer systems, formats and layouts (self ownership) rather than the imposing structure of an advisors laptop, or other more cumbersome paper format.

Thirty social enterprises were approached to take part in the research, where two thirds elected to have the researcher present – partly to fulfil the task, with busy businesses to run, and partly to ease the confrontation of attempting to assess their business – within an

hour. Some organisations gathered the board of trustees together for the assessment, but the majority elected either a single representative manager or management team.

THE FINDINGS

Thirty interviews were conducted with organisations using the 'Balance' tool; findings drawn from these interviews are outlined in this section. Conclusions are then drawn about the critical issues for social enterprises and the strengths and weaknesses of the sector.

The sample

The 30 pilot organisations were drawn from a cross section of social businesses across Greater Manchester and Lancashire. Of the sample, 14 considered themselves Social Enterprises, 8 Community Enterprises, 5 Charities, 2 Co-Operatives and 1 a Social Firm.

The vast majority of our sample businesses were service orientated (see Exhibit 5), and they operated across many sectors in many ways. The categories here represent each organisation's main focus, but many businesses crossed sectors. For example, one organisation provided therapeutic arts-based courses for local people with mental health problems, linking their main activity (arts) with health care, disability and community.

The enterprises were categorised as: Health and Social Care (4), Community (3), Environment (3), Arts (3), Food and Drink (3), Employment (3) and Education (3).

EXHIBIT 5: SECTOR SPLIT

Number of businesses	Sector
4	Health & Social Care
3	Community
3	Arts
3	Education
3	Environment
3	Employment
3	Food & drink
2	Networking
2	Disability
1	Business Support
1	Furniture
1	ICT
1	Tourism & Fair Trade
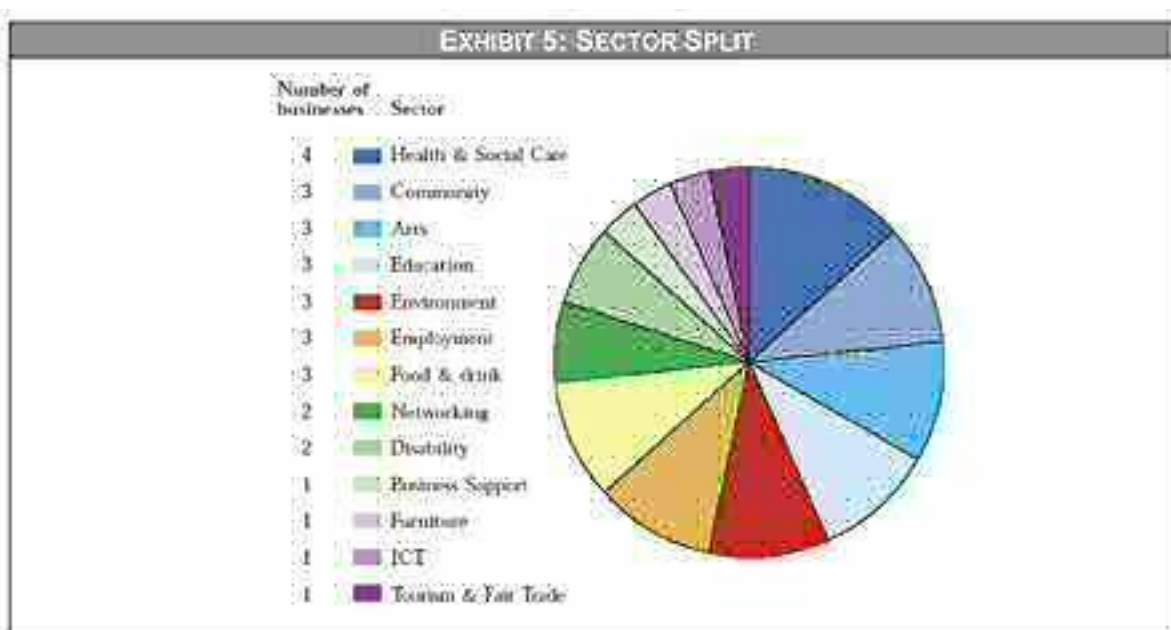
Business Size, Income and Profile

The business size of our sample of social enterprises was established using various measures: the number of years the social enterprise has been established, its annual income, number of employees (or full time equivalent), and number of volunteers. The profile represented in Exhibit 6 indicates that the pilot included a diverse range of established, 'traditional' social businesses and younger social enterprises. The diversity of income ratio to the number of employees and volunteers to the number of years these businesses have been operating is also representative of a range of low asset base businesses and some more successful enterprises. Drawing on discussions within key networks suggests this is a true reflection of organisational diversity of the social enterprise sector in the North West region.

of the managers taking part. No objective quantitative data was involved, so in no way was there any triangulation with the two, or any requests for justification of answers drawn (this was deliberate by design and was explained in the previous section).

EXHIBIT 6: BUSINESS SIZE, INCOME AND AGE PROFILE				
No	Established (Years)	Annual Income (£)	Employees	Volunteers
Company 1	1	7,000	2	2
Company 2	15	1,144,000	30	25
Company 3	18	350,000	9	0
Company 4	11	136,000	36	6
Company 5	9	950,000	45	56
Company 6	2	84,000	7	4
Company 7	1	10,000	3	0
Company 8	0.3	25,000	4	5
Company 9	15	2,300,000	47	8
Company 10	20	258,000	26	25
Company 11	5	120,000	2	10
Company 12	10	675,589	8	1
Company 13	4	15,000	1	0
Company 14	1	100,000	2	0
Company 15	10	120,000	9	0
Company 16	18	450,000	45	0
Company 17	4	300,000	8	0
Company 18	1.5	30,000	3	0
Company 19	5	150,000	4	0
Company 20	1	30,000	1	15
Company 21	20	800,000	25	10
Company 22	1	20,000	5	0
Company 23	3	150,000	6	6
Company 24	3	6,500,000	250	30
Company 25	2	107,000	5	40
Company 26	9	3,500,000	38	0
Company 27	3	200,000	16	10
Company 28	4	20,000	7	10
Company 29	3	200,000	11	0
Company 30	25	30,000	3	20

The Multi-Bottom line

This section assessed the financial and non-financial approaches to measuring return/ multi-bottom line in SMSEs. Exhibit 7 shows the responses by managers. Many SMSEs suggested they were at an advanced stage in terms of these issues (mean values 24% of social enterprises at stage 3, 24.5% at stage 4 and 24.8% at stage 5 – for stage explanation see Exhibit 3). Most SMSEs here focus on: controlling budgets, conforming to funding-led accountability and sustaining their funding. Managers felt they had reached higher stage level (4 and 5) in responses to Q1 on sustainability (47% at stage 4), Q2 on budgets (53% at stage 5) and Q3 on aims (37% at stage 5). This compares with the final two questions: Q5 on financial and non-financial organisational performance (23% at stage 2) and Q6 on social accounting (33% at stage 1). A third of managers skipped Q4 as their business focus was more socially than environmentally directed (double bottom-lining, rather than multi-bottom lining).

Q3	Expressed Social Aims	3%	10%	27%	23%	37%	
Q4	Expressed Environment Aims	0%	17%	10%	17%	23%	*
Q5	Metrics for Financial and/or Non Financial Performance	10%	23%	20%	30%	10%	**
Q6	Social/environment Accounting	33%	3%	47%	10%	3%	
	Mean % at each stage	**8.8%**	**10.5%**	**24%**	**24.5%**	**24.8%**	

* = 33% skipped; ** = 7% skipped.

The situation suggests these SMSEs comply with funders' requests for social impacts, prompted in order to comply with funding and contracting obligations. As opposed to concerted proactive, strategies are developing for their own systems for measuring and reporting their social return for their investments. So the more sophisticated techniques of measuring financial and non-financial organisational performance and social accounting have yet to be taken up, or more so, taken forward to the stage where publishing both the social and financial elements of the multi-bottom line are standard practices. This may be an issue of higher skills needs, or other resource issues beyond the scope of this section of the tool. This picture is informed by other sections and is discussed later in the paper. Ultimately, neglecting to demonstrate social returns lacks transparency in business practice. Issues need to be addressed in the future climate for sustaining enterprises beyond immediate horizons, where the sector will inevitably have to become more market driven to survive in an open marketplace.

Learning
This section assesses the commitment of organisations to learning through training, knowledge and organisational culture. Exhibit 8 indicates managerial responses to questions about learning. The results from 'Balance' indicate the spread of formality in training and developmental issues (Q1): Many social enterprises have informal ways in which they manage this from ad-hoc practices, for example, on the job training (17% at stage 2) through to informal development plans (33% at stage 3). Very few managers indicated they had formal development plans (13% at stage 4), yet 33% (at stage 5) of managers suggested their approach to staff development encouraged a learning culture in the organisation through the provision of a wide variety of training opportunities. Overall, social enterprises suggested they were at an advanced stage across these issues. Higher

EXHIBIT 8: PILOT RESULTS FOR LEARNING % OF SOCIAL ENTERPRISES AT EACH STAGE OF DEVELOPMENT						
	Learning	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Q1	Commitment to Training and Development	3%	17%	33%	13%	33%
Q2	Encouraging Team-Working and Participative Decision Making	3%	3%	27%	30%	37%
Q3	Learning through External Knowledge	0%	0%	3%	53%	43%
Q4	Creative and Learning Culture	0%	33%	20%	33%	14%
Q5	Leadership	3%	13%	23%	27%	33%
Q6	Continuous Improvement Philosophy	3%	33%	7%	30%	27%
	Mean % at each stage	**2%**	**16.5%**	**18.8%**	**31%**	**31.3%**

like-minded organisations – tapping into external knowledge avenues (Q3, 53% at stage 4) and other participative learning cultures (Q2, 37% at stage 5). Although it was suggested by many managers that they encouraged team working and participative decision-making (Q2, 37% at stage 5), the Balance results are therefore somewhat inconclusive. Although many managers' attitudes are assuring and convincing, when it comes to the detail, there is less confidence and many are reluctant to reflect too deep for too long, ill at ease with the thought of the actual practices differing from their ideologies. Looking to Q4 (creative and learning culture) where the majority of scores recorded were quite evenly spread between levels 2 (33%), 3 (20%) and 4 (33%) supports the previous argument, in that a creative and learning culture is somewhat undeveloped and a challenge (33% at stage 2, 20% stage 3), and something in which few SMSEs are totally proficient (14% stage 5). Organisations are suggesting participative environments exist, yet the learning environment is somewhat left to chance and unknown (Q6 – continuous improvement philosophy – 33% at stage 2). The findings indicate barriers to the learning environment in some social enterprises. Yet, conversely, on mean average 62.3% of responses were recorded at stage 4 or higher for the overall averages of this section, which is a strength area for the sector.

Stakeholder perspective
This section assessed the stakeholder or marketing issues: stakeholder focus, image and promotional strategies. As per Exhibit 9, the results indicate a wide spectrum of opinions. In Q1 (stakeholder focus) 40% (at stage 5) of our sample indicated that they were focused on

	Stakeholder Perspective	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
Q1	Stakeholder Focus	7%	7%	14%	30%	40%	*
Q2	Monitoring Competition	10%	10%	47%	17%	13%	*
Q3	Visual Identity and Image	0%	40%	30%	7%	23%	
Q4	Promotion	0%	3%	47%	17%	33%	
Q5	Marketing Resources	3%	13%	37%	33%	13%	
Q6	Marketing Evaluation	13%	20%	27%	30%	10%	
	Mean % at each stage	**5.5%**	**15.5%**	**33.4%**	**22.3%**	**22%**	

EXHIBIT 9: PILOT STUDY RESULTS FOR STAKEHOLDER PERSPECTIVE
% OF SOCIAL ENTERPRISES AT EACH STAGE OF DEVELOPMENT

*= 2% skipped

stakeholder needs, suggesting that they are 'constantly knowledge sharing, changing and innovating in consultation with stakeholders.' Q2 (competitor awareness) shows that this type of knowledge is mainly informally gathered (47% at stage 3). Q3 (image) provides a further indicator of the general sense of informality to marketing; stage 2 (30%) and stage 3 (47%) demonstrate that image and visual identity procedures and processes are informal. In Q4, 47% at stage 3 indicates organisations engaged with their market in a variety of ways – printed matter, websites, face to face, focus groups and conferences, etc. Managers point out that resources were usually available for these activities. Yet in Q6 (evaluation) managers reveal little reflection or any measurable indicators of how their marketing methods are successful. The results indicate that marketing is an informal practice within SMSEs. This is comparable to how small businesses act towards marketing (Carson 1990; Carson & Cromie 1989; Hill 2001; Coviello *et al*. 2000). Furthermore, the small business literature also indicates that many managers perceive marketing to be 'what big businesses do' (Brouthers *et al*. 1998). It could also be that social enterprises perceive marketing as acting too 'business-like.' A

Line, Q5), producing social accounts (Multi-Bottom Line, Q6) and seeking accredited internal standards (Internal Activities, Q4) – tools that are generally used to market and promote organisations. This issue presents a barrier to these SMSEs in a competitive environment where it is important to gain recognition, promote the right image, offer concise information and demonstrate a positive impression to all the stakeholders.

Internal Activities

Internal activities, or operations, are concerned with the management of working practices and the structure and systems of the organisation. In Exhibit 10 we see that in terms of internal communications many managers suggested they had informal systems (Q2, 33% at stage 2). In terms of quality (Q3) the sample inferred basic quality policies (33% at stage

	Internal Activities	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	
Q1	Supportive Internal Structure	0%	10%	27%	40%	23%	
Q2	Managing Internal Communications	3%	33%	13%	27%	23%	
Q3	Managing the quality of internal activities	13%	33%	27%	10%	13%	*
Q4	Management systems	10%	43%	13%	20%	7%	**
Q5	Flexibility	0%	10%	33%	30%	27%	
Q6	Adaptability	7%	10%	50%	23%	10%	
	Mean % at each stage	5.5%	23.2%	27.2%	25%	17.2%	

EXHIBIT 10: PILOT STUDY RESULTS FOR INTERNAL ACTIVITIES PERSPECTIVE % OF SOCIAL ENTERPRISES AT EACH STAGE OF DEVELOPMENT

* = 3% skipped; ** = 7% skipped.

2 and 27% at stage 3). In terms of investing in accredited standards (Q4), these SMSEs felt ambivalent towards attaining these types of standards (43% at stage 2). Although there were exceptions (20% at stage 4) these were predominantly 'Practical Quality Assurance System for Small Organisations' (PQASSO) or 'Investors in People' (IiP) accreditations, as opposed to 'International Standard Organisation' (ISO) standards of operations. Conversely, the sample indicated they were more fluid than structured; scoring high on adaptability, (Q6, 50% at stage 3, 23% at stage 4) and flexibility (Q5, 33% at stage 3, 30% at stage 4 and 27% at stage 5). The results indicate that social enterprise internal operation systems are similar to those of small firms, they are not driven by formal business structures the same as large businesses, and adapt and flex to market demands. The informality within SMSEs may, however, be an advantage, stimulating innovation, flexibility and adaptability – key strengths of businesses in environments that are in a state of constant change. There are issues here which cross over with the multi-bottom line section and the stakeholder perspective section where monitoring and performance management systems are under-utilized and may not be seen as strategically important to offering competitive advantage and market differentiation as would be expected of the private sector, as previously mentioned.

Visioning

Visioning is concerned with the future: planning, strategy building and the communication of those visions. Exhibit 11 indicates the responses by managers for this section. Overall these SMSEs see themselves as being well organised (mean = 41% at stage 4). The results from this section support the literature that suggests social enterprises are focused on vision

Q3	Communicating the visions		0%	13%	23%	50%	13%
Q4	Balance		0%	10%	43%	37%	10%
	Mean % at each stage		0%	12.2%	24%	41%	21.8%

*= 3% skipped

(Understanding Social Enterprise – Social Enterprise London 2001). High scores are seen in the questions on mission statements and strategies Q2 (43% at stage 4) and Q3 (50% at stage 4) communicating those visions. However, business planning (Q1) was something that many felt was either informal or that their plans were out of date (23% at stage 2). Yet over 60% of managers suggested they were either at stage 4 or 5 – using business plans and dovetailing strategically across the business.

Finally, the 'Balance' analysis concludes with a question offering balance as an approach to managing organisations. The scenario is, 'We strive for balance across the organisation?' Interestingly, 43% (at stage 3) and 37% (at stage 4) of managers felt there was some truth in striving for balance – so coming some way towards a notion of balance. The conclusion picks up this point and reflects on the notion of balance being a concept worth taking forward for social enterprise organisations.

SUMMARY

Overall, the findings suggest that many SMSEs scored their organisations around levels 3, 4 and 5 for most questions, peaking at, on average, 28% of the answers at stage 4. These findings imply that many of these SMSEs see themselves as well run and organised. In terms of businesslike practices, these SMSEs vary from some very rationally structured and formal organisations to the majority which are more informally organised. Whilst the businesses in the study were found to be at an advanced stage of the Balance tool, more needs to be done in these SMSEs in terms of proactively utilizing the communication tools, marketing, promoting values and accountability. Hence, if social enterprises are to be competitive in growing sectors, they have to demonstrate to stakeholders value in pounds and pence, and also added value of the social/environment impacts.

In terms of general strengths of this sample of SMSEs, we see that learning is consistently high scoring across these businesses. Training and development, participative decision-making and accessing and utilising external knowledge are generally evident here. There is also evidence to suggest that vision and strategy is another area of key strength within the sample, suggesting businesses see themselves as being entrepreneurial and constantly focusing their organisations on the missions and aims of their existence.

In terms of general weaknesses and threats to these SMSEs, we see that there is a low uptake of management systems, from quality standards (internal activities) through to social accounting (multi-bottom line). There are a number of potential barriers or causes for such weaknesses. There may be resource issues in terms of time, finances and/or human resources. There may be skills shortages or managers may not feel it is appropriate for the size of organisation to attain such systems, structures and rational business practices, much like their small business counterparts from the private sector (Jennings & Beaver

In conclusion there appears to be a spectrum of social enterprise, where at one end of the continuum is the 'need' or 'social' driven organisation and at the other the more 'enterprise' driven organisation. The 'social' led business tends to focus on an informal, organic organisational system, utilising a loose business framework purely as a means to meeting the social/environment need. The 'enterprise' led focuses on a structured business organisational system, embracing business logic and businesslike methods and discourse to meet the social/environment/business need.

The sector is challenged by competition and a performance driven environment. The barriers many face are financial resources, capability and skills needs (especially management skills, particularly people who have the skills to manage the social return on investment), leadership of the management/board of trustees and the drive they have for the organisation, market sector needs, communication and presentation skills, resources and marketing knowledge. Just how far business analysis tools can aid these challenges is interesting and something that requires further research.

'Balance' (similar scores recorded across each of the issues within each organisation's response to the questions) results indicate that most organisations were well balanced (+/- 19.7% mean average Balance between the highest and lowest results). This appeared to be the case whether social enterprises were at a maturity level of say, stage 2 or 3, or whether they were at levels 4 or 5. Therefore the majority of these SMSEs have 'balance tendencies' across the range of activities. Now whether this is inevitable, appropriate, sought after or desirable is something that requires further research and cannot be evidenced at this stage of the research project.

Further research is also required to look at the users' experiences of business tools such as Balance. This work is beyond the scope of this paper but feedback is currently underway, where the initial response looks interesting.

All in all, social enterprises are challenged to take up the business challenge and wear the enterprise 'hat' and portray firstly, who and what they are (mission and marketing), and secondly, to demonstrate that they can do what they say they can (accountability and transparency).

The dichotomy that spans the social to enterprise spectrum is a challenge that is being met, as seen in the Balance results. Just how far, or how more sophisticated and accountable social enterprises will become may be decided by market forces where finances and competition will dictate.

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Coming from the heart (the road is long)
Mike Bull Helen Crompton Dilani Jayawarna

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Coming from the heart (the road is long)

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Abstract

Purpose – This paper aims to investigate the organisational development of three small- and medium-sized social enterprises (SMSEs). The objectives of the paper are to highlight the critical stages of development that have led to change, growth and success for these enterprises. Although social purpose organisations have existed for some time, recent political interest in the subject has created a new and emerging field of interest where little empirical research exists. This paper examines how SMSEs evolve, utilizing the framework of organisational life cycle (OLC) models, specifically Adizes's model. Thus, drawing on the OLC field of study this paper will make a significant contribution to a deeper understanding of social enterprise development.

Design/methodology/approach – A qualitative methodological approach was undertaken in order to understand the stories and experiences. A semi-structured approach enabled the researcher to gain deep insights into the life cycle stages that changed and developed each of these organisations over time – which would not have been as insightful through a quantitative methodological approach.

Findings – The key findings indicate that a host of internal and external incidents were critical to the development of these firms. The entrepreneurialism shown within these organisations was crucial. These three firms all grew from community-based campaigns that were able to exploit financial opportunities and grow with a momentum over a number of years. The organisation structures, although different across the three cases, were critical factors in the ability to deliver, develop skills and handle growth. Through analysing these cases through the framework of the OLC model we found that the development stages were similar and that the model is a useful lens for viewing social enterprise organisation development.

Originality/value – Empirical evidence of this nature is currently lacking from the SMSE community. This research therefore contributes to the knowledge capital on this sector and is important for practitioners, business support agencies and academics in understanding the organisational development of social enterprises.

Keywords Enterprise economics, Entrepreneurialism, Organizational development,
Small-to medium-sized enterprises

Paper type Research paper

Introduction

As part of an ongoing research programme which is investigating the management practices of small- and medium-sized social enterprises (SMSEs), the authors noticed that the history and journey of development for SMSEs was not only significant to their success but also enlightening and informative which deserved further exploration. This research was therefore undertaken, with the objectives of highlighting the critical stages to development in terms of change, growth and success.

Social enterprise heralds a new business model, one which incorporates a moral, ethical and social dimension of "doing" business in a capitalist society. Social enterprises exhibit a unique organisational form that puts social and environmental issues first and foremost in their business model. They take on many forms, such as community organisations and co-operatives, in many sectors such as health and arts, providing services and wherever possible reinvesting "surplus income" back into the enterprise and the communities.

Social enterprise is a relatively new area of management research, in an effort to analyse the finite characteristics of social enterprise this paper aims to outline the evolutions of three successful SMSEs, adding to the growing volume of knowledge on the sector. Situated in the context of the economic landscape the paper considers that although social enterprise is a hot topic in government and regeneration circles, the sector itself is under-researched, empirically weak and little understood.

By way of unpacking the complexities within SMSEs the literature on organisational life cycles (OLC) offers a framework to map business development. A particular model by Adizes (1999) enriches biological life cycle models by detailing the stages of organisational development. This model and its constructs assisted the analysis of the qualitative data that were collected via in-depth interviews. Case study methodology was chosen in order to capture as much detail and insight into the world views of those in the organisations in the time available. The paper outlines the research process and findings from the organisations and then an analysis of the three cases is brought together in order to compare the stages of development. This analysis suggests the organisations presented have faced similar issues during stages of their evolution and that there may be particular "growing pains" and barriers that are common to other SMSEs. The findings are of value in adding to the knowledge capital on the sector and therefore have important implications for practice and policy. The findings are relevant for practitioners, business support agencies and academics in providing an understanding of organisations within this sector where insight into SMSE life cycles should inspire and assist sector development.

Social enterprise; heralded but not understood

"Enterprising communities: wealth beyond welfare" (The Social Investment Task Force, 2000) states that the UK is enjoying more material wealth than ever before. Unemployment is at its lowest rate for 25 years (European Social Fund, 2000). Yet, conversely, the UK is challenged by concentrations of social isolation, "worklessness", poverty and inequality in some areas. The government vision is to transform and develop an enterprise culture, open to all and without barriers, prejudice and inequality. The Chancellor of the Exchequer, Gordon Brown has stated:

> [...] there should be no no-go areas for enterprise culture, and that the British economy will do best when men and women from the nation's high, as well as low, unemployment communities – and from all social backgrounds – have confidence that they can transform their ideas and hopes [...] building an enterprise culture genuinely open to all.

High on the enterprise culture agenda are community and social enterprises. Social enterprises are heralded as catalysts for revitalising disadvantaged communities through employment and countering welfare dependency throughout the UK (OECD, 2003). Social enterprise represents a new business model, one which incorporates a moral, ethical and social dimension of "doing" business in a capitalist society.

Social enterprises exhibit a unique organisational form that puts social and environmental issues first and foremost in their business model. Social enterprises primary aims are to address "social" ("community" and "environmental") needs (Pearce, 1999). They are innovatively driven to achieve these goals via the resources available to them through a variety of income stream opportunities (Seanor *et al.*, 2007). They do not distribute profits, but wherever possible reinvest "surplus income" back into the enterprise and the communities they serve (Pharoah *et al.*, 2004). However, this task is not that easy, for one, although social enterprises may be entrepreneurial at drawing in income from many different streams; grant aid, contracts and conventional trading in providing their services, not all opportunities generate surplus; secondly, full cost recovery is not well understood – even harder is getting it!; and thirdly, surplus is also dependant on legal structure, mission as well as other factors, so it is not always possible to make a surplus from activities (IFF Research Ltd, 2005).

Social enterprises have evolved due to the changes in government and other funding opportunities within the community, voluntary and non-profit (social) sectors – specifically the move from grant giving to contract/competitive tendering and the devolution of the welfare state (Pearce, 1999). Despite the agenda for social enterprise across the UK the sector is poorly understood, there are gaps between theory and practice (Hines, 2005) and little is known of the management practices, skills and performances of such organisations (Haugh, 2005). Moreover, according to Brown (2002) and Leslie (2002) business failure in the social sector is prevalent and can be attributed to a range of barriers, including; the small size of SMSEs, a lack of resources, finance and funding issues. Hines (2005) also suggests that despite the increased awareness in government of the need to support social enterprises, the fragility of the sector and the plethora of enterprises and business models it contains means that business failure or short-term existence is something of a feature of the sector. SMSEs are thus arguably faced with more barriers and issues than mainstream SMEs and as the literature suggests the title of this Bob Dylan song "Coming from the heart (the road is long)", coins the scenario that SMSEs face perfectly.

The objective of this paper is to add empirical evidence to this debate. Haugh (2005) states that there is little empirical evidence on social enterprise organisations, knowledge gaps exist in understanding the barriers and development, and there is scant empirical evidence on the reasons for success and the evolutionary journeys of such organisations. Whilst recognising there is much to be learnt from the failures of social enterprise (Seanor, 2006), there is a clear and definitive need to understand the ways in which successful social enterprises operate. More so, and more specifically, how social enterprises develop and evolve over time through their OLC. As Nicholls (2006) points out, from the evidence of other social science fields, descriptive research is needed in order to create a body of case study examples that capture social enterprise practices in order to develop the sector and move the field forward.

Organisational life cycles

The literature this paper draws on is OLC models. OLC models have existed and been developed over time and include Greiner (1972), Adizes (1979, 1999), Churchill and Lewis (1983), Scott and Bruce (1987), Miller and Friesen (1984), Smith *et al.* (1985), Cosier (1991), Eggers *et al.* (1994), Hanks and Chandler (1994), Abetti (2000) and Rutherford *et al.* (2003). There appears to be some similarities across these models,

suffice to say such models reflect typical stages of organisations over time. OLC models are therefore tools for conceptualising an organisation, focusing on the different stages and differing opportunities and the threats they face, through the progression of their life cycles. The suggestion is that managers (and trustees in social enterprises) face different challenges and the organisation has to adapt to the environment in order to survive and develop (Baird and Meshoulam, 1988).

In the management literature, there is a strong consensus that organisations experience a cycle of life. This is explained as cycles from "birth" to "death" similar to other forms of "life" (van de Ven and Poole, 1995), or maturity models (Churchill and Lewis, 1983). Some models based on this premise propose as many as ten different stages of an OLC (Adizes, 1999), while others proffer as few as three stages (Smith *et al.*, 1985; Cosier, 1991; Abetti, 2000). Most models suggest that the OLC can be explained by four or five stages that can be encapsulated as start-up, growth, maturity, decline (or resource mature – Churchill and Lewis (1983)), and death (or revival) (Eggers *et al.*, 1994; Hanks and Chandler, 1994; Rutherford *et al.*, 2003).

A general criticism in the literature of OLC's is that they are too general, rather "mechanical" and not holistic enough to explain the nuances of individual firms and the external "soft" factors which impinge on organisational development. In the majority of the models they also assume a rise and fall and eventual death rather than a cycle of strategic renewal. Moreover, the cycles appear to be too concise, too linear and too simplistic to explain the organisational development of firms, especially SMEs and SMSEs.

It was felt that a model was needed that allows a more in-depth composite analysis. Adizes's (1999) OLC model (Figure 1), was therefore chosen as it potentially uncovers more layers of complexity allowing a more detailed and descriptive account to the evolution of organisations. Although the model suggests an ageing, decline to eventual death process – a focus on the detail, as opposed to the end result, may offer something rich to the understanding of small firms. According to Adizes, organisations may be in one of ten stages (or 15 if premature failure is included), starting with the "courtship" to "infant" stage, moving to a "go-go" stage, through "adolescence" to "prime" and
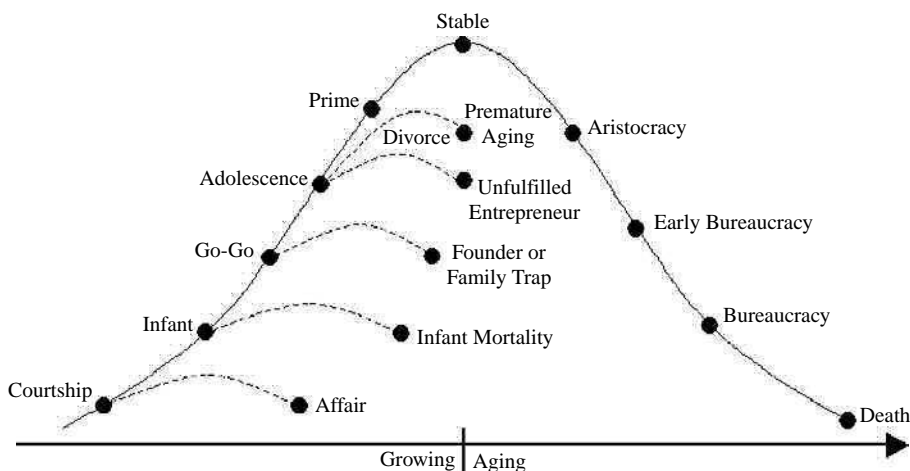
Figure 1.
OLC model

Source: Adizes's (1999)

"stable" stages before the declining stages through to "bureaucracy" and eventual "death" (Table I).

The Adizes model then, in principle, provides a more detailed framework for mapping the complex life cycles of organisations. Life-cycle models may provide frameworks for gaining insight into challenges, issues and patterns of change at different growth stages. It may be that through such frameworks greater understanding and depth to organisations can be realised and furthermore greater awareness of critical factors that unpack the complexities of organisational growth/progress be appreciated.

An understanding then of the individual and unique histories through stories of development of successful enterprises will add to the knowledge base of social enterprise development, via qualitative research methodologies, such as an

Stage	Characteristics
Courtship	The organisation exists only as an idea. The founder must fall in love with the idea before making a commitment to its execution. If the courtship is only an affair, the entrepreneur will lose interest before executing the idea
Infant	Once the organisation is born it is immediately vulnerable and in need of constant care and attention to keep it going. A lack of commitment or of capital may result in infant mortality
Go-Go	Once the idea is working, the confidence of the founder grows. Like a child who has just learned to crawl, the organisation explores every opportunity. As the organisation grows, the energy of the founder may no longer be sufficient to fuel it, resulting in the founder or family trap
Adolescence	After passing the founder or family trap, the organisation is reborn. The transition to delegation and professional management is often painful. Divorce results where the original entrepreneurs no longer find the environment fulfilling, and this may result in premature aging. Adolescent organisations are characterised by many committees, meetings and a degree of in-fighting
Prime	Prime is the optimal point in the lifecycle curve. The organisation achieves a balance of control and flexibility. A prime organisation is not at the top of the lifecycle curve – it still has room to grow, limited only by its ability to attract and train enough skilled people
Stable	The stable stage marks the beginning of the aging process. The company is still strong, but is starting to lose the flexibility, creativity and innovation. The number of meetings and committees starts to increase
Aristocracy	The organisation is focused on how things get done, and organisational protocol and tradition dominate. Challenges to the status quo are frowned upon, thus stifling innovation. Individual dissatisfactions remain unvoiced, and conflicts are swept under the carpet
Early bureaucracy	Early bureaucracy is characterised by witch-hunting. The writing is on the wall for the organisation, and each area seeks evidence that some other area is to blame. Paranoia freezes the organisation. Energy is spent on in-fighting and the customer is seen as a nuisance
Bureaucracy	The purpose of the bureaucracy is to support its continued existence. The internal systems acquire a life of their own. The organisation becomes dissociated with its original purpose
Death	Death occurs as commitment to the organisation dissipates. Clients desert the organisation, followed by employees, until nothing remains

Source: Adizes (1999)

Table I.
The ten stages of the OLC model

ethnographic approach. Furthermore, in light of the ethos, mission and characteristics of a social enterprises' "growing pains" any such framework for unpacking organisations that facilitates greater understanding of the complexities of social enterprise organisations is useful and hence why we have utilized the Adizes model in the analysis of our data.

Methodology

In order to understand the unique development and histories of social enterprises qualitative research methods were applied. This type of research is concerned with understanding human behaviour, acknowledging the subjectivity of phenomena and concentrating on meaning and actions rather than frequency and measurement. Qualitative data are built around the concepts of individual difference, recognising our subjectivity within the data collection and developing theory through the dense descriptive material from signifiers, such as language and artefacts. It is proposed that empirical research captures data, that are of a nature based on a persons' own frame of reference (Curran and Blackburn, 2001), in language – which is constructed by themselves, in their realities, of their worlds.

Case study research (Stake, 1995) was chosen as an appropriate method of obtaining data that are expansive, comprehensive and an accurate recording of a person's world view, capturing rich data of a qualitative, phenomenological nature. Fundamentally, case study research allows the interviewee to speak freely, re-constructing, recollecting and re-telling stories of the past. To some, as indicated by Flyvberg (2006), this limits the generalisability and contribution to knowledge, as practical knowledge is secondary to theoretical knowledge and case study research in particular lacks verification. Yet, as Giddens (1984, p. 328) offers:

> Research which is geared primarily to hermeneutic problems may be of generalized importance in so far as it serves to elucidate the nature of agents' knowledgeability, and thereby their reasons for action, across a wide range of action-contexts. Pieces of ethnographic research like [...] say, the traditional small-scale community research of fieldwork anthropology – are not in themselves generalizing studies. But they can easily become so if carried out in some numbers, so that judgements of their typicality can justifiably be made.

In an effort to conduct the research in as robust a manner as possible, triangulation (Miles and Huberman, 1994) was carried out with the researcher doing first interviews with two members of each of the firms' management teams. These interviews were analysed and the findings presented back to the initial respondents for confirmation that their "stories" had been reported accurately. Case study research is therefore an appropriate approach that enables the researcher to analyse data and detect the organisational stages within a given context and thus complementary to the OLC models identified in the literature. Striving towards some notion of objective "truth" to establish "facts" out of the data fits within this paradigm that seeks to map external reality. Hence, the essential elements of prior theories and triangulation are apparent (Easterby-Smith *et al.*, 2001) where case study research brings to the fore both the observable phenomena and the unobservable – context particular (Collis and Hussey, 2003) phenomena together (Perry, 1998).

The selected SMSEs were identified by a local sector business support agency whose business advisors had entered into the networks of these three organisations.

Each case firm was visited by two of the authors, with a semi-structured interview framework, at the enterprises' location. The visits involved a tour of the premises and field notes were taken on both the informal conversations as well as the recorded interviews. As previously mentioned, two representatives of the management teams of each of the organisations were interviewed on separate occasions and then one of the two were re-interviewed where the researcher relayed their understanding of the first meetings reconstructions.

The interviews focused on the firms' journeys from the beginnings through to the present. In particular, we were interested in the events which the managers perceived as the significant moments which were crucial to the evolution of the organisation. Thus, we examined themes around:

- The SMSEs' beginnings and early years.
- The SMSEs' critical moments.
- The SMSEs' growth.
- The SMSEs' future outlook.

Thus, from three (x2) semi-structured interviews, notes and recordings, key themes, commonalities and stages of development were identified. Three further interviews were conducted and further analysis led to the findings and overview offered in the next section. All three organisations are given anonymity and therefore are introduced as A, B and C.

Findings

All of the three cases were within the health and social sector, located in the North West of England. However, each organisation worked within different sub-sectors, in different ways and provided very different services. Each case organisation is summarised in Table II and discussed in depth in the analysis section.

Case A

Organisation A is a charity and company limited by guarantee formed in 1990 by a pressure group of five or six individuals from local authority, community development and drug related fields. They were brought together through their involvement with black and ethnic minority communities. It was felt that AIDS hysteria and racism prevailed to the detriment of the community and that black and ethnic minority needs were not being met under the statutory services. A public meeting with over a 100 people led to the formation of the group initially as purely a vehicle for public education, disseminating information and raising awareness via volunteers. Organisation A now employs 58 people, and has become one of the leading black community health projects in the region. They have regional and national recognition for their work with black and ethnic minority communities and other

Organisation	Founded	Employees	Income
A	1990	58	2,000,000
B	1994	28	300,000
C	1993	4	580,000

Table II.
Organisation profiles

marginalized and disadvantaged groups. In terms of financial success and
sustainability, income in 1990 of under £200,000 had grown significantly to around
£2million in 2004.

Case B

Organisation B is a company limited by guarantee formed in 1994. Changes in
government policy which led to "Care in the community" were seen as problematic
by some but recognised as an opportunity by organisation B's founder.
A community figure with aspiration and foresight who wanted to support and
enrich needy people's lives through empowering disadvantaged groups, such as
people with disabilities, the elderly, and people with mental health problems to live
in the community – in their own homes. The organisation provides a holistic and
flexible approach to caring giving as much, or as little, help to users as individuals
require. The domiciliary care service is a sustainable organisation and the recent
addition to their portfolio of services is a "minor repairs service" which is at present
building in reputation and is currently supported by funding grants and surplus
from the core business. After ten years the founder's endeavours have led to the
development of an organisation employing 23 full timers and five part-timers with
an income in the region of £300,000.

Case C

Organisation C was formed in 1993 by a group of people interested in arts in the
community. Registered as a charity it provides a wide range of arts-based training and
opportunities for local residents of all ages who have or are at risk of experiencing
mental ill-health and social exclusion. They started out with one part time worker and
now employ four full time personnel and are housed in state-of-the-art, purpose built
studios (photographic, graphic design and music recording as well as ceramic, textile
art facilities) with specialist workshop equipment and the latest information and
communication technology. With the help of regional, national and European funding
the organisation is evolving into a flagship service and site for other community-based
projects. Their funding has enabled them to make the transition from a training
provider to an organisation which can provide employment opportunities for its users.
By producing top quality saleable works of art the organisation is hoping to become
self sustainable in the near future.

These three firms, as suggested, have grown over a relatively short period of time in
both personnel and income, although each organisation had to deal and cope with
different issues, barriers and organisation problems in very individual ways. The
analysis section that follows provides insight and understanding of the issues they
faced along their journeys.

Analysis

This section provides a detailed analysis of the three cases comparing and contrasting
the experiences of issues, barriers, opportunities and threats which they all faced
journeying along their roads. Comments from those interviewed are provided in
Tables III-VII to summarise pertinent commentary that was recorded during the
research interviews.

Stage 1: courtship

All three organisations developed out of community needs and pressure groups. As Adizes suggests the founder falls in love with the idea in the courtship stage – or in these cases, as social enterprises – a group of people, feeling passionate enough or angry enough to take ownership and tackle what has been seen as needs that must be met. The embryonic years were difficult times; they were cooking for people, tackling isolation, providing one-to-one care and companionship, raising awareness, applying for funding, and generally fire fighting with minimal resources. In organisation B, a similar story was told of chaos, long hours, reactionary management and a lack of structure. In organisation C, they also referred to the early years as a struggle and a difficult time. In all three cases, short-term horizons and short-term funding created

Table III. Comment in relation to the courtship stage of the OLC	Courtship stage "We'd have to cook food for people, we'd get our families to cook food, we'd be taking it round – as well as going to do the prevention work, the training, the co-ordinating – the whole lot."

Table IV. Comment in relation to the infant stage of the OLC	Infant stage "I think the best people we can learn from are the people with similar experience. So having a system of networks is essential. If I don't quite understand something I know for a fact that somebody out there will. We have got to know where to get information [from, in order] to evolve. And we get that by banging on doors and saying this is me, this is where I stand and this is what I do, and making those contacts which keep you as up to date as you can possibly be. That in itself is a learning experience isn't it."

	Go-go "... I said to ... [the founder/trustees] that we can't carry on like this, we have got to have a structure, we haven't got any structure."
Table V.	**Note:** Comments in relation to the go-go stage of the OLC

Table VI. Comments in relation to the adolescence stage of the OLC	Adolescence stage "As an organisation we all need to impact on each other, there are lots of cross-working that we can do but we were missing the opportunities. We were really good at doing partnership work with people externally, but we weren't working partnerships internally within the different areas of work."

Table VII. Comments in relation to the prime stage of the OLC	Prime stage We have evolved into a self sustaining business, and not only that but one that takes into account the service user and a choice of individuality and the quality of service. We have evolved into that and I can see us being the flagship for services offered to people that are vulnerable and disabled in this City. I can see the vulnerable and disabled communities in this City have completely changed and got better because of the service we provide to them and that gives me great pleasure to be able to do that

a chicken and egg situation, where a lack of resources and unmet needs were in abundance making it difficult to stand back and critically reflect on the development and direction of the organisation. Through sheer determination and hard work these three organisations began to make progress.

For A, endless bid writing, research and rallying was successful and they were awarded a grant. They were then able to take on a full time member of staff, which gave the founders more time to take control of the development of the organisation. An annual review meeting provided an opportunity to reflect, review and take stock. They recognised that the needs of the community were changing – and that they had to adapt and embrace those changes also. Furthermore, grant funding policies were changing with government trends in accountability, unit costing and monitoring and they realised they had to become flexible to meet those needs – trying times when prevention was their focus, therefore difficult to quantify.

In B, income was not initially an issue as they drew down funding through the re-direction of provision under the Community Care Act of 1990. However, despite building a local reputation on quality care they lost their contract through an open tendering situation, as the grant funding policies changed. This could have been the end for them and it was an extremely vulnerable time. However, their clients refused to move over to the new service provider and stayed with them. Instead of losing work they were growing, not only were service users employing them on a private basis but also social workers were hearing about the service through other networks and recommending users to them. The founders attributed this backlash as merit for their hard work and energy but also their commitment and reputation within their community and the quality of the services they provided.

In C, the early years were also seen as a relentless search for funding and continual bid writing for income. A lot of groundwork research and relationship building went on. Working out of peoples' houses, juggling contact time to the users gave no concrete sense or platform to conceptualise their work as an organisation. They approached an art gallery for space and booked an event to exhibit the work of the service users. They invited chief executives of social services, key council personnel and other targeted parties who could be potential stakeholders in widening the awareness of the service and who could support the project. They were successful and secured funding for another year. Each year thereafter they promoted and exhibited themselves in the same way for funding in order to attract publicity both locally and regionally, with both a stakeholder and community focus to the event. They survived on under spend for years as funding was still an ongoing struggle. They had to be strong and focussed, make noises within the sector and fight their corner with the council. They made every opportunity that came along a chance to publicise and "bang their drum".

The courtship years had been somewhat of a struggle for all three of these cases. Political, economic and social changes affected these organisations greatly. So not only had the founders to learn how to run a social enterprise, as none had previous experience, but also they were all faced with a torrent of change and reform which required a lot of knowledge, time and resources in keeping informed and up to date on the latest changes and focuses. Each organisation retained the spirit of the founders and as Adizes suggests, should organisations do this, they are then able to make the transition to infanthood.

Stage 2: infant

Adizes suggests that at this infant stage the organisation is vulnerable and in need of constant care. In all three cases the trustees played a major part in the care of these organisations. In A, the members were self elected through the instigation of the pressure group. The skills they brought to the table were health, social and public sector focused; the people were social care workers, community workers and public sector civil servants. In B, the board was initially largely representative of the local community and social care workers, whose insights and involvement in the start up of the organisation were brought together. In C, similarly, the trustees were initially made up of tenants from the locality, community workers and local social care workers.

Over the years the member populations of the three organisations trustees have changed dramatically to include; management professionals from finance, marketing, strategic planners through to human resource specialists. The diversity has increased in all three firms to include knowledge of local, regional and national government, with members being brought in from outside the region and from other social enterprises. The changes have added knowledge and expertise across many issues. Whilst keeping communities representation the balance of progress and keeping the organisation focused on servicing the community has been maintained. The boards in each were encouraged to take an active role in the development of their organisations, such as auditing the quality of the service and regular communication with the staff. Fundamentally, grounded in all three cases, service users are still represented at board level to offer a balance of views and to keep the focus of the organisation close to the founding principles.

The ability to build close partnerships and working in collaborations were incisive in the early years of all three organisations. Instrumental in these developments with external parties was the determination to overcome obstacles. Sharing knowledge and building networks was in some ways counterproductive to fire fighting clients needs – yet they all realised they could not cope as micro organisations and so the long hours, the meetings, the research became part of the job. In A, for example their journey coincided with the National HIV Sexual Health Strategy and their proactive networking and attendance at meetings in London got themselves onto the governments steering group – a key acknowledgement to their experience and knowledge within their sector. In B and C, similar stories of browbeating were recorded. These organisations were intent in making their point and raising awareness of the inequalities that were prevalent in their environments. In all three cases, networking and events were instrumental in bringing people together – not only proving that the issues they were discussing were important, had interest, a market and support but also that they were going to make some noise about it and take the issues up, organise themselves and take things forward.

Stage 3: go-go

According to Adizes as the confidence of the founders grows the energy of the founders is no longer sufficient to fuel the development of the organisation. Social enterprises are characteristically more democratically run organisations than private sector firms. Teamwork, creativity, co-operation and participation were prevalent in these three cases. In B, they were quick to realise the long-term success of the organisation ultimately depended on the performance of the staff team. In order to recognise and

reflect this focus the organisation changed from an *ad hoc* approach to more formalised and robust methods of staff development. Formal personal development reviews were therefore introduced to formalise the system and the staff were encouraged to undertake training that supported the individual service users and also to improve their own self interests. Eventually it became a minimum requirement that all the co-ordinators were registered onto NVQ level 3 in supervisory management. The CEO suggested the training has given the co-ordinators the confidence to develop and take responsibility. Furthermore, in B and C, the "Investors in People" standard was introduced. The systematic approach to staff development helped both these organisations formalise and make the organisation more accountable to the needs of the staff.

As a whole staff development issues across the three cases was said to have a major influence on the development of the skills base of the organisation and was therefore a key focus that could then respond to the challenges of the sector.

All 3 organisations had to learn and adapt very quickly. Their organisations were growing and trying to keep their feet on the ground, staying focussed on meeting the needs of the community and the employees was a real balancing act. Although they were working as small teams, they were all too busy in service delivery to reflect and feedback, so not everything could be shared in real time. Their awareness of other organisations faced with similar problems and stories shared provided experimentation with strategic away days. These breaks involved employees, the management team and the trustees. The three organisations suggested what they wanted to achieve was a sense of unity and focus across their organisations and most importantly in making their staff feel valued and a part of the organisation. The organisations thought that the strategic away days brought all the staff closer together and they were able to understand the roles that each had to play in achieving the organisational visions. A clear focus and togetherness has resulted in a considerable degree of acceptance of the need for an organisational strategy. In developing the internal capabilities, these three organisations were becoming more complex and sophisticated in their management practices. Hand-in-hand with this was organisational design and structure. The re-organisation of informal and *ad hoc* systems and structures were therefore prominent features within the growth of these three organisations.

Stage 4: adolescence
As these three organisations developed from their early years and the struggle for existence and resources, they began to become more strategic. Adizes calls Stage 4 the adolescence stage, as a painful time for learning during the transition from a holistic team to that of delegation and professional management. In A, it was noted that the rhetoric changed from a support network to a business. The focus provided by the strategic away days brought people together and the CEO stated the staff began to think of the project work as something more substantial and professional. In B, the managers wrestled with company law and organisational development issues. In C, it was considered fundamental to the delivery of their service that they remained focused on their core beliefs.

A feature of these three cases was their deliberate aim to devolve responsibility by enabling people in the organisations to be utilised across a broad range of responsibilities. This was to ensure cross-organisational working and enhanced open

environments. This fundamentally affected the organisational structures of the three organisations. In A, they grew from 6 to 12 employees in a short space of time which imposed both opportunities and problems within itself – "it was double the turnover, double the staff, double the headache", said the CEO. There were real growth issues and they felt this made their structure look increasingly inappropriate. So in organisation A, the objectives set up for the future of the organisation suggested a shift from informal, personal relationships and work arrangements to more formal, structural networks and system accountability. The need to consolidate their internal focus and to make sure that there was a consistency across the organisation was a key issue to this change in emphasis. There were many indicators that a new and different culture was evolving in response to these relationships. So for A, they were moving away from informal systems to become more of a project focused satellite structure. They were re-focusing on people becoming more involved in decision making. Although there are layers in the organisational structure, the relationship between the people at the top in management positions and bottom tier of service delivering positions is one of coaching and mentoring, rather than traditional line management.

In B, they felt greater emphasis was being required on the managerial side of the organisation. They felt that they needed to become more strategic. In B, they remained very close to their founding principles, their memorandum and articles, and they take great pride in the fact their very first client they supported is still with them today. At one time, they considered the option of changing their status to that of a registered charity. One of the advantages at the time was that they might have been able to secure additional funding. However, the trustees decided that they needed to remain "in control of their own destiny". What was important to them was to have control over their surplus – the freedom to re-invest into the organisation and community as they, and their board, saw fit. Procedures and processes were introduced with the support of community venture advisors and they began to build the foundations of a more robust organisation with a business-like framework.

In C, their reputation was growing and they also felt they needed to change their approach and become more strategically focused. This involved bringing in new staff and governors with the kind of skills that could take the organisation forward. That step also forced them to create more of a business-type structure to the organisation. This required developing a clear business strategy, a vision for the future and a business plan.

They said it was a big learning curve, writing a business plan and mapping out the organisation. The future was uncertain but the issues were clear – capital investment, resources, premises and growth. The vision was towards increasing the influence of formal systems. The vision also seemed to have an important role in engendering "results-oriented values" and creating a "business orientation".

The creative, idiosyncratic nature of all three organisations had been tempered by a greater awareness of the need for financial stability and operational effectiveness.

Stage 5: prime
Common across the three cases and within these organisations was drive and ambition. Adizes describes this stage as the optimal point along the lifecycle curve, still able to grow but limited by the ability to attract resources. The sustainability and the visions for the futures of these organisations were clearly articulated. Indicative of the

leadership and entrepreneurship in these 3 firms, they never consolidated or became complacent and very enthusiastically described the future and their visions for their organisations. For example, in A, they began to expand beyond the boundaries open to them across wider health issues and the North West of England. They began to see National unmet need and new mainstream funding sources. Their confidence built on the success of their impacts locally, and entrepreneurial spirit challenged them to take the opportunities and move the organisation into un-chartered waters. With several changes in government focus over the years they adapted and remained flexible, they were able to see trends in funding climate and the gaps to those changes. However, the organisation has not detracted or compromised the beliefs in any way. With a number of income streams they have still to build their own reservoir of surplus to fund the needs of the communities they serve that are not directly funded at source. So the rallying, the networking and the lobbying to government is still a focus of the organisation as they seek to address the social imbalances of the communities they serve. The struggle continues, with the organisation pulled across the services they provide, the income streams that they can acquire and their own communities agendas that cannot wait until the funding streams align to the needs.

In B, the funding resources have been a lot more mainstream and available. In only two and a half years they became totally self sustainable. Their drive for providing a quality service through a formal business structure has been their approach. Through investing in their staff development needs – but always mindful of their community needs – has been a key factor to their success. They feel that there are a lot of other things that they can develop for the community. They acknowledge as if they were a business that they are open to market forces, and accept that their focus will move on as their communities needs change.

For C, acceptance of their unique approach to caring for the health of their users has taken time for the funders to accept new methods. They eventually acquired enough funding and secured premises. The future success of the project and benefit to the community is for the arts centre to become a busy and diverse forum for artistic output and opportunities for socially excluded groups. The centre has proved that their hard work and persistence has paid off and that their lobbying for an alternative approach to the delivery of care for disadvantaged communities can attract the attention and resources to follow through.

The future target is to showcase top quality saleable works of art and raise their own income, so they are less reliant on the changes of focus of funding streams.

Conclusions

In summary, the three organisations presented here have grown from seeds of ideas that have blossomed into established flagship social enterprises. The journeys of each have been richly detailed in this research and it is noticeable that in each case they have made the transition from infant stages of social and community organisations into more prime stage businesses. Their ways of working have become organised and have developed and evolved in order to grow and achieve the social aims of the organisations in competitive, changing and economically challenging environments.

The road has been a fruitful one for these three particular social enterprises. However, the problems remain in managing time and resources to generate their own income whilst the organisation is focussed on delivering the services that satisfy the

contracted obligations and funded elements of the service provision. The entrepreneurial talents of these three organisations remain in mobilising both the communities around them and the resources that might not be immediately detectable. Being proactive, vocal and assertive has helped together with having a structure in place that has enabled them to do this effectively. Not only is there a community driver here, but also a business model that is an enabling device in solving issues and needs. The development of these social enterprises has been a long but successful journey. It has also been a matter of getting the right ingredients at the right time and in the right order.

This research has highlighted that there are similarities in the development stages and cycles of these three organisations. Furthermore, the Adizes model dovetails well with the organisations and the cycle of development that each has gone through. The point that these three organisations have reached is very similar and so the mapping analysis onto the Adizes model stops at the prime stage. This is because the three organisations are at the cusp of their maturity. Although there have been some tussles with bureaucracy along the way, they may all yet struggle to continue in the manner that has evolved and fresh challenges and changes are bound to come along. Further research that seeks to map variations along the OLC would be further beneficial to this contribution. This could take pre-start up (courtship) organisations, new start, fledglings (infant) through to mature organisations (nothing to say of the dead!), so hence looking for the relationships of age, resources of capital (social, ethical, human and financial) against growth and barriers to development. If at all possible, evidence across the ten stages and longitudinal research that follows the path of time and the subsequent mapping onto the OLC would also contribute to furthering our understanding of the development of social enterprise.

In writing this paper it has become apparent that the state of play in these three organisations provides pertinent timing to capture the cusp of organisational development. This provides academics, practitioners and support agencies with a picture, although incomplete, of the evolution of social enterprise organisations. The timing is pertinent as it is quite a convenient stage to reflect back, and another to look forward. For these three organisations their journey provides a deep insight into the barriers, issues and needs of social enterprises that are useful to see. The future, well that is another story but one which we all need to consider in our many different ways of wrestling with the – what now?

In conclusion, this paper has investigated the organisational journey of three SMSEs. The paper has highlighted the life cycle stages of development that led to change, growth and success for these enterprises. Utilizing Adizes's (1999) OLC model the framework provides a way of mapping the journeys of these organisations. The model has proved to be a useful framework for analysing organisational development and unpacking the complexities of organisations. The findings indicate that there are similar growing pains and that there is an identified pattern from wrestling with funding through to developing the internal capabilities and handling growth within the organisation in terms of culture and logistics. The entrepreneurialism of the organisations was critical at each of these stages where sheer determination, hard work and fighting for what they believed in shaped the organisation and services they provided. These three organisations all grew from community-based campaigns into successful social enterprises. Each understood the need to develop, and the natural

evolution process of aging brought about particular actions and practices. Already these organisations have identified the desire to stay flexible and adapt their organisational models that are the right structures to grow – yet aware of the inevitable bureaucracy that comes with the divisions and decisions. The hope is that the sustainability of these projects is met with Churchill and Lewis's (1983) "resource mature" and the entrepreneurial flair that has got them to this point, as opposed to the potentially lethal aristocracy stage and beyond, as described by biological OLC models.

The study provides an insight into success stories', unpacking that detail is in itself worthy of the discussion, as empirical evidence of this nature on the critical characteristics of social enterprise contributes to the knowledge capital on this sector. When empirical grounded, ethnographic research is called for as pointed out in the introduction. This research is also important for practitioners, business support agencies and academics in understanding the organisational development of enterprises within this sector. Furthermore, OLC models may also provide food for thought to support agencies that not only have a duty to support the early stage development of social enterprises but also not to forget the on-going life of the organisations in order stave of the decline into the strangulation of bureaucracy and inevitable death.

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GUEST EDITORIAL

Challenging tensions: critical, theoretical and empirical perspectives on social enterprise

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Abstract

Purpose – The purpose of this paper is to introduce the special issue, which explores the concept and significance of social enterprise and social entrepreneurship internationally.

Design/methodology/approach – This introductory article examines the literature that exists to date and presents an outline of some of the fundamental issues and the challenging tensions within the conceptualisation of social enterprise. The article concludes with a discussion of critical future research needs.

Findings – The findings suggest that a critical perspective is required in order to add originality and value to this developing area of research.

Originality/value – The papers presented raise some interesting issues about current conceptualisations of social enterprise and entrepreneurship, challenging tensions from critical, theoretical and empirical perspectives. The Special Issue seeks to expand the debate in social enterprise and bring to the fore some critical perspective in order to highlight alternative views which are often in conflict with the wave of euphoria and optimism that is driving current theoretical development in the field of social enterprise and entrepreneurship.

Keywords Entrepreneurialism, Social welfare organizations, Non-profit organizations

This special issue presents five papers exploring the concept and significance of social enterprise and social entrepreneurship internationally. As attention on the topic heightens and the terms are becoming more *en vogue*, questions remain about social enterprise and the characteristics of social entrepreneurship. This special edition builds on the 1st Critical Perspectives on Social Enterprise seminar, held at Manchester Metropolitan University, organised by the Centre for Enterprise (see www.mmucfe.co. uk/news/26112006/criticalreflectionsonsocialenterprise). The papers presented here raise some interesting issues about current conceptualisations of social enterprise and entrepreneurship, challenging tensions from critical, theoretical and empirical perspectives.

Critical reflections on social enterprise

A new "enterprise culture" is emerging throughout the world, and there is great optimism about the development of social enterprises (Leadbeater, 1997; Nicholls, 2006). Frequently heralded as the saviour of public and private business failure (Evers, 2001; Nicholls, 2006; Westall and Chalkley, 2007) and the answer to "worklessness", social isolation and inequality (Organisation for Economic Co-operation and Development, 2006), social enterprise has much to accomplish. Many governments

have taken an active interest in social enterprises; in the UK, this has been recognised with the recent emergence of the first social enterprise specific business model, the "community interest company", in July 2005 and establishment of the "Office of the Third Sector" (OTS) in May 2006.

Academically, research in social enterprise and entrepreneurship is gaining some salience as a field of study, predominantly from business and management schools (Ritchie and Lam, 2006; Westall, 2007). Interest, according to Westall (2007), extends from those in corporate social responsibility, co-operative and non-profit centres of expertise (p. 16). However, while the characteristics of social enterprise have yet to reach a level of common understanding, Arthur *et al.* (2006) suggest that the dominant discourse within the literature amplifies the "business model" above all other perspectives.

Critical reflection is called for in order to assess different perspectives and provide some challenge to the dominant view. This special issue of the journal builds on the first "Critical Reflections on Social Enterprise" seminar in November 2006, held at Manchester Metropolitan University, which gave both theoretical and empirical attention to the development of social enterprise research. To introduce the reader, a critical reflection on social enterprise provides an indication to some of the challenges in the conceptualisation of the field before outlining the five papers that follow.

The emergence of the term "social enterprise", and the organisations recognised as such, have evolved globally over the past 20 years due to:

- the decline of state involvement in the planned provision of services in society; and conceptualisation of the "market" (Mulgan, 2006);

- the focus of a culture that emphasises self-reliance and personal responsibility and the rise of entrepreneurship more generally (Scase and Goffee, 1980; Kuratko, 2005); and

- changes in funding opportunities within the community, voluntary and non-profit (social) sectors – specifically the move from grant giving to contract/competitive tendering and the devolution, deregulation and privatisation of welfare states globally (Pearce, 2003; Goerke, 2003).

Hence, the push for the third sector to become more "entrepreneurial" and for social enterprises to blend values (Emerson, 2006) and operationalise business principles (Leadbeater, 1997; Pearce, 2003; Nicholls, 2006). But at what cost? A sector built on community, trust and togetherness is being challenged by trends towards "business-like" practices (Dart, 2004; Pharoah *et al.*, 2004) and "managerialism" (Turnbull, 1994; Terry, 1998; Hulgard and Spear, 2006). At the fore is the swing from grant aid to competitive tendering and contracts, which entails a heightened focus from funding providers that requires more from organisations in terms of management systems, quality standards and marketing (Smallbone *et al.*, 2001; Paton, 2003; Pearce, 2003) than previously required of the non-profit sector.

Social enterprise has been described as "blurring the boundaries between non-profit and profit" (Dart, 2004). Pearce (2003) describes social enterprise as trading organisations behaving as businesses, closer to the private system than the public, and within the third system. However a distinct image of what constitutes a social

enterprise is hard to capture, as no single legal structure or business format encapsulates the term. In the UK, for example, social enterprises can be sole traders, unincorporated and incorporated organisations. There are three overarching (and overlapping) routes for business incorporation:

(1) company;

(2) society; or

(3) charity.

These routes provide the conditions for social enterprise through various business formats, such as community interest company (CIC), social firm, development trusts, voluntary community groups, housing associations, football supporters trusts, leisure trusts, community interest organisation (CIO), co-operatives and trading arms of charities (Office of the Third Sector, 2006, p. 11). All of these types can define themselves (or be defined by others) as *social enterprises*. Dees (1998) suggests that because of the complex structures of third-sector organisations, generalisations of what defines a social enterprise is essentially problematic and ultimately affects our understanding of the sector. To further complicate matters there are differences in interpretation of social enterprise across the globe, highlighted between the USA and Europe (Kerlin, 2006). In the USA the term "social enterprise" embraces the entrepreneurial culture, where the individual, the entrepreneur, is focused upon far more than the collective or community (Boschee, 2001; Emerson, 2006; Chell, 2007). The Social Enterprise Alliance, USA (2006), state that a social enterprise is:

An organization or venture that advances its social mission through entrepreneurial earned income strategies.

Kerlin (2006, p. 249) states that the "concept of a social economy is not used [in the USA] and non-profit social enterprises are often discussed as operating in the market economy".

In mainland Europe, the term "social enterprise" is characterised in terms of a "stakeholder democracy" (Turnbull, 1994). L'Emergence des enterprises sociales en Europe (EMES) suggests social enterprises benefit the community and are characterised as autonomous organisations, with group objectives, shared aims and a decision making power that is not based on capital ownership:

. . . one member, one vote or at least a voting power not distributed according to capital shares on the governing body which has the ultimate decision-making rights (L'Emergence des enterprises sociales en Europe, 2004).

The European definition then addresses the governance and the distribution of power and focuses much more on democracy of control (Defourny and Nyssens, 2006). In the UK, the concept of social enterprise is seen as comprised of ideas from both Europe and the USA (Hulgard and Spear, 2006; Westall and Chalkley, 2007). The Department of Trade and Industry (2002) states:

A social enterprise is a business 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.

The DTI definition outlines the primary intention as social, distinguishing social enterprise as not operating for private profit. The term "surplus" – not "profit" – is a key indicator of a social enterprise (see Smallbone *et al.*, 2001). Attention is focused on an enterprise as a business "trading" and generating surplus as the differentiation between social enterprise activity and other organisations in the social economy (namely charities and voluntary community organisations; see Pearce, 2003).

However, the drive towards "enterprise" and enterprise culture within the sector is not without its problems (Pharoah *et al.*, 2004). Newman and Wallender (1978) warn that business management concepts in not-for-profit enterprises must be qualified as concepts and needs differ widely. Furthermore, Anheier (2000) suggests that a variety of different management approaches and styles are required but as yet, the management of non-profit organisations remains ill understood because our understanding of these organisations has not gone deep enough. The discourse that surrounds social enterprise has predominantly become enterprise focused, as Arthur *et al.* (2006) further explain:

> ... a "business case" narrative and discourse is being privileged in the practice of social enterprise research to the detriment of providing conceptual and theoretical recognition of the social (p. 2).

The dominance of the business discourse and drive for social enterprises to be the *quick fix* for societies' ills has detracted the attention from the foundations of these organisations – from the social. Arthur *et al.* (2006) suggest that there appears to be an implication and assumption that "social" and "enterprise" are mutually inclusive. Arthur *et al.* (2006) state:

> Ten or so years ago it would have seemed like an oxymoron to amalgamate the terms social and enterprise. Since that time the concept has rapidly passed from obscurity to the status of orthodoxy (p. 2).

To amalgamate social and enterprise is then problematic. Legitimising the union of the terms suggests the narrative in the literature has moved toward one that if the business activities are a success in the market it will follow that the social aims will, in essence, take care of themselves (Arthur *et al.*, 2006). This leap of faith is complicated, as it characterises social enterprise as a way of "doing" business.

The competitive environment and race for profits can be destructive, particularly if service delivery is about being more efficient and making profits at the expense of meeting community needs. Goerke (2003) suggests a rejection of the conceptualisation of social enterprise as "businesses" *per se* and indicates that for these organisations business decisions are influenced by a different agenda to the private and public sectors. Pearce (2003, p. 33) states: "The primary purpose of a social enterprise is social [...] commercial activity is secondary in the sense that it is the means to achieving the primary purpose" – understanding how this influences the decision making in social enterprises in practice is lesser known and there are gaps between the theory and practice (Hines, 2005). This represents a challenge for theoretical development and highlights a lack of empirical understanding of the organisations in this sector. The critique here suggests the synergy of the terms "social" and "enterprise" are not as reconcilable in practice. It would therefore appear that the complex nature of social enterprise is more than simply a new dimension to business culture. This Special Issue

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of the journal seeks to expand the debate in social enterprise and bring to the fore some critical perspective in order to highlight alternative views which are often in conflict with the wave of euphoria and optimism that is driving current theoretical development in the field of social enterprise and entrepreneurship.

The papers contribute to knowledge capital on social enterprise in five distinctly different ways. I hope you enjoy the Special Issue and reflect on this very important field that is set to change the world and change the way in which many businesses work.

The first contribution from the 1st Critical Perspectives on Social Enterprise Seminar is from Curtis, who considers critical management theory in light of his own research, from one particular research project. The paper recognises the influence of culture, history and social position and applies a number of theoretical lenses through which to view the social enterprise movement, namely "contractualism", "managerialism", "agencification", "militant decency", "social movements" and "post-liberalism". Curtis concludes that the cynicism at the "outliers" of an otherwise successful project, where such descriptions of SEs as "un-businesslike", "yet to learn the language" and "amateurism" are found, are actually part of the "recalcitrance and resistance" and characteristics of being and becoming social enterprises. It is not that weakness and failure are to be disregarded but part of the rich tapestry and the very pearl that social enterprise is meant to be.

The second contribution from the 1st Critical Perspectives on Social Enterprise Seminar is from Ridley-Duff, who asks whether the goal of social enterprise policy is the creation of a "not-for-profit" or a "more-than-profit" business movement. The author outlines four typologies of social enterprise and a framework that reflects the heterogeneity of social processes that drive social enterprise development. Ridley-Duff argues that instead of viewing "social enterprise" as a subset of the social economy, it can be viewed as a range of business practices that proactively build economic and social capital across the affected stakeholder groups. As such, it regains an ideological character (and basis) that moves the definition away from "profit"-based definitions towards an understanding of social enterprise as the development of alternative business structures (and practices) that support socially rational objectives.

The third paper, by Cato, Arthur, Keenoy and Smith, extends the concept of entrepreneurship, focusing on the enterprising activities that are undertaken by groups of people using innovative ownership and control structures to achieve their aims of producing renewable energy and community benefit. They explore where the classic business model needs refinement to accommodate the mutual values of social and "associative entrepreneurship". Using case study research of seven organisations in the renewable energy sector in Wales, Cato *et al.* provide insights into the pluralist motivations of groups of people that have acted entrepreneurially in order to establish their organisations. This exploratory paper moves towards an understanding of community commitment and co-operative virtues that seek to challenge the assumptions of entrepreneurship as a lone figure, solely for the purpose of the accumulation of individual wealth, by exposing the potential of entrepreneurship as a positive community endeavour.

The fourth paper, by Jones, Latham and Betta, examines the process by which the social entrepreneurial identity can be constructed through narrative. The research

questions the process by which social entrepreneurs construct their identity. They use case study analysis of a social activist entrepreneur from a major Australian city. The paper takes a constructivist approach, allowing the entrepreneur to tell their story. The focus of analysis is on understandings and meanings through language and discourse. Jones *et al.* discuss how this social entrepreneur, through narrative construct identity, dealt with the tension of managing conflicting discourses through a process of "crafted divisioning" and "discourse suppression". The authors state that this approach can make a strong contribution to the social entrepreneurship literature as this can unpack the social enmeshment of the sense making of the social entrepreneur.

The fifth contribution, by Urban, provides an empirical investigation into the social entrepreneurial intentions of university students in South Africa. Urban interrogates the social entrepreneurship literature and identifies the necessary factors for social entrepreneurship to flourish. He then seeks to measure quantitatively students' intentions to engage in activities associated with successful social entrepreneurs through an instrument designed for the research. Two hypotheses based on definitional controversies and distinctions between managerial and entrepreneurial skills were formulated and subsequently tested for significance. Further questioning captured students' inclinations towards trying to start/manage any kind of social, voluntary or community service, activity or initiative. The results conclude that students are likely as a group to be engaged in socially entrepreneurial activities and display the kinds of skills sets needed to flourish in the sector.

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Conceptualising ethical capital in social enterprise

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Abstract

Purpose – In popular culture, ethics and morality are topical, heightened by recent attention to the banking industry and pay awards, monopoly capitalism, global warming and sustainability. Yet, surprisingly, little attention is given to these in the narrative of the conceptualisation of social enterprise or social entrepreneurship – nor in the academic research on the sector. Current conceptualisations of social enterprise fail to fully satisfy the spirit of the movement which advances a narrative that social enterprises: are more like businesses than voluntary organisations; are more entrepreneurial than public service delivery; use business models but are not just in it for the money. A focus on the economic implies a business model where deep tensions lie. A focus on social capital offers a different frame of reference, yet both these conceptualisations fail to fully identify the phenomenon that is social enterprise. The objective of this paper is to fill that gap. Ethical capital is offered here as an alternative and unrecognised conceptualisation in the field of social enterprise.

Design/methodology/approach – This paper is exploratory in nature – a tentative piece of theorising that brings together the authors' perspectives on ethical capital to offer a new frame of reference on social enterprise. It sets out to investigate some of the issues in order to provoke further research.

Findings – It is argued in the paper that the current ideology of the neo-classical economic paradigm pursues interests towards the self and towards the erosion of the moral basis of association. The outcome leaves society with a problem of low ethical virtue. The implications of this paper are that social enterprises maximise ethical virtue beyond any other form of organisation and as such hold great value beyond their missions and values.

Research limitations/implications – This paper starts the process of intellectual debate about the notion of ethical capital in social enterprises. The conclusions of this paper outline further research questions that need to be addressed in order to fully develop this concept.

Originality/value – This paper offers great value in the understanding of social enterprise through fresh insight into its conceptualisation. A critical perspective is adopted towards the current literature. This paper sheds new light on an understanding of the sector, providing practitioners, business support agencies and academics alike with a conceptualisation that has not been explored before.

Keywords Business ethics, Social capital, Non-profit organizations

Paper type Conceptual paper

Introduction

We live in an anti-hierarchical age, in which deference to traditional sources of authority – the social order of class, the churches, the traditional family – is in decline. The ethic of

individual self-fulfilment and achievement is the most powerful current in modern society [...] For many people, social progress is measured by the expansion of individual choice within this private sphere. This individualism is not just consumerist. It is also moral. In many ways this is a more moral time than in the 1950s and 1960s. Young people these days feel more passionately and morally about a wider range of issues than they used to – from our treatment of the environment and animals, to gender, race and human rights around the world. People are more likely to challenge the right of established figures of authority to lay down the moral law. For many people, especially young people, [these are] arguments that we need to rebuild a sense of community (Leadbeater, 1997, p. 14).

Leadbeater's account of modern times, the changing nature of society, its values and ethics, are one discourse on the social frameworks in which we live. Within the business world, there are increasing demands regarding the impact of economic activity and on the natural environment. Rhetoric on corporate social responsibility (CSR) is commonplace, coinciding with this is the fair trade movement, which aims to move beyond rhetorical expressions of responsibility to structure trading relationships in such a way that the weaker party is not left at the mercy of market prices (Jones, 2000; Allen, 2005; Doherty *et al.*, 2009). These developments are grounded in codes of conduct that reflect the morality of the age in which we live. Many examples of socially and environmentally responsible forms of organisations are starting to flourish and create an impact worldwide; Ben and Jerry's, Bodyshop, Timberland, Howies, John Deere, Traidcraft and The Eden Project. Yet, there is the question of whether these organisations are actually enacting more moral and ethical behaviours. There are questions about the point at which CSR blends then becomes social enterprise and what distinctions there are between the two.

Drawing and building on Milton Freedman and his seminal work on business ethics (1970) and the principles of staying within the "rules of the game" as the only ethical obligation of business in society, this paper challenges neoclassical economic ideals and looks at how cultural change within organisations is evolving. It also explores the implications involved in merging social mission with the culture and turbulence of the market ideology, drawing on Maitland (1997) to gain a critical understanding of the ethical trade offs involved in engaging with the hand of the market.

Finally, the paper conceptualises social enterprise as holding the potential for the higher moral and ethical ground in business. What this means, and how this can be capitalised on, is rich food for thought.

We begin by exploring Friedman (1970/1993, p. 254):

There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception and fraud.

This "staying within the rules of the game" represents a framework for moral evaluation, but as Friedman suggests, profits are the primary concern of a business. So is business moral or amoral?

We consider aspects of social enterprise in arguing a case that there is a moral duty in business beyond economic rules. Keller (2007) suggests that regarding business as an economic activity has left society with a negative ethical base, ignoring consideration of the social costs of private enterprise. Concurrently, we now live in an age where ethical values and moral codes are becoming part of the manifestos of organisations. This is particularly true in social enterprises where the primary purpose

of organisations is focussed on the "social" (Pearce, 2003). The "social", in the social enterprise context, extends to environmental and social action organisations in which utopian moral and higher ground ethical positions are taken to have greater legitimacy than in other forms of for-private-profit businesses. This higher ground claim, it is argued in this paper, forms one of the defining characteristics of social enterprise. A better understanding of this claim will make a significant contribution to understanding and developing the sector.

Ethical capital was first brought to the authors' attentions during the opening plenary at Voice 07 (the Social Enterprise Coalition's (SEC) "trade fair" for the sector). The opening plenary included a rousing speech by Tim Smit. His organisation, The Eden Project, has transformed the land and environment in a corner of England's southwest and he is further seen as one of the country's leading social entrepreneurs. The Eden Project is described as a "living theatre of plants and people", an attraction site that includes landscapes, plants and much more. In his speech, Smit claims (SEC, 2007):

> One of the most interesting things I have come across recently is that a lot of people in the city reckon that corporate life as we know it is going to be dead in thirty years. And I would say that Eden would be a good example of why. When I look at my top executives, the top eight people who work for me are all people who have decamped from very successful jobs in very successful organisations, because they no longer want to work for corporations where there is no *ethical capital*, and this is happening all over the place. Nowadays 40 per cent of school leavers apparently do not want to work for a corporation (emphasis added).

If people are choosing not to work for private or public sector organisations but are instead seeking work in the social economy then the need for greater understanding of ethical capital is obvious. This paper, therefore, sets out to explore these issues in order to provoke further exploration of the conceptualisation of ethical capital. "Capital" is believed to take several forms:

- physical capital (mobilising natural resources);
- economic capital (mobilising financial resources);
- human capital (mobilising labour resources);
- intellectual capital (mobilising intellectual resources);
- social capital (mobilising civil society resources); and
- ethical capital (mobilising moral values).

Organisations may have all these ingredients but the mix between capitals is different across different forms of organisation.

A recent survey by the SEC (2009) attempted to quantify social motives in social enterprises. The majority of respondents had a social, community or environmental motivation with the top responses being: "putting something back into the community" (45 per cent); "a better way to achieve social or environmental goals" (24 per cent). The most frequent responses on "core values" were: "helping the community" (32 per cent); being "socially motivated" (31 per cent). Based on this, the study concluded that social and community benefit is the key motivator for those working for social enterprises (compare Amin, 2009).

In the next section, conceptualisations of social enterprise are examined. This is followed by a theoretical view of the moral codes underpinning different forms of

enterprise activity. In the main discussion parts of the paper, we bridge the two and offer a foundation for further explorations of the links between different approaches to ethical capital and enterprise. In doing so, the paper represents initial steps towards the conceptualisation of ethical capital and its place in social enterprise theory.

Current conceptualisations of social enterprise

The surge of interest in the social enterprise business model has made waves around the world (Nicholls, 2006; Bornstein, 2004). The current conceptualisations are based on ongoing debates about the business case and characteristics of social enterprises and social entrepreneurs. This unpicking seeks to uncover the DNA yet fails to go deep enough. Understanding the value of social entrepreneurs and the transformations of capital (physical, economic, human, intellectual, social and ethical) is crucial to the development of the field, and the drive for change. This paper very much aims at starting that process of intellectual debate about the notion of ethical capital in social enterprises. In the next section, we set out current conceptualisations of economic and social capital before moving on to explore ethical capital.

Conceptualisation 1 – the economic lens

Pearce (2003) describes social enterprises as part of the third system, closer to the first system (private business) than the second system (public provision), yet primarily social and secondly a business. Social enterprises are described as trading organisations in a market (Pearce, 2003). A focus and operationalisation of social enterprises as "business-like" and "entrepreneurial" is well documented (Leadbeater, 1997; Dees, 1998; Nicholls, 2006). Yet if, as part of the third system, social enterprises are as Dart (2004) suggests "blurring the boundaries between non-profit and profit", then what blurs? What is it that differentiates social enterprises from non-profit and for-profit enterprises? We question, as other do, whether a managerialist ideology is taking precedence over the social? Turnbull (1994), Terry (1998), Pharoah *et al.* (2004) and Hulgard and Spear (2006) have their concerns but at the fore is a heightened focus or market ideology from funding providers where competition has led to greater demands, requiring more from organisations in the non-profit sector in terms of management systems, quality standards and marketing (Smallbone *et al.*, 2001; Paton, 2003; Pearce, 2003). However, the push towards a market-driven agenda and an enterprise culture within social enterprises is not without its problems. Maitland (1997, p. 18) raises a major concern when he points out that:

> [...] the market frees individual acquisitiveness from moral, social and/or religious constraints. While this acquisitiveness can be a source of great energy and creativity, it is also a turbulent, disruptive, and potentially disintegrative force. Moreover, the market is believed to contain an expansionary dynamic, so that unless it is contained it progressively invades and colonizes other spheres of our social lives.

Maitland continues to list the charges against the market, suggesting that morality is being weakened by the hand of the market:

- It releases self-interest from moral restraints.
- It erodes all social ties other than purely economic ones and/or converts social relationships into instrumental ones ("commodifies" them).
- It promotes a preoccupation with narrow individual advantage at the expense of responsibility to the community or social obligations.

- It substitutes competition for voluntary cooperation.
- It favors materialistic or hedonistic values Maitland (1997, p. 18).

Maitland certainly has a point and social enterprises need to be aware of the tensions in the ideology of the market as an entrepreneurial platform. As Maclntyre suggests:

> [...] the normal operation of the market offers people powerful inducements to desert the virtues. If not by inclination, then in self defence, people find themselves compelled to conform to market norms of behaviour (As quoted in Maitland, 1997, p. 20).

How social enterprises in practice dealing with the desertion of their virtues needs further research. Seanor *et al.* (2007) provide some light when discussing case studies, evidencing the engagement of organisations with the market (through socially constructed world views) as something of a "smash and grab" – where organisations could be described as moving out of the "safety" of the social (virtuous) sector into the "wilds" of the market terrain (business-like world) to win contracts, and then retreating back into the comfort zone whilst delivering projects. When considering the sentiments of the theory of the market, it becomes only too apparent what social organisations "give up" on their forays into murky waters, Keller (2007) adds:

> [...] economics is amoral and that it cannot be used to answer normative questions like the fairness of the distribution of income. In essence, the neoclassical economic ideal presents us with an ethic by placing economic efficiency before us as the highest end, and utility/profit maximization as the only means to that end.

There may however be some hope, as Maitland (1997) suggests that those who cultivate the virtues of the social will be a source of economic benefit[1] and may be more successful in the marketplace because of the valuable ethical capital they possess. We will return to this argument later in the paper.

Conceptualisation 2 – the social capital lens
One strength of the social enterprise sector is seen as its capacity to build social capital. Social capital is primarily seen as the local-level involvement of people in their community, whether a community of interest or a geographic neighbourhood (Defourny, 2001; Pearce, 2003; Spear, 2001). Social capital is seen as a commitment to building community capacity, beyond contracted outputs and nurturing the development of valued social networks (Westall, 2001).

Conceptually, social capital focuses upon commitment and equity (Drayton, 2005; Evers, 2001; Leslie, 2002). Gupta *et al.* (2003, p. 979) consider social capital as "trust-based community capital". More than this, some claim that social capital is a goal of social enterprise (Amin *et al.*, 2002; Evers, 2001) rooted in a "relationship" view of how to sustain a community and an emphasis on "socially rational" thinking and behaviour (Ridley-Duff, 2008). Pearce (2003) identified these values as predicated upon co-operation, doing good work and trust. Spear (2001) and Hulgard and Spear (2006) states that social capital in part arises as these organisations, particularly co-operatives, are collective in nature or have representative stakeholders on their committees. Social capital is of value in terms of relationships with the individual social entrepreneur, relationships within a social enterprise organisation, or between an organisation and the local community.

Having explored the potential goal of social enterprise (social capital) and the means (trading in a market for social purpose), the next section brings morality, virtuous sentiments and ethics into the debate.

Conceptualisation 3 – ethical capital

So what is ethical capital? What is so important about ethical capital? Does ethical capital constitute the principal attraction that induces many people to work beyond the need for food, shelter and a flat-screen TV, by offering a sense of well-being and happiness? If so, are social enterprises well placed to capitalise on this virtue and attract more ethically minded individuals into the sector (as Tim Smit claims to have done)?

Tsukamoto (2005) suggests that ethical capital conveys the asset of morality in an organisation. Organisations espousing their moral virtues can attract a growing interest of followers, yield returns and competitive advantage, as Tsukamoto (2005, p. 77) suggests:

> [...] once morality is transformed into an economic asset, corporate moral agency yields competitive advantage, increases profitability and increases survival prospects of the firm. In this respect, insufficient corporate moral agency can be analysed not as a systemic, rule-based condition of defective incentive structures but as a capital utilisation problem in firm-stakeholder interactions.

In times of recession, it is argued social enterprises weather the storm better than private businesses. Is this something to do with corporate moral agency within social enterprises?

There is an obvious challenge to this perspective as it rests on empirical data that cannot ever support the "proof" that social enterprise and social entrepreneurs are morally superior. Of course, once recognising that ethical capital exists, it requires questioning whether it (like social capital) can be turned into other types of capital. By way of example, the pursuit of "Eden" as a morally responsible commitment to exploring co-existing environmental and human sustainability has in itself transformed both the social and financial capital of Cornwall, England.

Shaw (1997) puts the erosion of the moral basis of public institutions and personal ties (family, friendships, associations, and groups) down to the notion of the free market and self-interested maximizations. Keller (2007, p. 159) articulates the issue a little better and states:

> It is contended that modern business theory, as represented by the neo-classical economic paradigm, has established a moral code of business based on efficiency of outcome and the assumed link of efficiency to self-interested behaviour. The result is markets as the arbitrators of ethical outcomes, and profit-maximization as the ultimate moral code.

We next explore moral codes in a little more detail. In order to theoretically explore ethical capital, three themes are presented, all of which are outlined to provoke response, and which need further research to tease out the detail.

Theme 1 – levels of ethical capital

In an influential paper Tsukamoto (2007) outlines three levels of ethical capital:

(1) *Passive unintended moral agency.* Accumulated through following the rules of the game of business. Businesses here are legal, yet may take advantage of labour laws, offering employees minimum remuneration, terms and conditions,

whilst maximising wealth for shareholders with the bare minimum and only a legal responsibility shown for curtailing the impact of the enterprise on the environment. Unintended moral agency acquires a minimal level of ethical capital – "Good must be done for reason of profit" Friedman (1970/1993).

(2) *Passive, intended moral agency.* Accumulated through following the rules of the game of business, yet more engaged through acknowledging that business exists in a community. Customers influence social norms, such as achieving environmental standards or investors in people type certifications. This may also involve some acknowledgement that employees can be better performers if they are happier.

(3) *Active, intended moral agency and the creation of ethical capital.* This level is achieved by organisations undertaking CSR. Body Shop, Café Direct, Divine Chocolate and organisations that go beyond the minimum rules of market morality link profit to the outcome of ethical thinking and market opportunities. Of relevance here is stakeholder theory (business duties should go beyond the immediate and demonstrate responsibility to wider groups), based on Kantian ethics. Emanuel Kant's "categorical imperative" as discussed in Doherty *et al.* (2009), provides a useful starting point. Moral decisions derive from good will in that ethical actions should be grounded by the imperative that there is a duty to treat people as ends and not means. People have their own needs and this should not be compromised in the pursuit of profit maximization.

Yet, the three levels outlined by Tsukamoto fail to recognise civil society. We propose a fourth level of active, intended blended value that combines "social" and "economic" outcomes through the application of ethical capital. While the first three levels view ethical behaviour as pertinent to the accumulation of "profitability" in terms of economic capital, it is only at level 4 that it is re-conceptualised as a way of building ethical capital through the application of social and economic rationality. It is only at level 4 that business ethics are revised to re-frame the concept so that it is measured in more than economic terms – beyond bottom line accounting, to a point of looking at the purpose of multi-bottom line accounting, and considering what is represented by each contribution.

In Alter's (2004) model (Figure 1), the sustainability spectrum serves well as a map of ethical capital levels across the social and private economies. As represented here,
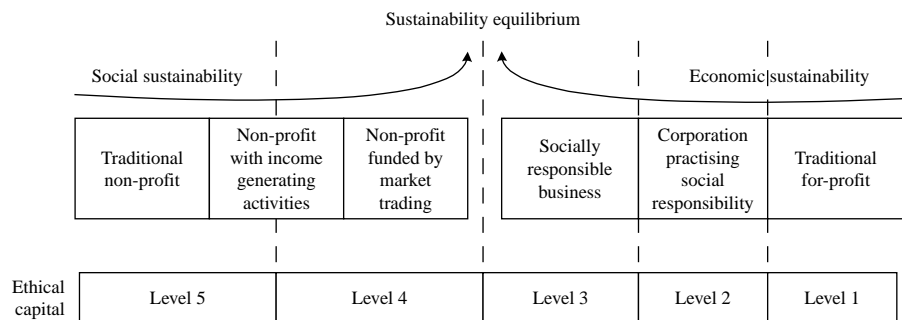
Figure 1.
Sustainability spectrum

Source: Alter (2004, p. 8)

levels 1-3 represent the ethics of private businesses that are primarily based on economic value creation (right-hand side of the diagram).

The fourth level situates social enterprise by arguing that good must not be done solely for reasons of profit. It is the organisations that are primarily social value creators (left-hand-side of the diagram) in levels 4 and 5 where it significantly changes the values base.

Beyond level 4, we might postulate a fifth position that embraces the concept of "charity". In its purest form, there is an attempt to remove economic thinking completely from decisions regarding social action. When acting from a sense of charity – literally translated as "love" in early texts (Morgan, 2008) – the giver receives no economic benefit from the act of giving. Expressions of this value remain embedded in Charity Law through the requirement that Trustees cannot be paid for their role as governors in a Charity. It is only relatively recently that charities have had to widen their income strategies – including social enterprise – as ways of sustaining organisational missions in the current climate. The recent (but not yet available) Charity Incorporated Company (CIO) model is a further example of the changing climate (yet the rules on remuneration for trustees remain the same).

Theme 2 – deconstructing the ethics of social enterprise

The focus on "superior" moral values, however, is not without some contradictions. It typically involves a shift away from the liberal focus on developing individual rights and the pursuit of self-interest, and more on utilitarian (and Marxian) arguments that "shared values" can be developed to achieve a "common good". These communitarian commitments are grounded in the idea that "free" people do not exist and that "rationality" is both a precursor and outcome of experiential learning in a group context (Blumer, 1969; Tam, 1999). Ethical decisions, therefore, have to involve the group, not just the individual, and involve a consideration of both material and emotional gains and losses. Actions are considered more "moral" if they consider impacts on both self and others (Dewey, 1958).

Following Collins (1997) and Tam (1999) attempt to position "liberal" communitarianism at the juncture between these two extremes. However, unitarist outlooks continue to pepper their arguments as soon as they turn their attention to business. Tam argues in a UK context that:

> [...] companies *must* learn to treat their workers, suppliers and customers, as well as their senior management and shareholders, as members of a shared community [...] (emphasis added) (Tam, 1999, p. 10):

Collins, in a US context contends that:

> [...] the standard *should be* democratic organizations with a few authoritarian exceptions rather than authoritarian organizations with a few participatory management exceptions [...] (emphasis added) (Collins, 1997, p. 503).

Both, however, limit their calls to various forms of representative democracy and legal reform so that recalcitrant business leaders are prodded into practising social equality. Democratic forums, they contend, will "prove" democracy as a superior way of organising – a circular argument if ever there was one. Particularly, problematic is the recourse to law relying on "rational science" to support arguments for progressive social change.

Figure 2 attempts to unpack the notion of the fourth level in ethical capital. As is shown here, social enterprise evolves between private and charitable enterprise, as the blended balance of capital investments (economic, social, intellectual and ethical).

The theoretical perspective in Figure 2 provides some explanation for the practice of establishing separate private and charitable enterprises to pursue a social goal. The former pursues financial objectives while the latter pursues social and charitable objectives. In this situation, the contradictions between economic and social rationality are externalised: the dissonance presented by the "other" frame of reference can be ignored or marginalised when deciding on operational priorities. The application of religious ethics (grounded in "saintly" behaviour) supports the refinement and pursuit of virtue ethics: both share trait theories of leadership derived from visionary and inspiring individuals. This facilitates the unproblematic transformation of business leaders into
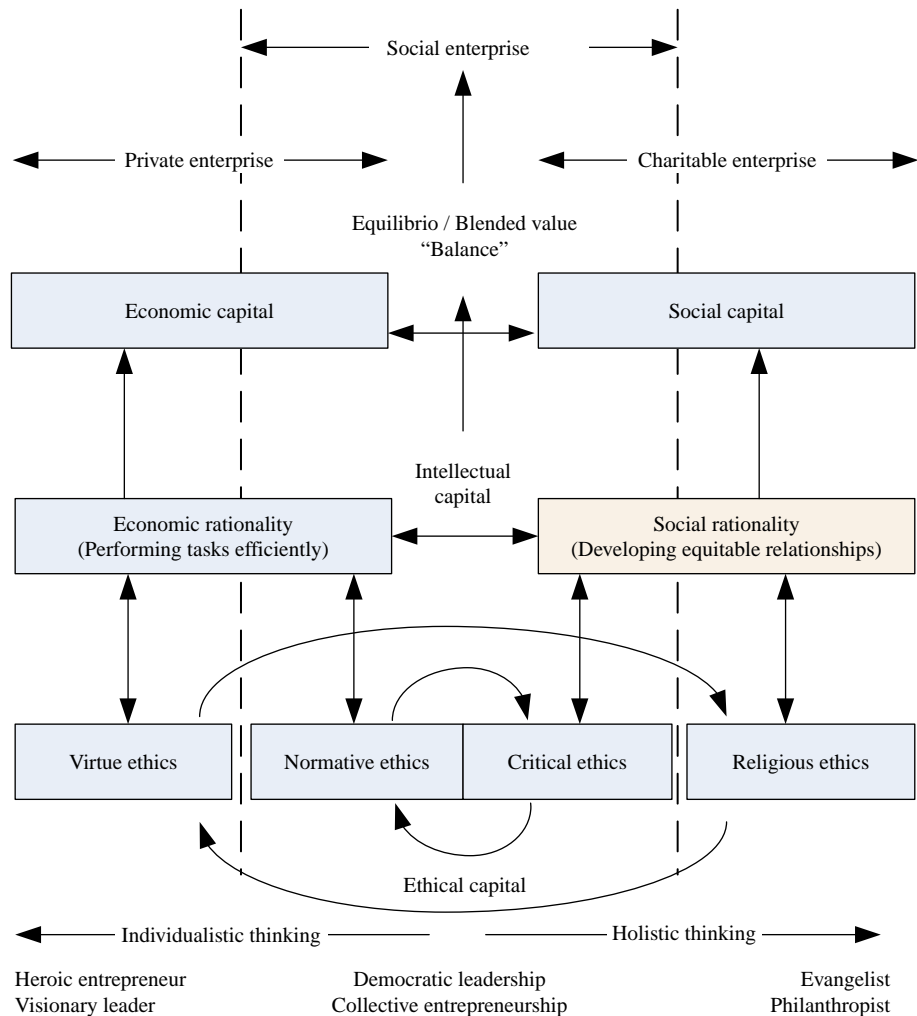
Figure 2.
Deconstructing the ethics
or social enterprise

philanthropists (such as Bill Gates). While the outcomes sought may change, the style of leadership and governance that brings about these outcomes does not.

In co-operatives and new organisational forms (such as the CIC and CIO), the aim is to internalise the dissonance created by the pursuit of economic and social goals simultaneously. In this environment, democratic organisation and social ownership are gaining salience. Emergent ethical norms (from critical discourse) encourage normative control techniques. Nevertheless, the presence of democratic structures (if upheld) act as guarantor that normative values cannot dominate over in the long term: they remain open to challenge and continual renewal through discursive deliberation within the organisation.

Yet, can the "profit-motive" and "business efficiency" really be seen as weakening sources of ethical capital? Alternatively, could either an old or new rationality enable ethical capital to be re-appropriated and placed within new organisational forms such as social enterprises, so that such profit can be put to use in an expanding circle (Singer, 1981) of moral commitment to society and the environment?

Theme 3 – moral agency through a conventional and enforcing enterpriser or the greater good through a critical and creative moral enterpriser?

Theme three builds on the previous sections and develops an analytical typology through appropriation of Becker (1963) and Hart (1963).

Becker (1963) suggests that there are two sorts of moral entrepreneur within social groups, "rule-enforcers" and "rule-creators", with the label of "entrepreneur" being adopted, because he viewed both as enterprising acts.

Given the substantive work done since on defining the entrepreneur (see Entrepreneurship Theory Practice Special Issue (Davidsson *et al.*, 2001) and Shane and Venkataraman, 2000), it might be best to re-state Becker's conceptualisation as "enterpriser" so as to not do violence to that latter body of work or the spirit of Becker's. What then does Hart have to offer here? From a utilitarian perspective, which in a particular form has sometimes been argued to be the moral framework for contemporary business and society, Hart nevertheless suggests there is a conventional morality, which constitutes that shared by society generally and its organisations, but also critical morality, which stands back and asks whether such conventional morality is harmful.

Let us put Becker and Hart together with the little variation of our own for good measure. The conventional and enforcing moral enterpriser attempts to reproduce and even grow ethical capital, but on the basis of MacIntyre's thesis, they really have their work cut out. Potentially in Western society then, traditional deference, bits of religious morality, a democratic ethos, and profit-driven economics all have to somehow be made to hang together. One option, like the Lipsky (1980) bureaucrat, is that they are selective in the rules and practices they try to reproduce. Perhaps, an obvious tactic is to try to stick with the profit motive and business efficiency, and lose the ethical fragments that are out of sympathy with this. Yet, economists themselves (Layard, 2005) are returning to moral philosophy, precisely because the profit motive and purchaser power became ends in themselves, detached from what utilitarianism was originally about (like other philosophies before it in somewhat different ways) – happiness, well-being, the good life. While wealth creation makes a positive difference in peoples lives up to a point, other things can become more important.

The critical and creative moral enterpriser has an opportunity to re-engage elements of ethical capital in new organisational contexts like social enterprises. It is a project they could undertake through a more elaborated form of naturalistic ethics, incorporating the best of virtue, utilitarian and other normative ethical theory into an understanding of ethical capital that takes into account continuity and contingency (with due acknowledgement to Hegel and Marx) in the process and praxis of moral development and change. This can justify and bring about more commitment to the flourishing of an ever-expanding circle of life.

Conclusions

This paper has attempted to introduce the reader to the concept of ethical capital. The discussion has taken the reader through the economic lens, the social capital lens and introduced the ethical capital lens. The debate, we hope, has barely started and further work is evidently required to fully develop this concept.

The enterprise-oriented view is of the sector delivering social projects through traditional, market mechanisms. By focusing upon income generation, which is seen to serve a social purpose, social enterprise becomes placed within a financial framework. The factors driving this approach appear based upon the shift to the "contracting culture". This is a portrayal of organisations as moving towards the economic end of the spectrum, engaging in market activities, increasingly at the mercy of the market ideology. This imagery is surely an anathema to promoting innovative social enterprise development. Rather than adopting radical social change as advocated (Bornstein, 2004), social enterprise development appears to focussing upon becoming competitive businesses in a market ideology. Is this what the movement wants?

Westall and Chalkley (2007, p. 17) argue:

> In order to fully grasp the implications of these visions and realise the potential of social enterprise, we need to break out of our usual ways of looking at the world, particularly about the "natural" business model or the narrow but hugely powerful concepts and implications of mainstream economics.

This paper answers that call and attempts to break away from our usual ways of looking at the world. Ethical capital certainly provides an alternative view to the traditions of mainstream economics. What we have attempted to unpack is the current conceptualisation of social enterprise and the current concept of ethical capital in the literature to date. The paper has outlined the three levels of moral agency as well as a fourth and fifth level that takes the concept to its natural end. It is here, this paper moves the debate on and offers the social enterprise a more radical frame of reference.

The neo-classical economic paradigm has a conceptualisation and pre-occupation with economic life as a search for equilibrium (Clark, 1936). This search for the natural order of wealth, returns, production, etc. formulates economic organisation as those things that could be measured and controlled. This subsequently led the "political economists" to exclude those things outside rational economics as non-economic (Kapp, 1950). Hence, as Becker (1963) suggests, all decisions are economic. The given, then, is that private enterprise behaves to achieve rationality and efficiency (Shaw, 1997).

It has been argued that the current ideology of the neo-classical economic paradigm pursues interests towards the self and towards the erosion of the moral basis of association. The outcome leaves society with a problem of low ethical virtue.

The rise of CSR in both social and environmental terms is slowly beginning to address and meet people's desire for a more moral way of living. This boundary shift in the rules of the game offers some hope but as the taste buds are introduced to these virtues, the current menu of the day lacks enough ethical nutrition. Further to this, once tasted, society desires more and more. And so, an ever-increasing desire for satisfying the ethical taste buds is stimulated. It is only through the social enterprise movement that there is a sufficient supply of ethical capital to satisfy the appetite. Doherty *et al.* (2009) go as far to suggest that social enterprise is a vehicle for moral management. So, when Tim Smit suggests "corporate life as we know it going to be dead in thirty years time" this might be the symptom of a changing appetite for a more moral, virtuous and ethical lifestyle. In Eden, this may be why Tim Smit has been able to recruit the top executives that he has. Is the decamping set to continue? Is the social enterprise movement awake to this? Is the movement ready to capitalise on such a paradigm shift?

This paradigm shift may well need to happen sooner rather than later, as the drive of a market and managerialist culture is set to infest the sector. Concerns about market opportunities are well documented in other works, but we have focused on the tensions of such an agenda and the potentially catastrophic consequences this has for the social and ethical capital foundations in society. As Keller (2007, p. 172) warns:

> What has been lost of Adam Smith in the translation to neoclassical economics is the basis of morality and control that Smith envisioned would go hand-in-hand with market efficiency and that the goal of an economy must be the greater economic welfare of the society. In short, efficiency is not an end in itself.

Further research is called for. If the social enterprise movement can widen the conceptualisation away from business and revenue to one that incorporates a view of fostering ethical capital, might this help re-frame and achieve the radical changes advocated by Bornstein (2004), Drayton (2005) and Emerson and Bonini (2004)? We think so.

Note

1. Here the assumption could be the exchange of other forms of capital into financial capital through rewarding the values of the virtues. As Tsukamoto (2007, p. 218) suggests: "A firm can actively create ethical capital by nourishing a market segment of ethically high-minded stakeholders who are willing to pay, for example, for the costs of a product that is produced to higher standards than required by law".

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Chapter 3   Defining Social Enterprise

In this chapter we debate the concept of social enterprise, drawing on tensions and perspectives from a number of sources. By the end of this chapter, you will be able to:

- *Explain the practical relevance of debates about social enterprise definition.*

- *Compare and contrast linear and cross-sector theories of social enterprise.*

- *Identify popular definitions of social enterprise and understand their value commitments.*

- *Clarify the potential of social enterprise in different sectors of the society.*

The key arguments that will be made in this chapter are:

- *There are different ways of understanding social enterprise.*

- *Social enterprise can be defined in terms of:*

    a) balancing economic and social goals

    b) developing social capital

    c) hybrid forms of organisation

    d) the purpose of a project or activity.

- *Social enterprise has the potential to develop in all sectors of the economy.*

These are parallel perspectives that can develop concurrently in different contexts.

Introduction

Every organisation that self-defines (or is defined by others) as a social enterprise continually engages in a debate about definition that feeds into policies and practices (both internally and externally). Social enterprise advisers in consultancies and infrastructure bodies will be faced regularly with questions as to whether an individual or organisation will qualify for social enterprise

support. Every law to regulate social enterprise, every kitemark developed to promote it, every strategy devised to support it, also requires engagement with criteria that will influence the legitimacy accorded to individuals and organisations. The definition of a social enterprise, therefore, is not an abstract intellectual exercise: it is a dynamic process engaged on a daily basis by people deciding how to develop the identity of their enterprise, what the rules for economic support are and 'how far can these be bent'.

In chapters 1 and 2, we explored the third, public and private sector contexts that have influenced the emergence of social enterprise. These historical analyses make explicit the political interests and power struggles that shape their emergence. Internationally, the meaning of social enterprise can differ (Kerlin, 2006). This can give rise not only to differences in regional development, but also to the bodies of knowledge that receive recognition and institutional legitimacy (Dart, 2004). Peattie and Morley (2008) warn that the nature, role and traditions informing the development of social enterprise are different between the United States and UK.

Initially, we use well-publicised descriptions of social enterprise to illustrate different approaches. These are critiqued on the basis that social enterprise can be better understood as a spectrum of options that give varying emphasis to social mission and enterprise activity. The idea of a spectrum, however, is also limited as it obscures public sector involvement and wider environmental issues. To address this, cross-sector models have emerged to conceptualise social enterprises as capacity building organisations that assist economic regeneration, and which enable the state to devolve the delivery of public services. In this case, the ability to build social capital and bridge differences between the public, private and third sectors is perceived to give them a unique character. Lastly, social enterprise is discussed from the perspective that it is an activity rather than an organisation. In this guise, social enterprises are re-conceptualised as products of social entrepreneurship. The chapter closes by contextualising these different perspectives and examining whether there are any defining characteristics.

The Origins of the Language of Social Enterprise

The terms *social enterprise* and *social entrepreneurship* have various historical points of reference. Banks (1972) applied the term 'social entrepreneur' to Robert Owen, widely credited as the philanthropist who pioneered co-operative communities in the 1820s. In the US, Etzioni (1973) described the space for social entrepreneurship as a 'third alternative' between state and marketplace with the power to reform society. We found the term 'social enterprise' first used in Dholakia & Dholakia (1975) to distinguish marketing activities in state and cooperative enterprises from private sector approaches. Westall (2001) claims that another influence was the community business movement who established a magazine called *New Sector* in 1979 to advance social democracy as an alternative to the neo-liberalism of Margaret Thatcher (in the UK) and Ronald Reagan (in the USA).

The two terms gained salience in the UK via different international routes. *Social entrepreneurship* was popularised at ARNOVA in the USA by Bill Drayton. Throughout the 1980s and 1990s it became associated with international development and fair trade (Grenier, 2006) before appearing, in a 1995 article published by *The Independent* to describe individuals who founded the UK social entrepreneurial movement (Mawson, 2008). In 1997, the *School for Social Entrepreneurs* was established, followed quickly by the *Community Action Network* in 1998 and *UnLtd* in 2000. UK scholarship received a boost in 2004 when the Skoll Foundation invested in the *Skoll Centre for Social Entrepreneurship* at Oxford University.

The term *social enterprise*, on the other hand, entered the UK mostly via initiatives in Europe. Ellerman (1982) wrote an article on the 'socialisation' of entrepreneurship in Spanish Cooperatives. By 1991, Italy had passed legislation for 'social co-operatives' that combined commercial capability with active promotion of physical, social and mental health. The earliest article discussing "cooperatives as a social enterprise" appeared two years later (Savio & Righetti, 1993). According to Spear (2008), the Italian cooperative movement led the founding of the EMES

research network in 1994. Under the auspices of CECOP, a federation of "worker cooperatives, social cooperatives, and social and participative enterprises", the EMES network brought together researchers from 13 countries to investigate "the emergence of social enterprise" (Borzaga & Defourny, 2001). Although Harvard University in the USA had used also used the term during 1993 (for its *Social Enterprise Initiative),* its approach followed the philanthropic model of commerce rather than the democratic orientation of co-operatives and non-profits highlighted in the EMES study (see Defourny, 2001).

Within the UK, the term 'social enterprise' gained institutional support within the co-operative movement and community regeneration sector (see Cases 3.1 and 3.2). *Social Enterprise Europe* was founded in 1994 (in the North of England) by consultants developing social audit tools for cooperatives. By late 1997, a coalition of co-operatives and co-operative development agencies formed *Social Enterprise London* (see Case 3.1). As regional links developed, a national body – the *Social Enterprise Coalition –* was created to lobby for co-operatives, social firms, trading charities, community and employee-owned enterprises.

Case 3.1 – Social Enterprise London – A Founder's story.

In 1997, discussions started amongst London co-operatives and their development agencies (CDAs) on creating a new London-wide support agency. We had several discussions in General Meetings at Computercraft Ltd, then Phil Cole and I attended the meetings that established the new agency in early 1998. All but one of the founding subscribers had direct links to the co-operative movement. My recollection was that we discussed this as a re-branding exercise. It was by no means clear that we would use the term 'social enterprise' and we discussed various alternatives. I recollect Malcolm Corbett (from the worker cooperative Poptel) acting as chair. He was aware of developments in Europe through his discussions with Pauline Green, an MEP involved in international cooperative development. Malcolm had sway, so we were persuaded. In 2002, the Social Enterprise Coalition (SEC) was formed by Helen Barber (of Co-operatives UK) and John Goodman (a consultant with links to Employee Ownership Solutions Ltd). The registered office was the Cooperative Union in Manchester. Jonathan Bland, CEO at Social Enterprise London, moved to the Social Enterprise Coalition, but not before establishing a degree programme at the University of East London, and securing funding for an academic journal.

Based on correspondence with Rory Ridley-Duff

At the end of the 1990s, the *Social Exclusion Unit* was formed by Tony Blair's "New Labour" government. This body produced a *Strategy for Neighbourhood Renewal* in which 'social enterprise' was used to described community businesses and trading charities oriented toward the needs of socially excluded groups (published 1999, cited in Westall, 2001).

Case 3.2 – Coin Street Community Builders (CSCB)

From Voluntary Action to Social Enterprise

In 1977, the Coin Street Action Group started campaigning to prevent the development of a luxury hotel and office complex on the South Side of the River Thames (London). In its place, they drew up plans for mixed use of local land, including housing, a river park, shops, leisure facilities and a walkway. After seven years, and two public inquiries, the developers decided to sell the land to the Greater London Council (GLC), who in turn sold the land to a newly formed Company Limited by Guarantee called Coin Street Community Builders. The case provides an example of a voluntary group making the transition from campaigners into social entrepreneurs, evolving into an incorporated company, diversifying its income generating activities through social purpose commercial activities using a variety of social enterprise forms.

"The ethos of the CSCB is to create affordable housing, recreational space, workspaces, shopping and leisure facilities, for use by the whole community. Revenue streams are varied. Commercial lets, for example, to Harvey Nichols help to subsidise rents to artists and designers in Oxo Tower Wharf, and for social housing provision. The Wharf itself was refurbished through a mix of bank loans, Housing Corporation and English Partnership grants and CSCB equity. CSCB also established Coin Street Secondary Housing Co-operative as a registered housing association which is creating six housing developments that are being set up as primary tenant-owned housing co-operatives."

(Westall, 2001:5)

Additional source material from: **http://www.coinstreet.org/history_background.aspx**

The origins of the language, and the meanings assigned by its advocates, are influenced by experiences in different parts of the third sector as well as public and private initiatives drawn to social enterprise models of ownership and control. One way of drawing boundaries around the definitional debate is to outline the foci of EU and US traditions. Whilst cautioning against stereotyping, table 3.1 summarises the dominant narratives at the boundaries of the definitional debate:

Table 3.1   Framing the Boundaries of the Social Enterprise Debate

EU-style Social Enterprise:	US-style Social Entrepreneurship:
Collective Action	Individual Action
Labour movement or government responses to social issues	Entrepreneurial (market) responses to social issues
Incremental building of social capital and assets	Fast effective achievement of social outcomes
Solidarity and Mutuality	Champions and Change Agents
Accommodation of stakeholders	Adherence to a 'vision'
Democracy (bottom-up governance)	Philanthropy (top-down governance)
Social Economy	Any sector

US-style 'social entrepreneurship' has strong links with philanthropy whereby money raised from wealthy individuals and government grants supports 'non-profit' organisations that act in the *public interest* (Dees, 1998). Its individual and philanthropic character is evident in definitional work at Stanford Institute (Martin & Osberg, 2007:35):

> *...the social entrepreneur's value proposition targets an underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own...*

The emphasis is on solutions **brought** to the poor by a visionary individual, whereas EU-style 'social enterprise' draws more on voluntary action, self-help and cooperative principles derived from secular and Christian socialist traditions (Amin et al. 2002). Communitarian sentiments embedded in Islamic banking and business practices (Gates, 1998) and the Kibutz movement amongst Jewish communities (Melman, 2001) represent significant non-Christian traditions. In all these cases, there is a challenge to the authority-driven model based on individual entrepreneurship, based on a stronger voice for collective models of management and ownership.

Westall captures the two dominant approaches in the UK when she comments (2001: 24):

> *"This history of the 'third sector' organisations in the UK is in some ways the history of two alternative strands – that of self-help (mutuals and co-operatives) and of charities where the paradigm, at least historically, is more related to helping others unable to help themselves."*

This dual history persists to this day (see Case 3.3) but we will argue that a simple dualism is no longer adequate as a theoretical framework for social enterprise. Westall (2001:24) proceeds

to argue that social entrepreneurs seek to "break free of historical baggage" so a distinction based

third sector traditions is "no longer tenable". As practices change, so legal frameworks and social

institutions have come under increasing pressure to adapt to a new multi-stakeholder perspective

(see Chapter 7).

Case 3.3: The Grameen Foundation

In 1976, Muhammed Yunus returned from abroad to teach economics in Bangladesh. Deeply affected by the poverty he could see from his classroom window, he went out into the streets and talked to women struggling to escape loan sharks. Using the money in his pocket, community networks rather than material assets to provide security ("mutual guarantee groups"), and inter-personal trust rather property-based collateral, he established a micro-finance organisation that now serves 6 million people.

Muhammad Yunus received the Nobel Laureate in January 2008 and in doing so introduced the term *social business* into the business world. In his book *Creating a World without Poverty*, he sets out two perspectives and urged their use in tackling poverty around the world. The first model is a social business that is social-objective driven: in this case, the company's mission is to create a "non-loss" business that reinvests all profits back into the company. The second model is profit-driven, but owned and operated entirely by a disadvantaged group who receive company profits."

Source: **http://www.grameenfoundation.org/what_we_do/**, accessed 08 October 2008.

Having set out where boundaries have been drawn, the following sections explore different

definitions of social enterprise. We start with descriptions that have attracted attention in policy

debates in order to make explicit perspectives that compete for influence.

Descriptions of Social Enterprise

The four examples in this section have been selected to illustrative different perspectives. In all

cases, social enterprises are seen as socially driven organisations with social and/or environmental

objectives combined with a strategy for economic sustainability. By comparing the four definitions,

different emphases become apparent. We discuss definitions that have appeared in:

- A Social Audit Toolkit for worker and community co-operatives
- The EMES European Research Network
- A consultation by the UK government on the Community Interest Company

- A report for the Inter-American Development Bank

The first definition appears in the 1979 edition of Spreckley's *Social Audit Toolkit*. It is interesting for its adoption of language characteristic of the co-operative movement.

Definition 1 – Social Enterprise as a Co-operative

"An enterprise that is owned by those who work in it and/or reside in a given locality, is governed by registered social as well as commercial aims and objectives and run co-operatively may be termed a social enterprise. Traditionally, 'capital hires labour' with the overriding emphasis on making a 'profit' over and above any benefit either to the business itself or the workforce. Contrasted to this is the social enterprise where 'labour hires capital' with the emphasis on personal, environmental and social benefit."

Spreckley, F. (2008) *Social Audit Toolkit (Fourth Edition),* St Oswalds Barn: Local Livelihoods Ltd, p4.

Spreckley's definition embraces a triple bottom line (personal, environmental and social benefits). These are organised through a worker or community co-operative that subverts the dominant power relationship between capital and labour. The practical issue here is whether the representatives of capital (investors and funders) or those working and benefiting from the enterprise (labour / beneficiaries) have the final say in running the organisation and deciding what to do with financial surpluses / losses. This arrangement is unproblematic if individual members have committed their own money. Issues arise as soon as members go outside the organisation to raise money. In Spreckley's definition, there is a preference that capital, rather than labour, is paid a fixed return. This is, theoretically speaking, the reverse of 'the employer' paying fixed wages to 'employees' then acquiring all residual profits. Instead, capital is 'hired' at a fixed rate of interest (or fixed dividend) and any residual profits go to the workforce or community.

This definition gives no recognition to social enterprises that are registered as charities and follow the trustee-beneficiary model, nor does it reflect the situation in membership associations that use a mix of paid and unpaid labour to pursue social goals. The definition also takes 'community' to mean people in a local area as opposed to a community of interest: while local focus can be a characteristic of social enterprise, social enterprise does not have to be locally based or

small in scale. Lastly, Spreckley's definition gives no recognition to partnerships and

multi-stakeholder enterprises involving state and private organisations.

In 1996, a study by the EMES European Research Network set out a series of social and

economic characteristics used to select organisations for a pan-European study of social enterprise:

Definition 2 – EMES, published 2001.

Social Dimensions

- An explicit aim to benefit the community
- An initiative launched by a group of citizens
- Decision-making power not based on capital ownership
- A participatory nature, which involves the persons affected by the activity
- Limited profit distribution

Economic Dimensions

- A continuous activity producing goods and/or selling services
- A high degree of autonomy
- A significant level of economic risk
- A minimum amount of paid work (i.e. at least some labour is compensated)

See Defourny, J. (2001) "From Third Sector to Social Enterprise", in Borzaga, C. and Defourny, J. (eds), *The Emergence of Social Enterprise,* London: Routledge, pp. 16-18.

The EMES definition has some of the hallmarks of Spreckley's definition, but is less

prescriptive about employee-ownership and control. Autonomy, entrepreneurial risk taking,

combined with social and economic participation are hallmarks of the EMES definition, but the

door is left open for different stakeholders (users, customers, funders, suppliers and employees) to

participate in the enterprise. Compared to other definitions (see 3 and 4), more emphasis is placed

on democratic control over production and delivery of goods and services. There is no intrinsic

assumption that the organisations be 'businesses' or that they should adopt 'business practices'. As

a definition, the researchers and participants found it useful, but also that it represented an *ideal*. In

practice, organisations fulfilled some or most of these criteria, but rarely all.

In 2002, the Department of Trade and Industry in the UK published its definition:

Definition 3 – Department of Trade and Industry, published 2002.

A social enterprise is a business 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.

DTI (2002) *A Strategy for Social Enterprise,* London: HM Treasury, p. 7.

This definition appears in a strategy document that announced there would be a consultation on a Community Interest Company (CIC), a new company form intended as a *brand* for social enterprise in the UK. Some of the EMES criteria are accepted (benefit to the community, decision-making power not based on capital ownership, limited profit distribution, continuous activity). Others were either explicitly rejected as statutory requirements (participatory nature), left vague (economic risk, autonomy, citizen involvement, minimum amount of paid work), or left unaccounted (such as innovative ways of working).

The UK consultation (DTI, 2002, 2003) set out the thinking that informed CIC legislation. On the one hand, the UK government accepted the merits of leaving social entrepreneurs free to determine organisation structures and levels of participation. On the other hand, it is evident that the government intended its regulator, rather than the organisation's own stakeholders, to have the strongest powers of intervention. In practice, the UK government's loose definition has drawn a great many people and organisations into the debate. Social entrepreneurs, perhaps operating on a self-employed basis, may be viewed as engaged in social enterprise. Similarly, trading charities and voluntary organisations (whether formally democratic or not in their decision-making and appointment processes) as well as a broad range of co-operatives (whether commonly owned or owned by their staff) can all be recognised as part of a national framework. On this basis, Peattie and Morley (2008) draw out two core characteristics for social enterprise in the UK: *trading organisations* that prioritise *social aims*.

In the US, Alter (2007) reviewed a wide range of definitions in the preparation of her *Social Enterprise Typology*. While her definition is not necessarily representative of all US

thinking (see **http://www.se-alliance.org**), it does reflect two key aspects of the US focus. Firstly, it reflects the more business-like aspirations of the 'non-profit' sector. Secondly, it reflects the desire to adopt private sector "discipline, innovation and determination".

Definition 4 – Virtue Ventures, first published 2003.

A social enterprise is any business venture created for a social purpose – mitigating/reducing a social problem or a market failure – and to generate social value while operating with the financial discipline, innovation and determination of a private sector business.

See Alter (2007) *Social Enterprise Typopology,* **www.virtueventures.com/typology.php**, Section 1.5 (PDF Version).

In common with the DTI's definition in the UK, there is no reference to ownership or democratic control as defining characteristics. As a result, there is scope for the inclusion of US-style entrepreneurial solutions as well as EU and ICA (2005) preferences for collective solutions. However, as Rothschild (2009) comments, in the US, workers' cooperatives are a 'forgotten' route to social enterprise. One aspect of this definition, absent from all others, is the *direct* focus on solving or mitigating a social problem or a market failure (although this is often taken to be implicit). Alter's definition reflects the focus of 'non-profits' in the USA that run hospitals, schools, colleges, universities and social services more than their UK and EU counterparts. Secondly, in developing economies (where the state is weak) this definition serves to cover those organisations that act as a proxy for the state by providing services that would attract public funding in EU states (Somers, 2007). Nevertheless, Alter's definition remains less sympathetic to employee-owned businesses and co-operatives whose social purpose may be limited to the transformation of trading and workplace relationships, rather than immediately pressing problems of social exclusion, or failure by the market and state. Lastly, Alter's definition is the only one that explicitly mentions *innovation.* As Perrini (2006:24) argues:

> *Social enterprise entails innovations designed to explicitly improve societal well-being, housed within entrepreneurial organizations, which initiate, guide or combine change in society.*

The focus on innovation is strongest in the US literature where the value propositions of social entrepreneurs are taken as the driver of social change (Alter, 2007; Martin & Osberg, 2007).

This kind of definitional debate is by no means over. These examples illustrate the democratic and cooperative heritage of European definitions and the entrepreneurial, business-like emphasis of Anglo-American approaches.

Class Exercise – Defining Social Enterprise

*Materials to support this exercise are available at **[url]**.*

Divide the class into groups of four and give one social enterprise definition to each person in each group. Members should not show their definitions to other group members.

Scenario*: You are attending a directors' development meeting on the topic of social enterprise. Next week, you will brief senior company managers on social enterprise as a way to develop and deliver services. A consultant has researched four definitions but has not been invited to the meeting. Following the consultant's advice, each director has been given one definition to present at this meeting:*

In groups (no more than 4 people per group):

1. Take 5-10 minutes to read the definition and prepare for a 30 minute meeting.
2. Each group member has up to 5 minutes to read their definition and outline the critique.
3. After hearing all 4 definitions, the group agrees a definition for the briefing of their senior managers (10 mins)

As a class:

4. Ask each group to read out its final definition.
5. Critically debate issues that may arise if you propose this form of social enterprise to:

    - a panel of venture philanthropists (investing in charities/non-profit organisations)

    - a panel of business angels (e.g. similar to Dragon's Den) wishing to make ethical investments.

Suggestion: *You might adapt this exercise by using definitions from local social enterprise support agencies, or national / international bodies that support local development in your area.*

Each of these definitions draws out a different aspect of 'social' and 'enterprise'. As Bull (2006) found, social enterprises position themselves at all points along a continuum (see Figure 3.1). They adopted a variety of arguments that justify their emphasis and show varying levels of conviction to particular positions (the larger Xs and smiley faces indicate greater conviction regarding their position on the spectrum).

Figure 3.1   Participants Positioning Themselves on a Continuum
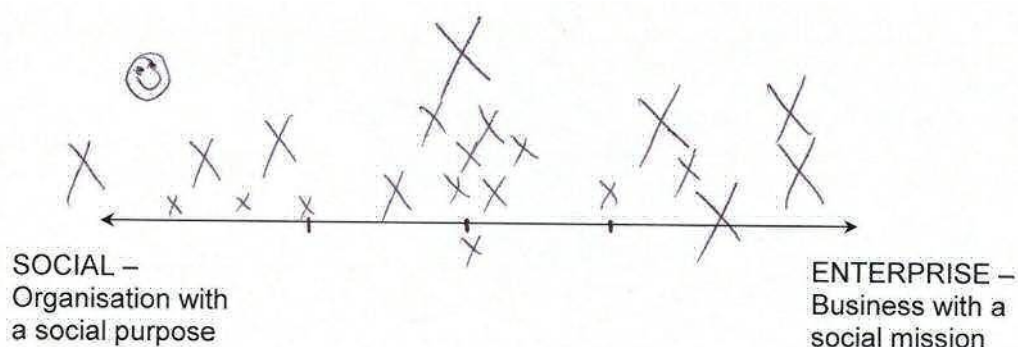
'Social purpose' can be *external* (in terms of the products and services offered) or *internal* (transforming social relationships to distribute power and wealth more equitably). 'Economic purpose' is similarly complex, spanning debates about competitiveness in markets, social inclusion, individual empowerment and modernization of the state (Westall, 2001). In the next section, we explore how theorists have identified points along this continuum.

Social Enterprise as a Spectrum of Options

Social enterprises are often described as *double bottom line* organisations that practice both altruism and commercial discipline. Nyssens (2006) describes this as a process of *hybridisation* that challenges traditional models of organising and produces a cross-fertilisation of ideas. A model by Dees (1998: 60) has been influential in promoting understanding of social enterprise in the 'non-profit' sectors of the USA and UK where organizations were experiencing falls in charitable giving and government grants. Useful as this theory is for stimulating new conversations in charity, voluntary and community organisations, it does not capture the essence of co-operative and fair trade networks. For example, organisations like Divine Chocolate, Traidcraft, the Mondragon Cooperative Corporation (Spain) and Co-operative Group (UK) have operated in commercial markets from the outset, and also talk of a *triple*-bottom line (inclusive of the environment).

Kim Alter builds on Dees' model to propose a *sustainability spectrum* that describes six gradations between "Traditional Non-Profit" and "Traditional For-Profit" enterprises. She places

social enterprise on the 'social sustainability' side (Alter, 2007), more aligned with traditional 'non-profit' than 'for-profit' enterprises. Given the co-operative and fair trade examples earlier in this chapter (and also Chapters 1 and 2), it is more useful to adapt Alter's model (see Figure 3.2).

Figure 3.2   The Social Enterprise Sustainability Equilibrium

Adapted from: Alter, K. (2007) "Social Enterprise Typology", http://virtueventures.com/setypology/index.php?id=HYBRID_SPECTRUM&lm=1, accessed 1/9/2008. Kim Alter acknowledges the prior influence of Etchart, Nicole and Lee Davis, *Profits for Nonprofits*, NESsT, 1999.

Non-profit forms of social enterprise as well as common ownership co-operatives typically take the form of a CLG (Company Limited by Guarantee) that does not issue share capital. The assumption is that this will help to retain surpluses for reinvestment and be attractive to philanthropic capital (see Case 3.4). "More-than-profit" forms of social enterprise (Ridley-Duff, 2008) tend to be constituted as a CLS (Company Limited by Shares) or an IPS (Industrial and Provident Society). This is the preference of co-operatives and employee-owned enterprises that issue share capital to members of staff and consumers (see Case 3.5). In fair trade companies, such as Divine Chocolate, the form is adapted to distribute surpluses and control rights to stakeholders in the supply chain (see Doherty et al., 2009a).

In practice, it is counter-productive to debate whether 'non-profit organisations with trading activities' or 'socially responsible businesses' have greater claim to be social enterprises (see Cases

3.4 and 3.5). Both make significant contributions in different ways. Nevertheless, the granularity

of Alter's model makes explicit some of the tension points between advocates of different models.

For example, UK policy papers and academic studies sometimes use a minimum of 50% income

from *trading* as a benchmark for distinguishing between charities that use trading to supplement

income and social enterprises that use trade to pursue their social purpose (Smallbone & Lyon,

2005; RISE, 2008).

Case 3.4: Charity or Social Enterprise?

Furniture Resource Centre Group is made up of three organisations. The Furniture Resource Centre (FRC) was founded in 1988 as a CLG to enable people on low income to buy furniture. They 'design, manufacture, recycle, refurbish, sell and deliver furniture to people in need and so create work for the jobless and offer long term unemployed people salaried training'(FRC, 2000). In six years, the FRC switched from being a small local charity (£300,000 turnover with 15 staff) to a company generating £5million with over 120 employees. 90 per cent of income is generated through sales of products and services. Grants are only used for particular pieces of work such as building refurbishment. Liam Black, then CEO, stated that 'our financial independence from statutory and charitable trust funding has liberated us. We are masters of our own destiny and we choose where we go and how we do it. Free of funders' handcuffs and the risk averse conservatism of regeneration quangos, we are free to experiment and innovate'.

Liam Black won the 'Social Entrepreneur of the Year' award in 2003. He left FRC in 2004 to manage *Fifteen,* Jamie Oliver's chain of restaurants. In 2008, after successfully establishing franchises in Holland and Australia, he left to pursue new projects.

This case illustrates the drive within certain types of charitable organisations to make the transition into fully fledged social enterprises.

Case based on Westall, A. (2001) *Value-Led, Market-Driven: social enterprise solutions to public policy goals,* London: IPPR and subsequent press reports.

Smallbone and Lyon (2005) have criticised restrictive definitions. They argue that early

stage social enterprises, or charities increasing their trading activities, often have less than 50%

traded income. Should this be used to exclude them from being defined as social enterprises in

sector surveys? Should they be refused sector specific support? However, such an argument

ignores that *trading* activity alone does not define a social enterprise (as many community and

voluntary organisation are trading organisations, yet fail to exhibit other social enterprise

characteristics). Liam Black (see Case 3.4) underlines the *mindset* that trading is a *means* of

achieving autonomy, so that an organisation can choose its own destiny, become more

entrepreneurial, and increase its social innovation and impact. This constitutes a counter argument

to Smallbone and Lyon (2005) on the basis that social enterprises use trading relationships to

transform (social) power and change the pattern of (economic) wealth distribution. If an

organisation trades in such a way that it reproduces dependency, or reinforces existing (market)

power relations, it has a tenuous claim to being a social enterprise.

Case 3.5: Socially Responsible Business or Social Enterprise?

Sunderland Care Home Associates (SCHA) was formed as a successor to the *Little Women*
co-operative in 1994 and was initially constituted as a CLG (common ownership rules) with a £1
share for each of its 20 members. In 1998, "for both tax and philosophical reasons" the
organisation voted to change to an employee-owned model based on a CLS. Initially, just over 50%
of shares were held in trust, with the remainder held by the original co-operative. After six share
allocations, reflecting business performance and the availability of shares through an internal
market, the employee trust held 56.7% of the shares, 16.8% were in employees' own names, and
26.5% remained in the founding co-operative. By 2007, the organisation had a turnover in excess
of £2m and employed 223 staff, of which 85% were women.

Margaret Elliot, the founder, felt that this arrangement would give employees a real, growing stake
rather than just a £1 share and that this would "increase their commitment and help to raise staff
retention and the quality of the service we provide." Staff turnover has been reduced to 3.5%, a full
10% below the industry average. The board consists of five elected employees, the founder and a
tax/legal expert. General meetings are held bi-monthly, and working parties are created to consider
specific issues.

SCHA was rated 'top social enterprise' at the 2006 Enterprising Solutions Awards and has now
established Care and Share Associates (CASA) to oversee the replication of its business model to
other regions. Margaret Elliot was awarded an OBE in the 2008 UK New Year Honours List.

Sources include: Companies House; Fame company database; case study published by the Employee Ownership
Association (www.employeeownership.co.uk); press reports.

Both Alter and Dees locate social enterprise as a hybrid between co-operatives and the

voluntary/community sector (compare Defourny, 2001). As such, little attention is given to public

sector involvement. This omission can be explained in part by Kerlin's (2006) analysis of the

United States and Europe. She notes that the term means different things stemming from the

national context and influences driving development. She points out that *social economy* has been

slow to gain recognition in the US, nor is there a strong public sector tradition in welfare provision

and market intervention. The effect is to understate the influence of local and central government in economic regeneration, a point picked up by Somers (2007) in her theory of public sector social entrepreneurship. She argues that people in the public sector use social entrepreneurship to act as a *modernising agent* (see also Chapter 2). They are creating an environment in which welfare services can be delivered through quasi-markets in social and health care (see Figure 3.3 and Case 3.6). This is a shift away from the *command and control model* of public service delivery towards a *network model* involving a range of public and third sector organisations, including infrastructure bodies stimulating regional development. Ironically, she argues that this constitutes an expansion, not contraction of the state, and constitutes a route to 'third way' socialism.

Figure 3.3: The Public Sector and Social Entrepreneurial Activity
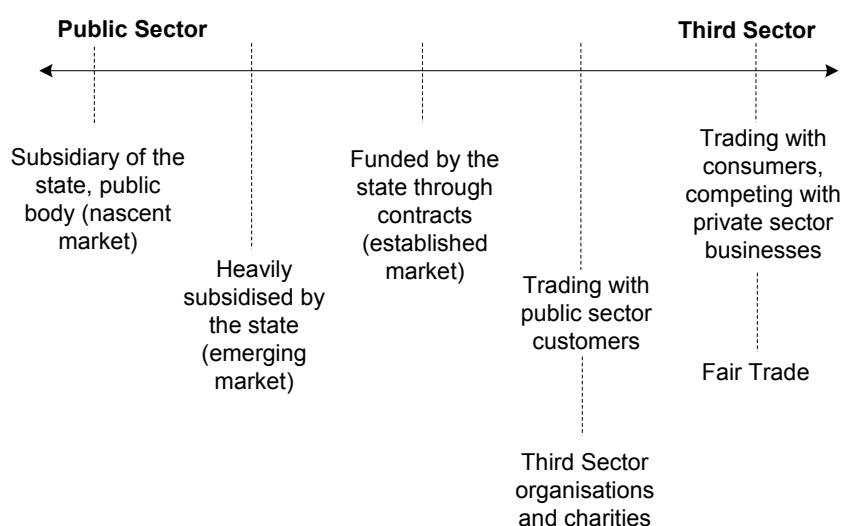
Adapted from: Somers, A. (2007) "Blurring boundaries? New Labour, Civil Society, and The Emergence of Social Enterprise", presentation to the 4th Social Entrepreneurship Research Conference, London Southbank University.

Curtis (2008) has characterised this as *state-sponsored social enterprise* likely to undermine the entrepreneurial spirit and know-how needed to ensure the sustainability of the social economy. Nevertheless, both Somers and Curtis recognise that social enterprise cannot be fully theorised without including state and public sector activity. Under the influence of *New Public Management* (see Chapter 2), public servants in developed economies are proactive in creating alternatives to traditional state-run public services.

Case 3.6 – Entreprenurses CIC

Established by David Dawes, a former CEO and commissioner in the NHS, and public servant at the Department of Health, **Entreprenurses** *uses the new Community Interest Company (CIC) legislation in the United Kingdom as a vehicle for the 'right to request' a social enterprise.*

"Entreprenurses is a Community Interest Company which is a type of social enterprise. What that means is we want to change the world and we want to do it in a businesslike and entrepreneurial way. Specifically we:

- Support the growth and development of entrepreneurs (particularly social entrepreneurs and nurse entrepreneurs)
- Develop the art and science of nurse entrepreneurship
- Encourage the development of social enterprises in health and social care
- Improve the delivery of healthcare

What we want to do is help make the world a better place by improving some of it ourselves but mainly by helping other people improve their bit of the world themselves."

Based on **http://www.entreprenurses.com/about/about_us.php**, accessed 16 October 2008.

Finally, what about activity taking place at the boundary of the public and private sectors? As Defourny (2001:23) acknowledges, "the [non-profit] literature is not able to embrace the whole reality of the social enterprise." The realisation that some social enterprises are not ideologically hostile to declaring profits or sharing surpluses has prompted high-profile figures to challenge the sector to adopt a 'more than profit' orientation. This is reflected in one of the early definitions used by the Social Enterprise Coalition (SEC):

> *A social enterprise is not defined by its legal status but by its nature: its social aims and outcomes; the basis on which its social mission is embedded in its structure and governance; and the way it uses the profits it generates through trading activities.*

(NEF/SAS, 2004:8)

Two parts of this definition open up the concept of social enterprise considerably. Firstly, a social mission can be 'embedded' in structure and governance. This recognises the role that organisation structures and culture play in distributing power and wealth and influencing engagement in decision-making (see Grey, 2005). Secondly, there is the issue of how profits are used. The SEC definition recognises that the way profits are distributed, and the practice of making *social* investments (see Chapter 11), differentiates social from private enterprise.

Based on this definition co-operative enterprises (both majority employee-owned and consumer or multi-stakeholder enterprises that transform patterns of ownership, power and wealth) gain legitimacy as social enterprises. Their products and services may be indistinguishable from those produced by others, and may be sold at market rates. This is, however, to miss the point. Trading is the *means* by which a different social mission is achieved (see Gates, 1998; Allan, 2005; Brown, 2006). As Gates (1998:13) argues, a combination of investor, worker and consumer ownership can alter management practices:

> *"Inside" ownership improves performance both directly (by encouraging insider challenges to poorly conceived management decisions) and indirectly – by influencing managers who know that the firm's owners are now working amongst them. Similarly, by including a component of **consumer** ownership, the utility's managers (and their families) would live among shareholders who are also neighbors, schoolmates and teammates. Such a community-focused ownership stake could change the quality of business relationships….*

Large mainstream businesses, and not just those currently identified as part of the social enterprise sector, can lay some claim to effective stakeholder involvement, commitment to diversity, and practices that address social exclusion (see Case 3.7). How then should we theorise their contribution to social enterprise?

Case 3.7: Corporate Social Responsibility or Social Enterprise?

Merck and the Mectizan Drug Project

…Merck elected to develop and give away Mectizan, a drug to cure "river blindness," a disease that infected over a million people in the Third World with parasitic worms that swarmed through body tissue and eventually into the eyes, causing painful blindness. A million customers is a good-sized market, except that these were customers who could not afford the product. Knowing that the project would not produce a large return on investment – if it produced one at all – the company nonetheless went forward with the hope that some government agencies or other third parties would purchase and distribute the product once available. No such luck, so Merck elected to establish a trust to give the drug away free to all who needed it...at its own expense. When asked why the company had pursued the project despite the possibility of making a financial loss, senior executives said that they saw it as important to maintain the morale of their scientists.

Adapted from Collins and Porras (2000).

Does this further compromise the concept of 'social enterprise'? Our view is that it does not. Rather, it invites a fuller consideration of a third axis that spans the public and private sector.

As we discussed in Case 3.5 (Sunderland Care Home Associates), social enterprises can switch away from (rather than embrace) common-ownership to pursue a social purpose and increase their social impact. For this reason, a third axis is needed that theorises how public and private sector support creates further opportunities for social enterprise (see Figure 3.4):

Figure 3.4: Public Legitimacy and Private Support

Public-Private Equilibrium

Political Sustainability   Economic Sustainability

Potential for Social Enterprise

State Institution	Direct Labour Organisations (DLOs)	Intermediate Labour Markets & Work Integration (ILMs / WISE)	Employee-ownership and co-operatives	CSR Projects & Public-Private Partnerships	Traditional For-Profit

Voice   < Employee Participation Strategies >   Ownership

Purpose: Public Legitimacy   Purpose: Market Legitimacy

Sustainability Strategy   Sustainability Strategy

Political legitimacy that   Market legitimacy that
secures state support   secures private support

A three-dimensional, rather than two-dimensional, theory of social enterprise leads us into a consideration of social enterprise as a cross-sector phenomenon.

Cross-Sector Models of Social Enterprise and Social Capital

In 1997, Leadbeater used a cross-sectoral model to theorise how social entrepreneurs acquire their skills and outlook (see Figure 3.5). Initially, when social enterprise theory was focussed on a continuum between the voluntary and private sector, Leadbeater's view of social entrepreneurship stood in contradiction to social enterprise theory. By acknowledging the potential for social enterprise in the public and private sectors, cross-sector models offer a way to reconcile social entrepreneurship and social enterprise theory. In cross-sector models, social enterprise is seen as a

way of bridging sectors by integrating the skills and abilities of statutory providers, private

businesses and voluntary organisations. In short, social enterprise creates bridging *social capital*

between economic sectors (see Chapter 4).

Figure 3.5   Cross-sector Social Entrepreneurship that Creates Social Capital
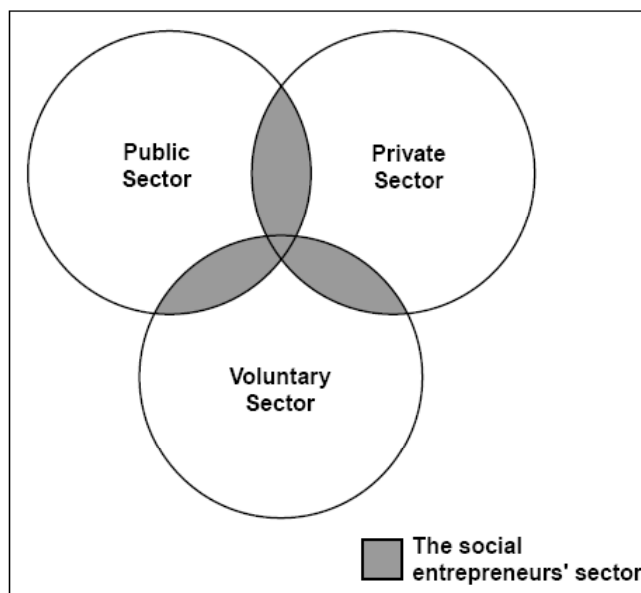
Source: Leadbeater, C. (1997), The Rise of the Social Entrepreneur, London: Demos, p. 10

As Birch and Whittam (2008:443) argue, social entrepreneurship is a process that catalyses

co-operation between parties who would normally avoid each other:

> *Thus, in relation to social capital, the activity of social enterprise has two major functions in regional development. First is the binding of different groups together in a network, both within specific places such as local communities and, more broadly, at the regional and national scale. Second is the linking of diverse and often disparate normative frameworks (e.g. mutualism and profit-seeking) and structures (e.g. social firms and private companies), which produces new insights and resources through inter-group learning.*

Billis (1993) argued that three worlds each have their own culture and rules for workplace

organisation: they accommodate and establish different governance systems, employment practices

and value systems. Seanor and Meaton (2008) argue that social enterprises can benefit from this

ambiguity by managing their uncertain identity and tapping into several streams of support and

funding. Moreover, they can develop hybrid organisations that serve multiple interests. Seanor, in

presenting research findings to a seminar (Seanor and Meaton, 2006), suggested that social

enterprises are located at the cross-over points between the three worlds. At the suggestion of one

of her participants, Seanor independently took Billis's model into a period of fieldwork and allowed

participants to locate their organisation on the diagram. Two examples are shown in Figure 3.6:

Figure 3.6   Locating Social Enterprise on a Cross-Sector Model

Research participants in West Yorkshire (England) locating social enterprises in the boundary
areas of a three circles 'map' of the economy.

Research Participant 1

Research Participant 2
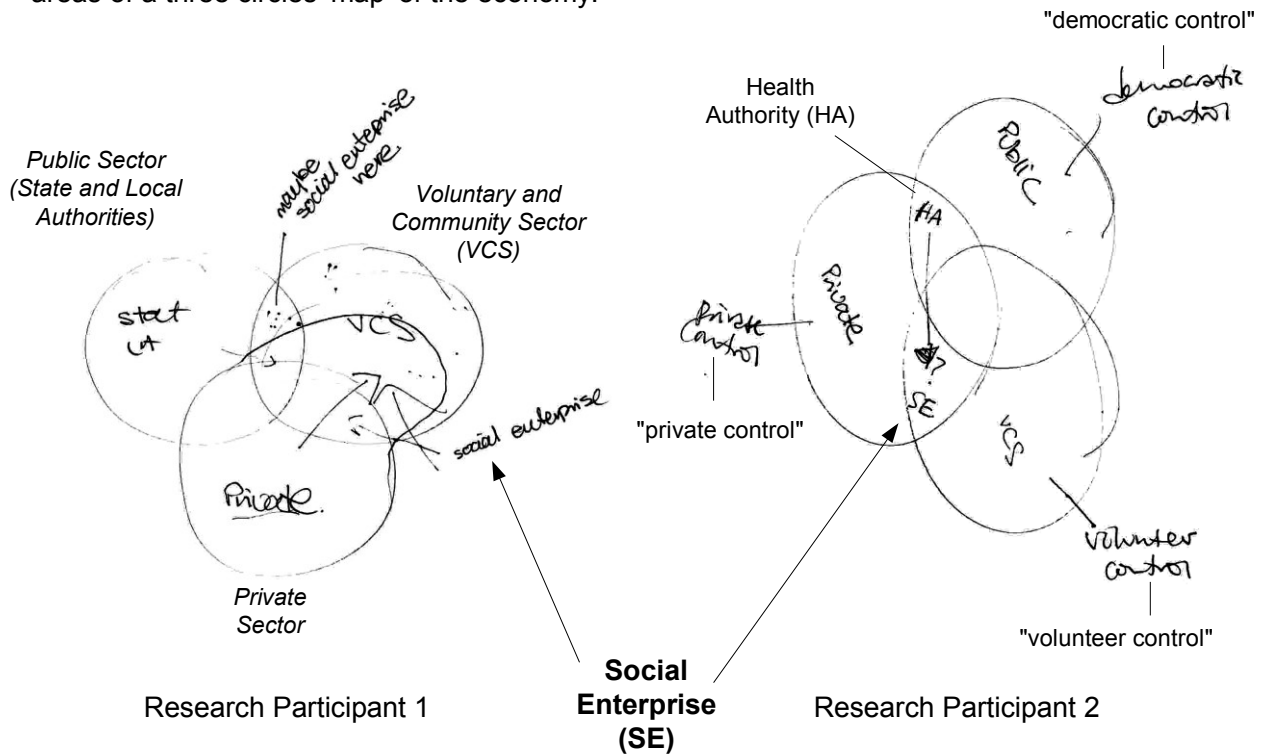
    In the first diagram (on the left), the research participant locates social enterprise between

both the state and 'voluntary and community sector' (VCS) as well as between the private and

voluntary sectors. Interestingly, they also regarded social enterprise as having a negative and

invasive effect (as a form of private enterprise moving into the voluntary sector) hence the

expanded boundary area between the two. In the second case (on the right), the participant sees a

link between activity in Health Authorities (HA) between public and private sectors and a shift in

the delivery of health services to social enterprises located between the private and voluntary sector.

In other cases - not shown here, but reported in Seanor et al. (2007) – participants drew arrows

across the boundaries of the sectors to illustrate the advance of public and private sectors into the voluntary sector, or from the voluntary sector into the private sector.

Cross-sector theories take a different position from Defourny (2001) and Pearce (2003). Instead of social enterprises occupying a space in the social economy between non-profit and for-profit businesses, they are regarded as a form developing in all sectors and which take many forms (charity trading, social firms, social responsibility projects, public-private partnerships, co-operatives, mutual societies, employee-owned businesses). Figure 3.7 combines the three social enterprise spectrums (Figures 3.2, 3.3 and 3.4) to clarify a triangle of activity within which social enterprises may operate.

Figure 3.7   A Composite Theory: The Triangle of Social Enterprise
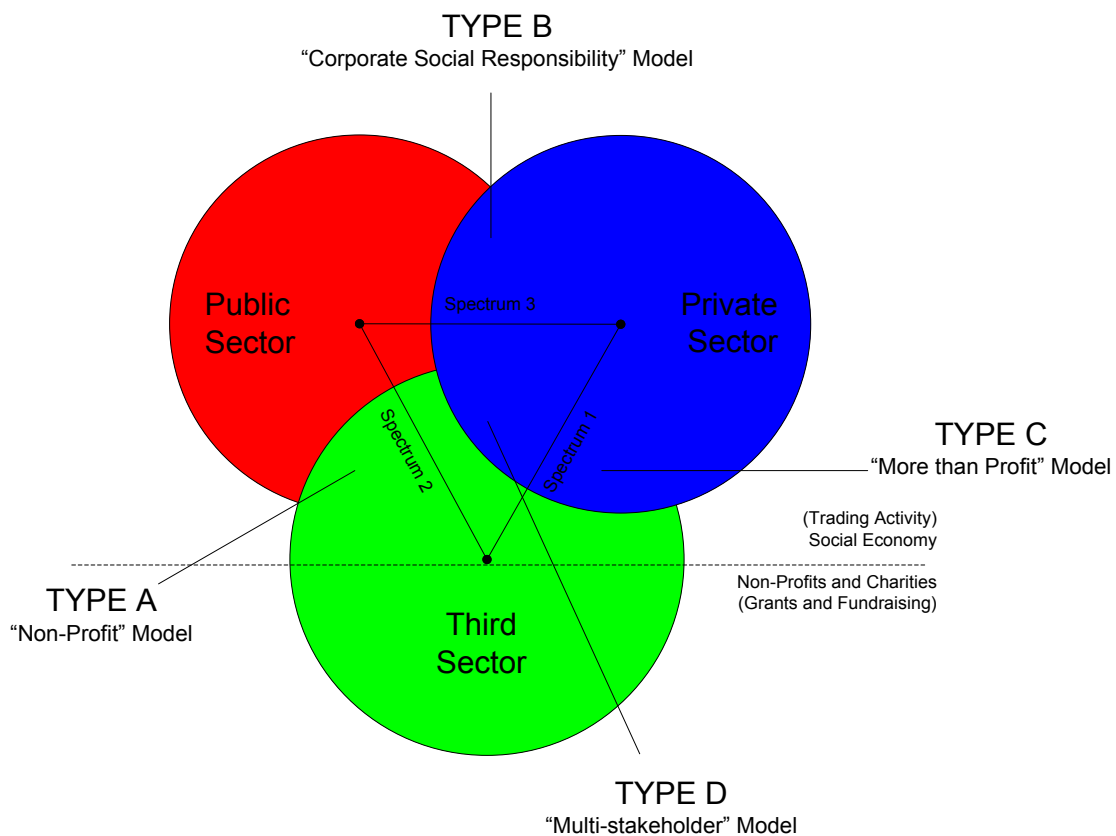
The advantage of placing social enterprise within a 'lumpy' landscape (Aitken, 2006) is that cross-sector models promote an understanding of the ambiguity, origins and ethos of social enterprise activity (Spear, Cornforth and Aitken, 2007). It provides a mechanism for understanding

diversity based on alliances and hybrid organisation that vary in the extent they embrace the values

of other sectors. This theoretical perspective was used by Ridley-Duff (2008) to account for the

different approaches to social enterprise, and the variety of legal forms and governance practices

that are adopted.

Table 3.2 - A Social Enterprise Typology		
Type A	*Non-Profit Model* In the boundary areas of the public and third sectors. Shares a 'public interest' outlook and hostility to private sector ownership and equity finance.	Social enterprise as: a 'non-profit' organisation that obtains grants and/or contracts from public sector bodies and other third sector organisations; structured to prevent profit and asset transfers except to other non-profit organisations.
Type B	*Corporate Social Responsibility Model* In the boundary areas of the public and private sectors. Suspicious of the third sector as a viable partner in public service delivery and economic development.	Social enterprise as: a corporate social responsibility project; environmental, ethical or fair trade business; 'for-profit' employee-owned business; public/private joint venture or partnership with social aims.
Type C	*More That Profit Model* In the boundary areas of private and third sectors. Antipathy to the state (central government) as a vehicle for meeting the needs of disadvantaged groups, and realistic about the state's capacity to oppress minorities.	Social enterprise as a 'more than profit' organisation: single or dual stakeholder co-operative, charity trading arm, membership society or association, or a trust that generates surpluses from trading to increase social investment.
Type D (ideal)	*Multi-Stakeholder Model* At the overlap of all sectors. It replaces public, private and third sector competition with a democratic multi-stakeholder model. All interests in a supply chain are acknowledged to break down barriers to social change.	Social enterprise as a multi-stakeholder enterprise: new co-operatives, charities, voluntary organisations or co-owned businesses using direct and representative democracy to achieve equitable distribution of social and economic benefits.
Adapted from Ridley-Duff, R. J. (2008) "Social Enterprise as a Socially Rational Business", *International Journal of Entrepreneurial Behaviour and Research,* 14(5): 291-312.		

Nyssens captures the essence of this outlook when she comments (2006:318):

"...we argue that social enterprises mix the economic principles of market, redistribution and reciprocity, and hybridize their three types of economic exchange so that they work together rather than in isolation from each other."

Even though cross-sector models address the theoretical weaknesses of two-dimensional

spectrums, they do not, on their own, provide the same level of detail or insight into practice. Both

spectrums and cross-sector models are needed to capture the micro and macro aspects of social

enterprise theory.

Lecture or Seminar Exercise – Analysing the Nature of Social Enterprise

Materials to support this exercise can be found at [url].

On your own, choose five organisations that you believe 'break the mould' in terms of contributing to environmental, social or economic sustainability. Using a cross-sectoral model of the economy, write the names of the organisations you have listed onto the appropriate part of the diagram. Add notes to explain your choices.

Pair up with another person. Compare your diagrams. If any organisations are unknown to the other person, explain why you selected them and how they 'break the mould'. Debate with each other your reasons for selecting these organisations, and discuss whether they are, or are not, social enterprises.

Find another partner, compare diagrams, and have another discussion.

In the next section, we consider the view that social enterprise is an activity, rather than an organisational form or embryonic socio-economic system. As such, it is to be found in different sectors, but will not be a sector of its own. This perspective links to the idea that social enterprise is a process rather than an outcome, a way of organising the supply of goods and services rather than an account or description of new organisational forms.

Social Enterprise as an Activity

So far, social enterprise has been represented as a business movement rooted in the concept of *social rationality*. This emphasises economic activity as a means of sustaining and developing relationships, rather than for the sake of completing tasks and missions (Ridley-Duff, 2008). This view, however, is now being questions by those who want to use the relationship building capabilities of social enterprises instrumentally, and frame it as an activity rather than an organisational form. Their argument is closer to US conceptions of social entrepreneurship, in which 'business practices' improve the efficiency and effectiveness of mission-driven 'projects'.

> *This conceptualization makes social enterprise distinct from the common definition used by the Department of Trade and Industry (DTI), which covers an array of different organizations with distinct and sometimes disparate objectives (e.g. charity and workers cooperative)… Therefore, it is more useful to argue that social enterprise concerns the pursuit of particular activities rather than representing certain social forms (e.g.*

cooperatives, democratically run organizations) with the aim of producing collective benefits (LAVILLE and NYSSENS, 2001).

(ibid: 439-440)

More 'useful' to who? The switch to 'activities' is useful for the purposes of public administration: social enterprises can be started to meet public sector goals (and shut down if they do not).   There is evidence of a similar view in the charity sector. As Morgan (2008:2) argues:

*Social enterprise is **not,** in my view, a type of organisation, it is a type of **activity,** where a trading venture is undertaken primarily with a social aim: such as running a community bus, or providing employment for people with special needs. Social enterprise activities can be undertaken in **any** of the three sectors.*

A possible reason for framing social enterprise *as an activity* is that it suits those who want to use social enterprises for "project management". This *instrumental* view (that social enterprise trading entities can be set up to achieve public, charitable and CSR objectives) requires an *anti-democratic* argument regarding ownership and control. If social enterprises are constituted as democratic enterprises, their 'parent' organisations will not be able to dissolve them if they achieve social and economic viability and (democratically) change their social or economic priorities. To be controllable, social enterprises must *not* be democratically constituted or able to make decisions autonomously. This brings back into focus how the 'social' is theorised in definitions of social enterprise. Regarding social enterprise as an activity is based on a different perspective on what it is to be 'social', and a different political argument to the creation of a sustainable co-operative economy (Woodin, 2007; Ridley-Duff, 2008), vibrant civil society (Edwards, 2004) or financially independent voluntary sector (Coule, 2008).

There are, however, some practical advantages to viewing social enterprise as an activity. It would, for example, be liberating to fund social enterprise "activities" without having to insist that the recipient incorporates as an organisation, or adopts a specific legal form[1]. Moreover, there may be political advantage to the public and private sectors in reframing its own social entrepreneurial activities as worthy of receiving funding earmarked for social enterprises.

A danger, however, lurks in uncritically accepting the reframing of social enterprise as a way of 'healing' an *existing* system, and not promoting an alternative economic system. From a critical perspective (Alvesson & Deetz, 2000), the 'activity' debate sounds like a rhetorical ploy aimed at obfuscating and neutralising the threat of social enterprise by characterising it as a helpful, even benign addition, rather than a pattern-breaking process that acts as a catalyst for social change (dare we suggest *radical* social change!)

The fatal flaw in the 'activity' argument comes from the frequency with which "activities" evolve into institutional forms. Whenever they do, questions arise regarding governance, liability, power, ownership, control and managerial authority that have to be resolved both on paper and in practice (see Figure 3.10). Social enterprise, therefore, may be an activity and a process, but it also has to decide upon form (Spear, 2006; Bull, 2008). As Spear argues, this issue is resolved by accepting that social enterprises (forms) are the product of social entrepreneurship (process) and that social entrepreneurship is more than a product of trading (or raising funds to support charitable giving in support of public sector priorities).

Figure 3.10 – Laws passed in Europe to support social enterprise development

1991 – Italy – 8th November – Social Co-operatives Law
1993 – Spain – Social Initiative Co-operatives (regional laws start to be introduced in 12 regions)
1995 – Belgium – 13th April – Social Finality Enterprise Law
1996 – Portugal – 7th September – Social Solidarity Co-operative Code
1998 – Portugal – 15th January – Social Solidarity Co-operative - Legislative Decree
1999 – Spain – Social Initiative Co-operative – National Law
2001 – France – 17th July - Collective Interest Cooperative Society (SCIC)
2004 – Finland – Social Enterprise Law
2004 – United Kingdom – Community Interest Company (CIC)
2005 – Italy – 13th June – Social Enterprise Law
2006 – Italy – 24th March – Social Enterprise Law Decree
2006 – Poland – 5th June – Social Cooperative Law

Source: CECOP (2006)

Conclusions

Dees (1998) suggests that because of the complex structure of social enterprises, and variance in their definition, any generalisations are problematic. There is no single, agreed set of words that clearly defines social enterprise. Such debate is inevitable, not only because many parties are competing to influence the definitions that are used on the ground, but also because it takes time for a social movement to learn which forms and activities work sufficiently well in practice to warrant institutional support.

Private enterprise is expressed through many forms of activity: self-employment; partnerships; limited liability partnerships; unincorporated companies, limited liability companies; public limited companies, some of which may in turn be owned by other companies, trusts, charities, co-operatives or governments. Although the limited liability company has become the most popular form of private enterprise, it took 150 years for joint-stock companies (originally established for groups of 20 or more people) to replace partnerships, chartered corporations and trusts as the dominant institution of the private sector (Davies, 2002). It may take another 150 years before generations of social entrepreneurs express their preferences consistently and the definitional debate will undoubtedly continue to evolve.

While some perceive the lack of a single (simple) definition as problematic for the development of the sector (see Pearce, 2003), we view the 'blurred' nature of the concept as accurately reflecting the political battles over control of a new business concept (Light, 2006). The question, therefore, is how 'wide' or 'narrow' the definition should be for the purposes of promotion and support. Paton (2003), for example, claims that 'social enterprise' is a more meaningful and accessible term than 'third sector' and 'voluntary sector' that provides a way to talk about any enterprise where people 'are not in it for the money'. Pearce, however, does not like the 'vagueness' of existing definitions, and calls for "a clear and unambiguous understanding of what social enterprises are" (Pearce, 2003:31). He gives two reasons: firstly, there is a need to

differentiate social enterprise from other systems by establishing their unique selling point (USP);

secondly, there is a need to establish what is *not* a social enterprise.

We find the cross-sector analysis and conception of social enterprise as the most useful for

future debates. We believe there is a nascent ideology – distinct and different – at the centre of the

three-sector model that bodes the arrival of a broad social movement (see Social Enterprise

Alliance, **http://www.se-alliance.org/**). **Here the "defining characteristic" is a combination of**

characteristics: value-driven entrepreneurship combined with social democratic awareness

that actively manages tensions between private, environmental and social interests at both the

enterprise and institutional level. This locates social enterprise in the social economy, rather than

the 'third' sector (which presumably lags behind the 'first' and 'second' sectors even through

pre-dating them both historically).

Over the longer term, social enterprise will not be determined by theorists but by social

practices and institutions that are associated with, and labelled as, social enterprises. The role of the

theorist is to provide frameworks that are adequate for the purposes of making practices and

organisational forms intelligible and accessible for discussion. While this chapter provides a

number of lenses through which to understand social enterprise, the choices that matter will be

made by those who self-consciously pursue sustainable ways of creating social, environmental and

economic value.

Summary of Learning

- Different meanings are attached to social enterprise in the American non-profit sector, UK third sector, European social economy and international co-operative movement.

- Social enterprises transcend traditional sector boundaries and have the potential to form a *social economy* with distinct characteristics and language.

- Models and diagrams can help to describe and explain the boundaries of the social economy, and its link to other economic sectors.

- Social enterprise is a useful umbrella terms for any (democratic) organisational form / activity where 'people are not in it for the money' but still generate a financial surplus.

- Social enterprise can be seen as a 'fix' for ills/addictions of a capitalist system, or as a social democratic movement intent on transforming economic and social relationships.

Further Reading

There are some good texts at introductory, intermediate and advanced level. Pearce's *Social Enterprise in Anytown* (2003) has established a good reputation as an entry level text, and this has recently been joined by Price's *Social Enterprise: What it is and why it matters* (2008). A broad and swift journey through the literature up to 2007 can be found in Peattie and Morley's (2008) monograph for the ESRC. Kim Alter's *Social Enterprise Typology* (2007) remains a good source for the definitional debates in the US, while the contexts affecting European debate are well covered in Chapter 1 of *The Emergence of Social Enterprise* (Borzaga & Defourny, 2001), with updated coverage in the introduction to Nyssens's *Social Enterprise at the Crossroads of Market, Public and Civil Society* (2006). International perspectives and the potential of employee-ownership can be gauged by reading *Reluctant Entrepreneurs* (Paton, 1989) and *The Ownership Solution* (Gates, 1998).

Scholarly debate can be found in articles submitted to the *Social Enterprise Journal,* particularly Nicholls (2006b) introduction to the second volume, plus Reid and Griffiths' (2006) discussion of *Social Enterprise Mythology*. There are articles from a critical perspective in a special edition of the *International Journal of Entrepreneurial Behaviour and Research* (edited by Bull, 2008). Further clarifications on the merits of 'narrow' and 'broad' views of social enterprise can be found by comparing Pearce (2003) and Haugh (2005) with the opening chapters of Paton (2003) and Light (2006). Lastly, no consideration of social enterprise could be complete without reviewing the achievements of the Mondragon co-operatives. The most comprehensive and critical coverage of its history, structures, issues and potential is still *Making Mondragon* (Whyte and Whyte, 1991).

We also recommend three articles on the accompanying web-site. Lyon and Sepulveda's (2009) article on mapping the sector clarifies why there will be ongoing difficulties in the definitional debate [URL]. Seanor et al. (2007) provide some visual insights into the way practitioners construct their world views [URL]. Lastly, Domenico et al. (2009) provide a theoretical and empirical analysis of cross-sector collaboration [URL].

Useful Resources

Harvard Business School: **http://www.hbs.edu/socialenterprise/about/history.html**

Social Enterprise Alliance: **http://www.se-alliance.org**

The Social Enterprise Coalition: **http://www.socialenterprise.org.uk/**

Social Ventures Australia: **http://www.socialventures.com.au/**

Community Interest Company Regulator: **http://www.cicregulator.gov.uk/**

Social Enterprise Ambassadors: **http://socialenterpriseambassadors.org.uk/**

EMES European Research Network: **http://www.emes.net**

Co-operatives UK: **http://www.cooperatives-uk.coop/**

Social Enterprise Mark: **http://www.socialenterprisemark.co.uk/**

Social Enterprise Magazine: **http://www.socialenterprisemag.co.uk/**

The Social Enterprise Institute: **http://www.sml.hw.ac.uk/socialenterprise/**

Office of the Third Sector: **http://www.cabinetoffice.gov.uk/third_sector/social_enterprise.aspx**

[1]   UnLtd remains one of very few funders supporting social enterprise in the UK that insists on supporting individuals rather than incorporated organisations.

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Narratives of transition from social to enterprise: you can't get there from here!

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Abstract

Purpose – In response to calls to critically analyse and conceptually advance social enterprise, the purpose of this paper is to examine narratives and models representing a spectrum of social enterprise from the "social" to the "economic". The paper tests these against the experience of practitioners who were either employees in social organisations or support workers tasked with promoting social enterprise. This is timely against a background of imperatives from central governments for social organisations to compete for the delivery of public services and become more "entrepreneurial".

Design/methodology/approach – The paper reports qualitative research in which participants were invited to draw lines and arrows onto spectrum models to illustrate the social and economic contexts they perceived themselves to be working within. The data comprise interviews and drawings, combined with verbal descriptions of the drawings and reflections on their significance.

Findings – The paper shows how participants interpreted the "social" and "economic" of social enterprise in pictures and words. The research suggests that social enterprise can not be told as a single narrative but as a set of little stories showing oscillations, contradictions and paradox.

Research limitations/implications – Understanding of social enterprise can be much improved by giving greater recognition to ambiguities and compromises within the lived experience of contemporary practice.

Originality/value – The article offers new reflection on widely used images that represent social enterprise along a dichotomous, polar spectrum from social to economic.

Keywords Narratives, Social enterprise, Paradox, Visual data, Public services

Paper type Research paper

1. Introduction

> Ten or so years ago it would have seemed like an oxymoron to amalgamate the terms social and enterprise. Since that time the concept has rapidly passed from obscurity to the status of orthodoxy (Arthur *et al.*, 2009, p. 208).

Social enterprise has become an umbrella term for forms of organisation that trade for social purposes (Peattie and Morley, 2008; Ridley-Duff and Bull, 2011). Arthur *et al.*'s (2009) views of the fusing of social and enterprise offers the beginnings for the rationale for exploring narrative in this paper. Across North America, Australia, Europe and the UK, social enterprise is portrayed as the business model for solving

societal problems (Nicholls, 2006; Westall and Chalkley, 2007; Chell *et al.*, 2010). In England, which is the focus of this paper, policy has increasingly elided social enterprise and social entrepreneurship with social organisations that compete for contracts to deliver welfare provision (Nicholls, 2010; Teasdale, 2011). In what follows we are concerned with the transition of existing social organisations responding to imperatives from central government to generate income through competition for the delivery of public services.

By social organisations we mean those in the third sector or civil society, terms heavily invested with political dimensions and sectoral interests (Alcock, 2010). They are extremely diverse, and include charities, voluntary organisations, community groups, credit unions, and faith based organisations. Such organisations have been described as moving towards social enterprise with the image of a tide, a force that is irresistible yet positive. Dees (1998, p. 56), for example, dubbed the transition as the "rising tide of commercialization" in the social economy and Boschee (2006, p. 359) described a tide that is the "changing face of England's voluntary and community sector". This is a perspective that tends to dominate social enterprise policy and programmes, as well as much academic writing, as discussed below, but there is also scepticism towards its imagery and storylines (Curtis, 2008; Parkinson and Howorth, 2008; Scott, 2010). An expanding body of critique emphasises threats to the distinctiveness of social organisations when they move from social to economic goals (Eikenberry and Kluver, 2004; Haugh and Kitson, 2007; Bull, 2008).

In order to navigate the claims of enthusiasm and the counter claims of scepticism we draw upon the insight of Dey and Steyaert (2010) that the social enterprise narrative can be categorised as: the grand narrative, the counter narrative and little narratives. The "grand" is the dominant narrative invoking rationalism, utility, progress and individualism in "an optimistic script of social change" (Dey and Steyaert, 2010, p. 86). Within this narrative are strong normative assumptions that by becoming more entrepreneurial, enterprises become efficient and reliable in ways that fit the modernisation agenda for public services, including co-production between the public and third sectors (Baines *et al.*, 2010; Pestoff and Brandsen, 2010). The "counter" narrative opposes this harmonious story of meeting social and economic goals, and alludes to history and context to question "the novelty and 'taken-for-grantedness' of the grand narrative" (Dey and Steyaert, 2010, p. 93). "Little" narratives, like the counter narratives, offer alternative interpretations; but instead of offering either/or stories to "go beyond the present narrative representation […] trying to think what is currently unthinkable inside of or in the centre of the grand narrative" (Dey and Steyaert, 2010, p. 87). This approach is consistent with the need to consider multiple interpretations, which has become increasingly recognised in entrepreneurship literature (Cope, 2005; Steyaert and Hjorth, 2005).

We write in the spirit of critical plurality and are influenced by the theoretical approach to narratives of enterprise and entrepreneurship (Down, 2006; Down and Warren, 2008; Jones *et al.*, 2008). Our overall aim is to advance understanding of the contested transitions of social organisations that are working in collaboration with public sector agencies and responding to imperatives from central government to generate income through competition for the delivery of public services. To this end we report on interpretivist research undertaken in the North of England with practitioners in social organisations and support agencies. The research utilised interviews alongside drawings created by research participants to explore where they identify and locate their organisations. Our specific objectives are threefold. First, we address a lacuna in the literature regarding contemporary social enterprise from the experience and

understanding of practitioners (Chell, 2007; Hjorth, 2007; Dey and Steyaert, 2010). Second, we draw upon interactions with practitioners to offer new reflections upon widely used images that represent social enterprise along a dichotomous, polar spectrum from social to economic. Our third objective is methodological. We seek to introduce to the repertoire of social enterprise research the novel and inventive use of visual methods.

The paper is structured in the following sections: a review of the literature focusing on the competing narratives; the study design, its conceptual underpinning and rational for the combination of visual and narrative methods employed; interpretations of the findings as narratives; implications for theory and practice; and concluding thoughts.

2. Narrative of transition: literature review

There has been much attention to attempting to clarify what is and is not a social enterprise (Defourny and Nyssens, 2006; Nicholls, 2006; Bacq and Janssen, 2011). We employ the terms social enterprise and social entrepreneurship, recognising that both are in widespread usage and that the nuances of each are much debated (Birch and Whittam, 2008). In this review section we avoid any attempt at a single definition of social enterprise. On the contrary, we recognise and highlight contradictions that accurately reflect struggles over the concept (Ridley-Duff and Bull, 2011). Our focus is on how significant differences are framed in social enterprise through emphases on the social and the economic. We begin by discussing how social enterprise is represented in the form of a continuum and go on to consider narratives with particular emphasis on movement across this continuum.

Narratives are deployed to order and give meaning to experience (Czarniawska, 1998; Brown *et al.*, 2008; Hjorth, 2007). Governments, organisations, professional groups and individuals all construct preferred narratives in which events are selected and arranged for particular audiences (Riessman, 1993). Froggett and Chamberlayne (2004, p. 71) underline a wider context of a political culture that values an "entrepreneurial action story" and find the language "emphasises individualism, consumerism, social enterprise and knowledge-based modernization in defining processes of personal and community change". The nature of narrative, according to Dunford and Jones (2000, p. 1209), is "to persuade others towards certain understandings and actions". Weick (1995) and Gartner (2007) argue that narratives are more than just words; they affect how you act.

2.1 Framing social enterprise between the economic and the social

Within the theoretical development of social enterprise, influential linear models are used to frame the concept of social enterprise based on the social and economic. These primarily depict the social and economic positioned at opposite ends of a spectrum (Dees, 1998; Alter, 2004; Dees and Anderson, 2006). An example is Figure 1 (adapted from Dees, 1998). At one end of the continuum are "purely philanthropic" goals and at the other "purely commercial" goals. We dwell upon this image and reproduce it because it has, according to Peattie and Morley (2008), influenced the entire social enterprise research agenda. The linear construct serves to frame two opposing perspectives: one emphasises the economic, where actions are purely commercial (Dees, 1998; Boschee, 2006; Perrini, 2006); the other, in contrast, highlights the social component, where actions are purely philanthropic (Grenier, 2002; Foster and Bradach, 2005; Howorth *et al.*, 2011). Whilst tensions between the social and economic are commonly recognised, there remains a theme of balancing, similar to notions of equilibrium, the "hybrid nature" of mission and market objectives (Alter, 2004).

		Purely philanthropic		Purely commercial
Motives, methods, and goals		Appeal to goodwill Mission driven Social value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Key stake-holders	Beneficiaries	Pay nothing	Subsidized rates, or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donation and grants	Below-market capital, or mix of donations and market-rate captial	Market-rate capital
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices

Figure 1.
Framing social enterprise between social and economic

As discussed below, the imagery of the social enterprise continuum is invoked in talk of transitions from one pole to the other. This is reflected in policy and academic accounts that urge organisations to move from one state (social organisation) towards another perceived as more desirable (social enterprise). With the linear spectrum still in mind, we turn now to narratives of social enterprise.

2.2 The grand narrative: theoretical point of departure

The grand narrative is synonymous with the dominant discourse and the macro story, and conveys economic growth and development, emphasising heroic individuals, rationality and hierarchy (Berglund and Wigren, 2012). It is articulated by support agencies promoting business models, tools and approaches using a business language construct (Grenier, 2006; Nicholls, 2006). Movement across the spectrum from left to right is both observed and advocated. According to Perrini (2006, p. 60) the economic end of the spectrum "emphasizes entrepreneurship as a way to make non-profits more market-driven, client-driven, and self-sufficient". Tracey *et al.* (2005, p. 335) observe that social enterprises are "encouraged to think and act like businesses […] for example, [using] the language of markets and customers". They are urged to "develop requisite entrepreneurial skills to guide the transition from grant-funding to trading" (Mason *et al.*, 2007, p. 286). Entrepreneurship in this vein is a familiar trope in the grand narrative.

Largely based upon the crisis in the welfare systems, Defourny and Nyssens (2006) find a new entrepreneurship is more prevalent in Europe than the USA and is most striking in the UK due to changes in public sector services. The rise to prominence of social enterprise is closely entangled with a crisis in welfare systems and reduced state engagement in the direct delivery of public services (Defourny and Nyssens, 2006; Nicholls, 2010; Hogg and Baines, 2011). This view is ubiquitous in government documents offering a positive story of the process of social enterprise for solving numerous societal problems (DTI, 2002; HM Treasury, 2002; OTS, 2007) and in strands of academic literature (Dees and Anderson, 2006; Nicholls, 2006; Nyssens, 2006). The language of entrepreneurship is significant in the grand narrative because it is associated with imperatives for the transformation of social organisations from the third sector facing new demands and opportunities in the context of the public sector.

Thorough discussion of entrepreneurship theory and debates is beyond the scope of this paper. We briefly highlight some key entrepreneurial themes that resonate strongly – and controversially – within narratives of social enterprise. Classically, entrepreneurs are said to pursue opportunity and effect change (Shane and Venkataraman, 2000).

Proactivity, risk-taking and innovation characterise entrepreneurship as an individual and/or organisational phenomenon (Casson, 2005). There has been a shift from seeing entrepreneurship through individual attitudes and behaviour towards more emphasis on the processes of discovering and co-producing opportunities, and the various contexts in which that happens (Steyaert, 2007; Down, 2010).

Although the desirable connotations of entrepreneurship are largely taken for granted, there are dissenting voices (du Gay, 2004). According to the philosophical reflections of Jones and Spicer (2009, p. 37) entrepreneurship is "indefinable, vacuous and empty". Academic study, it has been argued from within the discipline, has "suffered from an often unquestioned positive ideological stance towards entrepreneurship and small business" (Blackburn and Kovalain, 2009, p. 129). Echoing Hans Christian Andersen's story of *The Emperor's New Clothes*, Berglund and Wigren (2012, p. 11) highlight; "those not viewing themselves entrepreneurially may have difficulty in dressing in the clothes of the entrepreneur". This has implications for identity as the people who run social enterprises are often referred to as social entrepreneurs even though they might not refer to themselves as such (Grenier, 2006; Howorth *et al.*, 2011).

2.3 The counter- and little narrative of social enterprise
Both the counter and little narratives offer an alternative narrative thread, questioning social enterprise as increasingly dominated by business thinking and movement towards the economic pole. The counter narrative, as employed by Berglund and Wigren (2012), opposes the grand narrative and states the importance of community, non-economic values and how societal structures must be changed. For instance, Eikenberry and Kluver (2004) argue that in the USA the marketisation of non-profits, when they increased their share of service provision on behalf of government, has ultimately compromised their democratic contributions. Similar arguments have emerged from academic studies focusing upon the third sector in the UK from disciplines including social policy (Buckingham, 2009), geography (Milligan and Fyfe, 2004) and community studies (Milbourne, 2009).

These issues link to a wider agenda. Whilst Grenier (2002) claims social enterprise is understood within political and economic frameworks, rather than challenging them, it appears assumed by those developing the counter narrative that the grand narrative is a negative influence being forced upon transforming third sector organisations by more powerful agencies. Thus, the counter narrative critiquing social enterprise appears to have become entangled with idealised or moral arguments of polarised positions between the social and the economic with radical actions to oppose the powerful mainstream stance (Dey and Steyaert, 2012). For critics, a worrying feature of the grand and counter narratives is that values and meanings behind the social have become "extremely poor and simplified" (Dey and Steyaert, 2010, p. 97).

In the empirical section of this paper, we develop little narratives as a way of supporting more nuanced analysis of the field. Rather than depicting the actions of social enterprise as polar opposites, a notion is required to negotiate meanings between the grand (dominant) narrative emphasising harmonious economic and social aims and the radical or deviant story of the counter narrative. It is useful at this point to think about how paradox can be invoked in social enterprise (Curtis, 2008; Scott, 2010). This issue is wider than the paradox as seen as the contradiction between social and economic goals of social enterprise. Goldstein *et al.* (2008) argue that social enterprise situations are complex and unpredictable. As they state one issue is information, the "difference that makes a difference", especially as there are differences in perspectives

and interpretations of social enterprise. Related to this point, we draw upon theorising outside of the social enterprise literature. For instance, Rodgers (2007) challenges the idea of focusing upon rational decision-making processes, claiming there is value to be found in embracing paradox and questioning unspoken assumptions. The value of paradox is "in stimulating people to think outside conventional frames and thereby induce change" (Darwin *et al.*, 2002, p. 197). It is here that little narratives come to the fore. Little narratives are utilised in the entrepreneurship literature to offer insights to identities, current situations and possible futures (Hjorth, 2007). Little narratives offer a means for practitioners and theorists to accommodate the "paradoxes, contradictions and complexities of daily practice" (Dey and Steyaert, 2010, p. 98). Moreover, Steyaert and Hjorth (2005) and Dey and Steyaert (2010) claim the little narratives have less presence in the literature, yet without them there are limits to alternative ways of thinking and talking.

This section has offered a brief overview of relevant literature and illustrated the representations of social and economic within the social enterprise spectrum and differing narratives of social enterprise. It has highlighted the grand, counter and little narratives and the associated economic and business language and context. These contested views highlight the ongoing debates of meaning between academics, practitioners and policy makers. Paradox is suggested as a crucial aspect of the little narratives.

3. Methodology and data collection – narratives of social organisations and support agencies

Data were generated by two independent qualitative studies, both of which sought to capture the views and experiences of decision makers in social organisations and advisors in sector support agencies promoting social enterprise. The research was underpinned by interpretative social science traditions, which broadly prioritise meanings and sense making, rather than counting and classifying phenomena. Both studies utilised a narrative approach to the stories that people tell, exploring what they say about what they do (Gartner, 2007). Both combined narratives recounted in interviews with another set of techniques in the form of visual stimulations presented to interviewees and drawings elicited from them.

Whilst visual research is a quickly growing field with a variety of approaches to interpretive processes (Mitchell, 2011), the use of participants' drawings is not well established in enterprise research. However, Meyer (1991) urges researchers to exploit the power of drawings, and Stiles (2004, p. 127) argues that "images can be as valuable as words or numbers in exploring organizational constructs". Images made by research participants are increasingly used in the fields of education, health and community development along with interviews (Prosser and Loxley, 2008), and they can be particularly fruitful when "the drawing flows smoothly as a continuation of the narrative" (Guillemin, 2004, p. 277). We followed Rose's (2008) guidelines which suggest that joint-efforts in visual materials should include images selected by researchers, as a prompt for reflection and sense making with the research participants. We facilitated research participants to "move from description to depiction to theorising the reasons for the ways in which they represented features […] through drawing and talking" (Emmel, 2008, p. 2).

Both studies took place in the north of England between 2004 and 2007. One was part of a European Social Fund project in Greater Manchester that sought to support the development of social enterprise in the region and the other a private consultancy project conducted for a successful Local Enterprise Growth Initiative bid in Bradford,

and later part of a PhD. Thus, the research in both cases had practical and theoretical aims. The two studies shared a primary focus of impacts of change associated with social enterprise experienced in contemporary practice.

We sought multiple stories of social enterprise. In total 58 people were interviewed across the two studies (36 from social organisations and 22 advisors). A purposive sampling strategy was undertaken and the research participants chosen were seen as "informed experts" (Liamputtong and Ezzy, 2005). Participants were all paid staff, employed either in existing organisations and agencies responsible for decision making and managing social enterprise or third-sector projects and programmes in their organisations, or support services which were perceived as social enterprise activity (either funded or described as such). Both studies interviewed advisors from sector support agencies offering business advice to social enterprise. We include interview material from advisors, as their embeddedness within the transitions of the organisations within our study is a key influence in the changing environment. As Berglund and Wigren (2012, p. 13) note, policy makers are becoming "entrepreneurship writers" in setting up programmes and projects.

By undertaking a narrative approach, where interactions and different views are sought, insights into contemporary practices and negotiations in relationships between those engaged in social enterprise support and those in social organisations delivering public services are also offered. The researchers interviewed people from social organisations engaged in the delivery of services such as social care, arts, health, safeguarding the environment and increasing participation in sport. At the time there were initiatives from central government intended to increase public service delivery by social organisations, to promote their readiness to compete for contracts and to reduce their dependency on grant income. All the research participants were responding to this context. All study organisations had a minimum of three paid workers but fewer than fifty, and were formally constituted, with legal forms including Companies Limited by Guarantee and Industrial and Provident Societies. Some – but not all – identified their organisations as social enterprises, although all were characterised as such by others, particularly support advisors.

The research data consisted of participants' stories and drawings. As such, the focus was on listening to and seeing how the re-telling of micro-stories of everyday practice and re-drawing academic models differs from, or echoes, the grand macro narrative as well as the counter narratives. The early parts of the interviews were exploratory and during the later stages visual images of the social enterprise continuum were introduced to supplement and enrich interview discussions. Participants were shown a simplified social enterprise spectrum (Dees, 1998; Dees and Anderson, 2006). They were given pencils and asked to draw upon the model and to describe experiences. Emergent data, similar to Warren (2009), was elicited where meaning was actively created in interactions between researcher and participant, requiring co-operation between both over the production and understanding of meanings and contexts of the images. We sought to explore if and how research participants would interact with the models to make sense of social enterprise. This added an element of uncertainty, as responses were at times unexpected and surprising to the researchers. Some chose to draw carefully on the spectrum and others demonstrated their views with forceful pencil movements. Thus, the process by which the images were created highlighted the emotional and non-rational nature of understanding social enterprise.

In identifying how differing narratives were negotiated, transcripts were read and re-read and drawings compared. The researchers initially wrote notes independently to trace the development of ideas. Each developed codes manually to address "questions about how social experience is created and given meaning" (Eisenhardt and Graebner, 2007, p. 28). Only after this were the two sets of data brought together and further developed and changed to better reflect the key stories and drawings that influenced participants. During analysis, the notion of codes became less important and we sought to represent processes of change and transition. As such, making visible movement and transformations became a key feature from utilising visual methods (Pink, 2012). Additionally, all data sets were compared for contradictions, nuances and what had been omitted (Brown *et al.*, 2008).

The research we report is based on two relatively small-scale studies and of course has limitations. It was undertaken in the north of England and as such is situated within the array of agendas influenced by English government support programmes in the first decade of the twenty-first century. It is therefore within this particular context of social enterprise that this paper is empirically located. We have attempted to present various perspectives but as Bowey and Easton (2007) comment the absence of data or silent partners can mean that researchers may never fully understand what is occurring in its entirety.

4. Narratives of social enterprise
This section presents interpretations of the emergent data, which we use to re-examine assumptions around the grand and counter narratives as discussed in the review of the literature. We utilise participants' stories, drawings and the notion of little narratives, to tease meaning out of the different understandings of being entrepreneurial and being in transition. From our analysis, these were emergent areas of negotiation and were not initial questions we set out to address.

4.1 Differing views of being socially entrepreneurial
Notions of social enterprise between those in social organisations and advisors differed from traditional views of being entrepreneurial; many stated relations were more complex as interactions were more than economic and included advice and support. An aspect of this was advisors' diagnostic questions when meeting with organisations. One said he played the role of the "cynic" and described this as asking "tough" questions focusing upon finances. These questions were similarly worded and the majority stated that their very first question was about money. As one advisor said:

> There is always a tension or a balance to be struck between social and enterprise activity. The first two questions I ask a social enterprise is [sic] "Is there a market for it?" and "How are they going to finance or fund it?"

Advisors reflected upon finances and of changing ways of working to be more "business-like". This approach is undoubtedly prompted by the need to meet their programme outputs (e.g. creating new social enterprises). But at the same time advisors commented that existing organisations were "vulnerable" due to changes occurring in how services were resourced and that a "transition phase" was not well acknowledged by local government and infrastructure agencies.

Participants repeatedly stated advisors and those organisational representatives self-identifying as social enterprises had a "different language" from those in social

organisations and were said to "talk the talk". This also highlights the nature of relationships and stories of cultural differences told. One advisor said:

> The relationships are difficult and it is from the culture differences. I could caricature it as the difference between the well-meaning, badly organised, rather backward looking community sector that doesn't like the modernization agenda or the pace of change that is constantly accelerating. The voluntary community sector finds this very difficult […] Whereas, the social enterprise sector is all gung-ho and tra-la-la-la and it loves modernization. It talks the talk and wears a suit most often, even the women. It is almost that obvious, the split between older, not so well dressed people looking backwards, and younger, better-dressed social enterprises looking forwards.

This would suggest the grand narratives and the counter narratives are played out in everyday practice of views towards the modernity agenda, backwards and forwards looking, language and even the clothes they wear.

However, there was also a more nuanced view and various organisational representatives used the analogy of wearing different hats. Figure 2 illustrates the view of one who described that they wear different hats at different times to engage with different audiences. One hat was labelled "ours" towards the social end and at the other end, "market", is a hat that is worn to do business, in managing relations and operating outside the organisation.

Others acknowledged that the culture within an organisation was being split as they took on members of staff to undertake the more traditional business-like functions such as monitoring and evaluation to be compliant with public sector funders' requirements. These comments appeared to associate entrepreneurial tensions as both inside and outside of the organisation. Moreover, data suggested identity work of both adopting social enterprise, as well as resisting it, within the same sentences and drawings. In the above instance (Figure 2), the organisational participants had dual identities implying contradictory practices. The hats image also suggests that their narratives will need to be positioned across various narratives in to order to interact with multiple and differing stakeholders. Notably, the participants appear to skilfully interpret and exploit ambiguity and contradiction to their benefit.

The analogy of hats was also used by an advisor saying organisations' representatives attending meetings in the role of advocates for the third sector needed to take off their individual "social enterprise hats" and not seek to win business/secure service delivery contracts in those situations. Thus implying a code of practice in professional conduct but there is more to the instruction. Many participants saw their advocacy roles as championing a cause; in doing so this role would run counter to the grand narratives of government agendas – and counter to the work they did with their own "market" hats on – which has repercussions around "biting the hand that feeds".

Some perceived enterprise as undermining the trust and the social nature of services. Nevertheless, they were nearly unanimous in suggesting their practices were
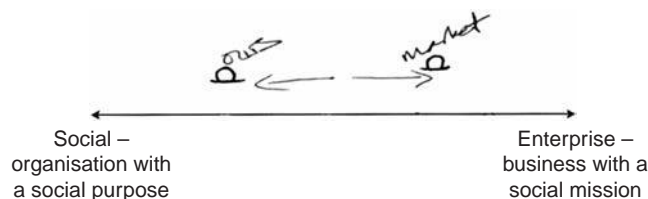

Figure 2.
Social enterprise as wearing different hats

Social –
organisation with
a social purpose

Enterprise –
business with a
social mission

becoming more "business-like" and in the current culture everyone needed to behave "entrepreneurially". As one explained:

> The entrepreneurship has to apply because, at the moment, we all are having to be entrepreneurs in order to survive. Which is different to organisations that are new and coming through from the start. And I think there is a difference between new organisations that are emerging, and start from scratch and established organisations that are changing, and doing things in a different way.

> So, for me, for us, we're changing. And so we have this idea of enterprise because we need to be self-funding. But the other bit of that is we have to develop contract arrangements, service level agreements rather than the old grants. But we sort of worked out that's not going to be enough; we need to be sustainable without the contracts. Or, we'd like to be. Otherwise we are too dependent on the one particular area.

In the above excerpt the terms entrepreneurial and enterprise are used almost interchangeably. The participant discerned differences between new and existing organisations and stressed a pervasive context of change. For others, responding to a perceived need to diversify their organisational income, rather than perceived community need, was expressed as being entrepreneurial. Notably, none of the organisational participants specifically said that being entrepreneurial was about social change.

Respondents identified different meanings associated with social. For example, organisational representatives did not equate social with missions. These participants repeatedly spoke of the social as the "added value" of their service. This, for example, is how one described the hot meals service they provided into day care centres for the elderly:

> We won this contract, sort of at the second attempt really – what it was, we lost it initially but the other firm that won it (another social enterprise) were too money driven – they'd streamlined the service into a very efficient model – so what they did was cut down the time spent in the centres – that way they got round more centres and were fast and slick at what they did – but to be honest there's more to this job than getting in and out fast – we make the effort to talk to people and that – I guess you could call it – added value – the nattering, the compassion – the other firm didn't do any of that – so to us we don't want to be driven that way.

The extract above underlines the nuanced perspectives towards cost-efficiency and non-rational aspects of doing business. Many had negative connotations to being "driven" to be more efficient, however. Participants' stories repeatedly were of this being an attribute of another firm, not theirs', which the above participant contrasts sharply with compassion and being aware that the social matters.

Nor were missions perceived to have drifted, as is the concern of the counter narrative, but rather changed to meet the needs of a wider "market". Numerous stories from those in social organisations were told. For instance, from specialising in specific markets or communities of interest (e.g. ethnic minority groups or lone parents) many recognised – in order to continue delivering services to these communities – the need to move to more general provision. Some acknowledged that this was initially resisted, but eventually accepted by others, such as staff, volunteers and board members in the organisations. For instance, a social enterprise widening service provision to gain public sector contracts for general elderly care in order to provide care to the Afro-Caribbean community, originally their social aim. Therefore, neither total acceptance nor radical rejection of the grand or counter narratives was seen. Instead a little narrative better describes these stories. Moreover, analysis of the data suggested that participants' understanding of the term market does not necessarily require them to become more like private sector organisations. From discussions it emerged the crux of

such decisions was the reality of "trade offs", reconciling original views of social when economic decisions were made. Thus, it was not seen as win-win as presented in the grand narrative.

4.2 Differing views of organisations in transition

In examining the nature of transition, whilst Nyssens (2006) presents the idea as if organisations have already gone through this process, we found all in the state of change. Moreover, movement was a recurrent area of negotiation for both organisational representatives and advisors. Thus, the stories were not of a uni-directional aim, driving the narrative plot to become more like businesses.

Advisors enacted much of the grand narrative in practice. Advisors repeatedly stated they used the Department of Trade and Industry (DTI) definition of social enterprise as the basis of the support they offered, thus initially sounding to echo the grand narrative. Notably, one criterion differed from that of the DTI, and a comment repeatedly emphasised was that social enterprises needed to make a profit.

Utilising Dee's spectrum, advisors presented their role very positively in terms of helping to move organisations towards the economic aspect of social enterprise. As one stated "I hope people see I've got the oilcan and am hoping to go around making it easier for them". Only, one advisor stated organisations "might feel they were being pushed" into social enterprise.

Motion analogies voiced by different advisors:

- keeping social enterprises going;
- moving them on;
- a way of doing business that was gaining momentum;
- moving groups towards the business end;
- How else can we exist if we don't move towards the market?;
- I like the can-do attitude and moving forward;
- trying to turn them on to social enterprise; and
- part of my job is to move the organisations towards the goal of creating economic value, rather than focusing upon social value.

The language used by advisors implied that they are enacting a story of the process of changing social organisations to the shape they understand best resembles social enterprise. The metaphor offered an insight that they assumed a cause-and-effect relationship might be achieved by social organisations taking on business practices from the private sector, becoming more efficient, more competitive, business-like and successful.

Organisational representatives enacted more nuanced views. Organisational representatives' views of transition differed from those articulated by advisors. Rather than a smooth linear transition of organisations from social to economic, in line with the grand narrative and the analogy of the rising tide of commercialisation of non-profits, a more nuanced view of social enterprise emerged. Organisational representatives annotated the original spectrum to indicate their perceptions that their organisations were changing. Figure 3 is a composite drawing recreated from 13 of the 36 organisational participant's individual drawings. The pattern of movement in their individual drawings is what is of interest.

The explanations are nearly unanimous in suggesting their practices were becoming more "business-like" (if only slightly in some instances). Initially, this suggests they fall within the grand narrative. There were various reasons for this, including: more of a focus on trading; the need to appeal to the financiers (funders or contractors); to accommodate the trend towards branding social enterprises; or simply as a strategy that would (eventually) support the pursuit of social objectives. Two indicated movement towards the social end of the spectrum. These participants explained that they had "given up too much"; one said they had become too "business-like" and the organisation he represented needed to revert back to the origins of the organisation. This reinforces the imagery of struggle within the everyday practices and talk of social enterprise. But it does not capture the counter narrative as there appears no radical resistance, but rather two lone arrows going against the stream. Yet, the expectation that these organisations will traverse the spectrum to the enterprise end is curious. According to Dees (2009), commercial strategies are not "optimal" for all social enterprises, and Alter (2004, p. 7) notes that "organizations rarely evolve or transform in type along the full spectrum".

4.3 Stories and drawings depicting little narratives
Whilst some organisational representatives were able to engage and place a mark or arrow upon the spectrum, others were unable able to do so saying it was too "simplistic" to place a simple mark to denote their location. The following drawings and stories offer examples suggesting other views, which we present to offer empirical evidence to support little narratives.

One organisational representative gestured with some anger at the continuum, as can be seen in Figure 4, the pencil mark dots that were caused by the machine gun-like action to vehemently refuse the analogy of harmonious balancing of goals and/or linear movement towards enterprise as a goal in itself. He drew a line that bent back towards the social pole, which he circled to emphasis his point. This participant stated that the only reason they were moving towards the enterprise end of the spectrum was in order to achieve the social, and not to become more business-like *per se*.
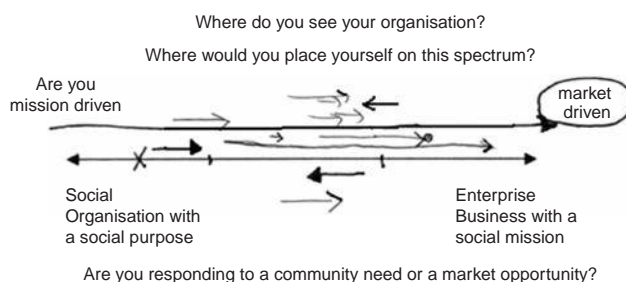

Figure 3.
Arrows depicting
movement
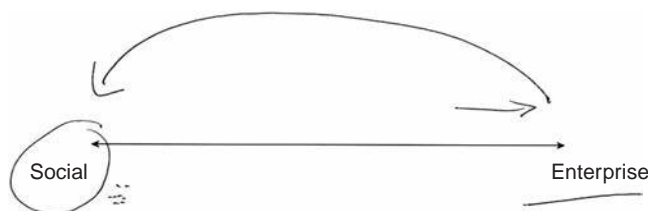
Figure 4.
View that movement
towards enterprise was to
achieve the social

Another organisational representative said that the "culture mostly" was near the social end, but the way they earned money was near the economic end of the spectrum. Like others, he said there was no hybrid but two (or more) identities and ways of working within one organisation. This story reinforces the imagery of wearing different hats.

Another organisational representative described:

> When times are good we'd be more mission-driven. When times are bad we'd be more market driven. So, at the moment, we're middle stroke market driven, but when profits are good and we can be philosophical and philanthropic, then we are more mission-driven. And philanthropy is a really interesting area around what we do and what anybody does really.

Some of the above drawings seem to support the rising tide in the grand narrative towards the commercialisation end of the spectrum. However, the reasoning runs counter to Dees' and other academic theorising. This point is drawn out in Figure 5, the above participant's drawing illustrating this pattern of flux.

Social enterprise economic activity was not perceived as a positive step; in "bad times" they concentrated upon economic goals and pull back from the social aspects of networking activities and the promotion of their mission. This insight underlies the complex ways which talk of identity informs everyday meanings and actions.

In this account of our empirical studies we have explored views in the context of plural ways of making sense of the social and economic in social enterprise and public services. From stories and drawings we found instances of the grand narrative and discussion of the differences in culture and language seemingly supporting the counter narrative with a caricature between the grand and counter narratives being played out in practice. However, it was participants' drawings that helped to illustrate and draw out the more nuanced little narratives of iterative processes of transformation and the importance of motion in their stories of change.

5. Implications for theory and practice

In navigating through the competing claims and counter claims of the influence of narratives, the discussion relates findings to different strands in research that informs the fields of social enterprise and social entrepreneurship and suggests implications for the direction of future research. The little narrative raises implications of unconventional ways of understanding entrepreneurship (Berglund, 2006). Our research has highlighted the interpretive practices of representatives of social organisations and advisors in social enterprise support agencies, which departs from conceptualisations of social enterprise within either the grand and/or counter narratives. We acknowledge this presents a challenge to the direction of future research and call for the conflicting and critical views of practitioners to come to the fore.

Figure 5.
Counter-intuitive perception of good and bad times

Utilising little narratives, our research identifies three inter-woven narrative strands within our themes of organisations in transition and being entrepreneurial: 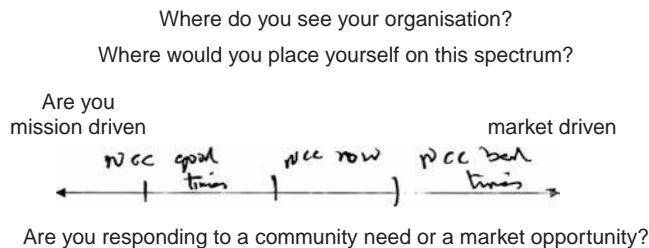identity; the linear model; and the positive aspects of paradox. Stories and drawings provided rich imagery for considering how practitioners (as well as we as researchers) make sense of social enterprise. Practitioners had different views about where they perceived their current situations of social enterprise and the paths of their organisations for surviving. Whilst we began with no preconceptions of the conversations that unfolded, reflected by asking research participants if they could position their organisations upon the linear social enterprise spectrum, the overwhelmingly enthusiasm of participants to pick up the pencil was exciting to us as researchers.

Those in our study said they needed to be entrepreneurs. This is not to say they were not struggling with this identity or way of acting. In this way, data reflected Ellis and Ybema's (2010) findings of shifting entrepreneurial identity. The diverse interpretations of being entrepreneurial expressed by participants differs from Parkinson and Howorth's (2008) and Howorth *et al.*'s (2011) findings that business language and actions are not meaningful at all. Their research identified relationships between mission, philosophy and the macro narrative. In addition to their insights, which we pose as the counter narrative, we add an analysis of the iterative processes in day-to-day concerns of doing business and maintaining multiple-identities and ways of working (the little narrative).

Far ranging and contradictory views of social enterprise were held, which offered an insight to diversity and complexity. These were between organisational representatives and advisors; within the group of participants representing different organisations; and also expressed by participants indicating contradictory notions within their individual stories. Narratives included enthusiasm and acceptance (the grand narrative); that enterprise was the dark side to be avoided where possible, or raided on a smash and grab basis (the counter narrative); to more nuanced views of practice (the little narratives). While it was commonly agreed that everyone must be "entrepreneurial" in these times to survive, our research highlighted significant variation in how practitioners interpret what being entrepreneurial means. Furthermore, our findings do not correspond with research that suggests social enterprises are similar to other types of enterprise (Steinerowski *et al.*, 2008; Krueger *et al.*, 2009).

Identity appeared to offer views of culture, but also uncovered multiple-identities. Unlike Berglund and Wigren (2012), our findings suggest that organisational representatives can at times dress in the "clothes of the entrepreneur" and put on and take off their "entrepreneur" hats for going to market. Like Grenier (2006), we acknowledge that perceived identity is crucial, especially of advisors enacting government policy, as they were influential in accessing resources, shifting the organisational identities (or at least the performance of perceived legitimised entrepreneurial identity) and ways of working within our research. This is not to imply symmetrical power relations. Of course, freedom is always contingent upon unequal power relationships between social organisations and public service advisors and commissioners. But unlike Grimes (2010), we found organisational representatives did not passively accept a singular social enterprise identity but took advantage of ambiguous identities in their dealings with others, including funders, as well as making sense of their actions within the organisation. Hence, we refrain from referring to them all as social entrepreneurs.

Movement and motion were crucial aspects for uncovering the progression of events in the development of the various narrative plots, something which we feel merits further research. The overall pattern was not of linear transition but of incremental movements, which at times appeared counter-intuitive from the grand

narrative. Nevertheless, neither did we uncover substantial evidence of radical pattern breaking behaviour. This finding reflects that of Steyaert and Hjorth (2006), further emphasising the need to understand movement in the study of entrepreneurship and to be mindful that, as researchers, we are "producing" where theorising is taking us. It does not appear that practitioners view social enterprise as a harmonious hybrid between the social and economic; nor, though, did their responses suggest that language and ideas from the business world were undermining social priorities.

The stories (and images) are of social organisations: oscillating between the social and economic; evolving from, whilst retaining aspects of, the traditions of the third sector; anticipating direction towards social goals (seen as being more than organisational missions, and including social values, notions of added value, views of networking practices and change). As such, their stories differ from both the grand and counter narratives. In this way we differ from Alter (2004) and find the social is more than mission related. In reconsidering the underlying issue of a rising tide of commercialisation, we have revisited Dart's (2004) analysis that the social was being pushed aside in social enterprise. Whilst this transition might capture the macro narrative of political agendas taking place at the level of international and national governments, as well as the influence of policies that have funded the sector support agencies and their engagement with the sector through business narratives, it does not reflect the micro-narrative of stories amongst all practitioners in our studies. Whilst this in part corresponds with Parkinson and Howorth's (2008) and Howorth *et al.*'s (2011) findings, the different types of movement identified by participants illustrates how some organisations have negotiated these two stories. One might call this approach a tactical performance in wearing different hats, in other words managing the impression of being enterprising; where the everyday culture, though being split, was still more social. We suggest within this group the meaning of being entrepreneurial also differs from traditional notions.

Our findings suggest transition occurring for existing organisations often over long periods of time, yet, participants repeatedly said that "everything changes yet stays the same". This final insight is by no means the least significant. Indeed, a core theoretical issue underlying the discussions is paradox as a positive feature inherent in social enterprise. This approach is rarely found in extant research although some writers recognise it (e.g. Curtis, 2008; Scott, 2010) and it is entirely consistent with the notion of "little narratives" (Dey and Steyaert, 2010). Conceiving of paradox as a positive aspect of social enterprise by questioning unspoken assumptions might enable the field to move beyond the construct of a linear model in which metaphors of balance are sought by framing social as the polar opposite to economic.

6. Concluding thoughts

In offering critical analysis of the narratives of theory and everyday practice, we think it fundamental to call to attention the contradictions and paradoxes of the term social enterprise. We have sought to investigate aspects of transition to social enterprise through interpretivist interviews with organisational representatives and sector support advisors in the context of government policies that enrol them to become public service providers in a fragmented market environment. The implications from our research point to more than oxymoron in the amalgamation of the term social enterprise (Arthur *et al.*, 2009) but the paradoxical nature in the narratives used in practice.

Using movement, we attempt to open up the narrative to better understand social enterprise practices (and emotions) in the transition of shifting identities, actions and narratives, which are occurring over time. There appear contrasting narratives and

differing paths in transition, not simply a linear journey to commercialisation. Moreover, you cannot get there from here offers an adage that echoes the situation of many social organisations. Exactly where the destination is remains unclear, but what we have opened up in this paper is space for the discussion of where participants see their organisations, that may offer a new starting point to build upon and examine the routes and destinations.

Much of the context of social enterprise in the UK, especially in England, lies within the delivery of public services, together with recent emphasis of the coalition government upon austerity through cuts to public sector funding. Faced with uncertainty and a threat to traditional ways, entrepreneurship comes to the fore. This area of research therefore is timely for exploring further within the nations of the UK, and also in other national contexts in the light of growing importance attached to social organisations in public services as an international phenomenon (Lyon and Glucksmann, 2008; Pestoff and Brandsen, 2010).

Our research provides evidence to support "narrations of the social" (Dey and Steyaert, 2010). We identify that despite the enactment of the grand narrative in the advice and support from advisors to those in transition, the organisational representatives in our study acted differently to conventional entrepreneurship. But, they also spoke and acted differently from what is presented as the counter narrative. We have also illustrated the potential for applying a repertoire of participant generated visual data. Evidence from these processes emphasises that social enterprise cannot be told as a single story but as a set of little narratives showing ambiguities, contradictions and paradox. This has been a particularly important aspect of the research.

We see the findings of our research relevant for policy and practice, as the nature of transition is key to envisaging and devising contextually appropriate support infrastructure. To assume there is but one way to develop social enterprise is to limit what is possible by recognising ambiguity and paradox (as posited by Steyaert and Hjorth, 2006). This research will, we hope, provoke debate and argument about how socially entrepreneurial activities are perceived, negotiated and managed in the turbulent environment of public service delivery. In particular, it demonstrates how some types of business-like identity and practice are enacted and others are challenged by social organisations in transition, where the adage you can't get there from here resonates with not only their starting point and current situation but also the imagined future journey of identity and ways of working. As we learnt from practice, there and here are more complex places than the literature suggests.

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Where social enterprise practitioners draw the line : Towards an understanding of
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Where social enterprise practitioners draw the line

Towards an understanding of movement from social entrepreneurship as boundary work

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Abstract

Purpose – The purpose of this paper is to offer new reflection upon the contested interaction of social enterprises with the public sector. It does this by fore fronting the notions of boundaries, boundary work and boundary objects.

Design/methodology/approach – The paper reports qualitative research with social enterprise practitioners (from social enterprises and support agencies) in the north of England. Accounts elicited through interviews are combined with visual data in the form of pencil drawings made by practitioners when the authors invited them to respond to and rework diagrammatic models from the literature about the social and economic dimensions of social enterprise.

Findings – Participants explained in words and images how normative images of social enterprise depicting linear and static boundaries inadequately represent the complexity of ideas and interactions in their world. Rather, they perceived an iterative process of crossing and re-crossing boundaries, with identities and practices which appeared to shift over time in relation to different priorities.

Research limitations/implications – Through participant generated visual data in which social enterprise practitioners literally redrew models from the literature, the paper open space to show movement, transgression and change.

Originality/value – This paper is timely as social enterprises are becoming increasingly prominent in the welfare mix. The authors make novel use of conversations and drawings in order to better understand the dynamic and everyday practices of social enterprise within public services. In doing this, the authors also potentially contribute to richer methodological resources for researching the movement of services between sectors.

Keywords Boundary objects, Social enterprise, Transgression, Boundary work, Public services, Visual data

Paper type Research paper

Introduction: social and political

The modernisation of public services has become increasingly associated with new contractual arrangements in which charities, community groups and social enterprises have been energetically encouraged to compete for public contracts (Pestoff and Brandsen, 2010; Davies, 2011). This international phenomenon reflects a crisis in welfare systems and reduced state engagement in the direct delivery of public services (Defourny and Nyssens, 2006; Hogg and Baines, 2011). As Russell and Scott (2007, p. 28)

found, experiences of social enterprise were of "continuous change and unpredictability" arising from numerous interactions with public sector and government. While recent research contributes empirical accounts of the operations of third-sector organisations (Greenhalgh and Harradine, 2012), we include differing practitioner views of social entrepreneurship, crossing boundaries of third and public sectors, as we believe these interactions cannot be understood from one perspective.

This study contributes to an understanding at a historical point of these interactions between the third and public sectors, which have received increased attention over the past decade. The historic aspects of government policy (especially under New Labour) are significant, because they are associated with imperatives for the transformation of third-sector social organisations – facing new demands and opportunities – into social enterprises. Within the UK, social enterprise has grown in response to changes and challenges to grant funding combined with the third sector being encouraged to deliver statutory service provision (Kerlin, 2006). This study also addresses how boundary objects and notions of boundary work and transgression – as opposed to government reconfiguration of sectoral boundaries or service provision – can be used to understand how practitioners made sense of their positions within this process. Dey and Steyaert (2012) note practitioners' views are fundamental to understanding practice and refining theory; yet, barely researched. We represent and analyse how practitioners made sense of and attempted to present the complexity of their "everydayness" (Steyaert and Landstrom, 2011) through showing us in visual formats how they grappled with change in terms of policy, and how understandings and interactions were negotiated.

We introduce conceptual notions of boundary work and transgression, after which we position social entrepreneurship in relation to policy narratives and academic models. This is followed by our empirical research design and our rationale for using a combination of visual and narrative methods, particularly the use of models depicting boundaries within social entrepreneurship. We then draw on fieldwork to discuss a series of visual images in which practitioners literally draw lines showing the act of crossing and re-crossing boundaries. Finally, we identify limitations and possible areas of further research.

Social entrepreneurship as boundary work

Boundary work refers to everyday ways in which people construct narratives to negotiate social, organisational and commercial boundaries (Greenman, 2011). Lindgren and Packendorff (2006, p. 224) propose that boundary work means participants constantly re-draw the parameters as they exchange ideas and values, implying "re-creation and change of world(s) they inhabit – including how they see themselves". Informed by the European approach to critical narrative analysis in enterprise studies (Down, 2013), we recognise that there are "multiple social identities and boundaries" that "give meaning to entrepreneurial activities" (Greenman, 2011, p. 118). Jones *et al.* (2008) show similar thinking of how people draw lines between groups of "us" and "them".

Multiple boundaries identified in the social entrepreneurship literature distinguish between:

(1) "purely philanthropy" and "purely commercial", presented in discussions of linear transitions and metaphors of balance (Dees, 1998; Dees and Anderson, 2006);

(2)   social and economic (Emerson and Bonini, 2003; Sanders and McClellan, 2014), reflecting the ideological nature of the narrative (Steyaert and Hjorth, 2003); and

(3)   "blurring" in long-standing boundaries between private, public and third sectors (Pharoah *et al.*, 2004; Nicholls, 2006), referring to movement of services across sectoral boundaries (Alcock, 2010; Davies, 2011; Teasdale *et al.*, 2012).

While development of the notion of boundary work has previously drawn on either evolutionary models (Star and Griesemer, 1989) or Actor-Network-Theory (Latour, 2005), we query some of these assumptions of boundaries, turning to boundary crossing and links to transgressiveness by:

> […] action which involves the limit, that narrow zone of a line where it displays the flash of its passage […] it is likely that transgression has its entire space in the line it crosses (Foucault, 1977, pp. 33-34).

What Foucault emphasises is the relationship between crossing over a limit and transgression. Thus, social enterprise might be conceived more in these spaces of "lightening flashes" – crossing and re-crossing a boundary – than existing within the static overlaps of different sectors (see Figure 2). By extension, it can be argued that there is no return to previous clear positions of values and identities of those within the third sector and those, on the other side of the line, in the public sector. What trangressiveness might also offer is a means of replacing notions of a smooth linear transition (Dees, 1998; Dees and Anderson, 2006) or the opposite, of constant change, movement and contradiction (Foucault, 1977; Dey and Steyaert, 2012). Additionally, it might offer an alternative way of conceiving processes rather than the predominate metaphor of balance perpetuated in the literature (Emerson and Bonini, 2003; Dees and Anderson, 2006; Perrini, 2006). Foucault (1977, p. 39) finds ideas might be seen as "located in movement of various" narratives. As Dey and Steyaert (2012, p. 104) highlight, Foucault's notion of transgression offers a means for considering existing relations of power and "a shift from the metaphor of resistance as opposition (e.g. defence, guarding protecting), to one which highlights movement (e.g. traversing, crossing, permeating)".

Boundary work is linked to the notion of boundary objects. According to Star and Griesemer (1989), a boundary object "sits in the middle" of a group of actors with divergent viewpoints. Thus, boundary objects are meaningful across various communities, yet can accommodate dissent between them (Bowker and Star, 1999). They can be in the form of words, stories, scenarios, artefacts (Law, 1999; Latour, 2005) or – as discussed below – academic models.

The picture so far: social entrepreneurship in terms of policy

We consider social entrepreneurship against the background of how the third sector in England was subject to various political interventions during the New Labour era. In 2006, New Labour created an office for the third sector, and established funded support programmes for social organisations to improve their readiness to deliver public services, emphasising business solutions (Russell and Scott, 2007). In targeting third-sector organisations as delivery partners, programmes were initiated to develop the third sector and to promote social enterprise.

Whilst distinguishing social enterprise from mainstream business, and from traditional third-sector activities, government narratives of social enterprise focused

upon a transition into mainstream public sector. These reflected strong normative assumptions equating entrepreneurialism with efficiency and reliability, and fitting the public service modernisation agenda, including co-production between the public and third sectors (Pestoff and Brandsen, 2010). This view features in both government documents (DTI, 2002; HM Treasury, 2002; OTS, 2007) and academic literature (Dees *et al.*, 2001; Defourny and Nyssens, 2006). However, while noting that the sector is not "forced to take contracts", organisations were urged to understand the relationships and implications of entering into contractual agreements with statutory providers (Home Office, 2008).

While policies emphasise the expectations and assumptions regarding different sectors' roles (Amin, 2009), debates about relations between sectors have been "energetic and vehement" (Baines *et al.*, 2008). For example, some commentators (e.g. Leadbeater, 2007) argue that government policy mainstreaming social enterprise can positively affect the other sectors. More commonly this perspective views social entrepreneurship as:

[…] a way to make nonprofits more market-driven, client driven, and self-sufficient – in other words, as commercialized non-profits (Perrini, 2006, p. 60).

Alternatively, critics claim the "mainstream approach" did not address concerns of those seeking alternative solutions to traditional market forces (Amin *et al.*, 2002; Eikenberry and Kluver, 2004); here, in dealing with the "business world":

[…] some care therefore needs to be taken as to what extent social entrepreneurship offers an alternative to existing forms of social change, or to what extent it is simply the extension and intrusion of "business" into the "social" and political arenas (Grenier, 2006, pp. 137-138).

The imagery of a social enterprise continuum (Figure 1) is invoked in discussing transitions from one state (social organisation) towards another perceived as more desirable (social enterprise). We note that in modifications to Dees' (1998) framework, Dees and Anderson (2006) replaced working towards "mixed motives" with the phrase "balance of mission and market driven".

Figure 1 has achieved mainstream acceptance (Peattie and Morley, 2008, p. 54), although the model has also been implicitly accepted in counter-arguments advocating resistance to such transformation, characterising such movement as damaging to social organisations' missions, values and distinctiveness.

		Purely Philanthropic ←———————————→		Purely Commercial
Motives, methods and goals		Appeal to goodwill Mission driven Social value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Key stake-holders	Beneficiaries	Pay nothing	Subsidized rates, or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donations and grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts, or mix of in-kind full-price donations	Market-rate prices

Figure 1.
Social enterprise spectrum showing boundaries

Source: Adapted from Dees (1998)

Figure 2 depicts a cross-sectoral model, with clear boundaries commonly drawn between sectors. It has been used to clarify trading areas and to indicate the origins, ethos and characteristics of evolving organisations (Pharoah *et al.*, 2004; Nicholls, 2006). While theorists commonly depict solid lines for boundaries, thus implying clear and static locations and omitting "tensions fields" (Evers and Laville, 2004), this model locates social enterprise/entrepreneurship at the overlaps.

New Labour rhetoric influenced how social enterprise is conceived, and is reflected in academic models. While their emphases differ, Figures 1 and 2 deploy the imagery of boundaries to delineate assimilating and balancing, or of resisting a new type of identity, activity and values or of sectoral positioning. Moreover, each offers representations of boundaries in diagrammatic form, with lines or circles. We believe these diagrams can work as useful tools in negotiating these boundaries, in other words doing "boundary work".

Approach to research and methodology

The research sought to utilise the notion of boundary work, particularly the process, to better understand how practitioners negotiate social entrepreneurship. In considering the process of transition, Johnson *et al.* (2006, p. 135) argue social entrepreneurship researchers "have to begin by understanding the ways in which people, through social interaction, actively constitute and reconstitute the culturally derived meanings, which they deploy to interpret their experiences and organize social action". However, Brown *et al.* (2008, p. 1038) claim "realities are fluid […] constructions being constantly made and re-made in the conversations between insiders and between insiders and outsiders". Yet, they found in most interpretive accounts a single, homogenised account is voiced.

In line with these views, our analysis adopts a narrative approach. Figure 3 illustrates our construction using a "practice lens" to explore how participants in existing organisations and agencies interact with the notion of social enterprise.

Ely *et al.* (1997) found drawings capture meaning used by representatives of organisations and provided valuable insights into issues interviewees were attempting to interpret and resolve. Stiles (2004, p. 127) proposed that the approach holds value stating "images can be as valuable as words or numbers in exploring organizational

Sources: Adapted from Pharoah *et al*. (2004) and Leadbeater (1997)
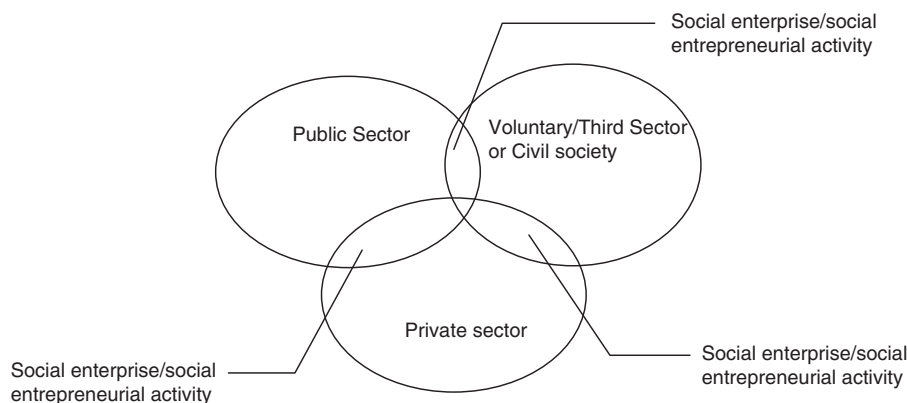
Figure 2.
A view of social
enterprise boundaries

Figure 3.
Construct of how
and where participants
draw the line
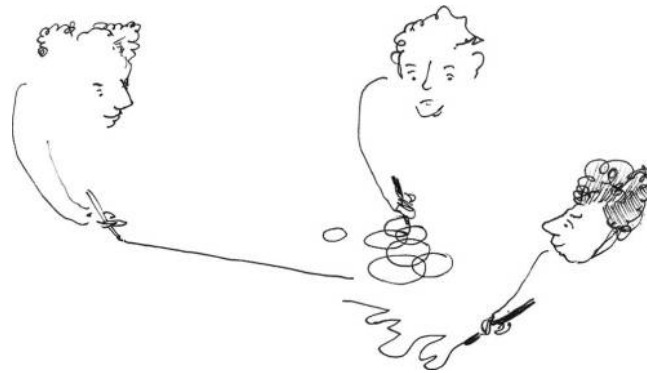
Source: With thanks to Thom Walker aka Tom War

constructs". However, value is not neutral, as Dunford and Jones (2000, p. 1209) found, "the nature of narrative as something that is intended to persuade others towards certain understandings and actions". Our research queries the a priori models and focuses upon how practitioners draw the "movement" in working between boundaries.

The fieldwork included interviews with 43 participants (22 paid workers representing third-sector organisations; 21 paid workers representing support agencies). Both support workers and practitioners in organisations were included, reflecting Gilchrist's (2000, p. 271) view that a "hidden part of advisors' roles were as interpreters, especially at times of misunderstanding or conflict, and that they are important in enabling others to communicate effectively and work together. Interviews lasting approximately 1.5 hours were taped and transcribed in full, and participants' drawings were scanned. Early parts of the interviews were exploratory and during the later stages participants were shown adaptations of Figures 1 and 2.

Data analysis: models as boundary objects

Analysis utilising a narrative approach perspective offered a means of considering the tensions between the narrative logics, in this instance between the dominant positivist logic of entrepreneurship, as in the review of the literature, and that of narrative logic perspective (framed as a minor narrative). First, it examines prevailing ways of talking about social enterprise in public policy and much of the academic literature; and second, it queries what happens in everyday practice so as not to privilege government and academic narratives.

Boundary objects may be used to conceive how differing groups in need of "negotiations of meaning" (Hermanrud and Eide, 2011, p. 4) respond. This reflects the change from thinking of these as objects to processes and as such "address flexibility and process rather than something static and fixed" (Hermanrud and Eide, 2011, p. 5). We add to this the notion of space. Arthur *et al.* (2009) talk of creating "alternative social spaces" – akin to Williams' (2002) "spaces of hope" – which differ from mainstream service provision and may influence the way mainstream services are delivered. Thus, we introduce the notion of space within our discussion of boundary work as one where participants make choices (emphasising the importance of human agency), as well as patterns of political transformation and social actions. These views have implications for how the concept is conceived in policy and practice and the consequences of how

practitioners position themselves in spaces they have also enacted. These are neither objective spaces, nor are they entirely socially constructed; rather it is the symbolic construction of space that is of interest (Massey, 2005; Soja, 2000). Thus as researchers, we seek to highlight that interpretation changes over time and has an impact upon the process of transition. We ask what if there are less clear signs than outright refusal and failure (Curtis, 2008) or positive signs of hope (Williams, 2002)?

Participants were invited to consider if they had previously seen or used the models. They were then invited to draw upon the model to represent their experiences, and then to interpret their drawings. This added a layer of "co-production" in the research process by enabling participants to mark and annotate the model, and even to cross out and redraw (Prosser and Loxley, 2008). In keeping with other interpretative data analysis, and in attempts to reconsider key issues presented in the original interviews, we moved iteratively between reading and re-reading transcripts, and comparing visual data. This drew us to return to theorising, this time of boundary work and transgressiveness. By undertaking this approach, where interactions and different views are sought, insights into everyday practices, which might be "hidden or at least unnoticed" (Pink, 2012, p. 12), were drawn.

Insights: perspectives of crossing and re-crossing boundaries

We consider in turn how participants negotiated boundaries around notions of: first, movement and evolved transitions, and – linked to this – (re)presentations of identity and identification; and second, perceptions of opportunity.

Reconstructing notions of movement and evolved transitions
Informed by comments to Dees' linear model and in answer to the specific question, "How are you making sense of this moving from grants to contracts?", some participants from social organisations referred to a "new environment". Three of them described specific events where decisions were taken to become social enterprises and the term "passage point" was used to describe what they had experienced as an organisation. One commented that the organisation "will never be there again", in reference to the same position in the process when developing new projects and relationships with resource providers. Others, in contrast, repeatedly expressed situations as being "the same", or that "nothing has changed". A few specifically stated there had been no "paradigm shift". This suggests that they did not typically perceive transforming into social enterprise as a "decision-making event", but rather as "on-going actions" in response to long-term change. These participants' stories and drawings were of a process of iterative movements and evolved transitions.

Two participants representing their organisation drew Figure 4. Rather than interact with the spectrum models, they drew instead their own continuum. They subtly changed the ends of their sketch from the diagram presented to them and drew a (£) to replace
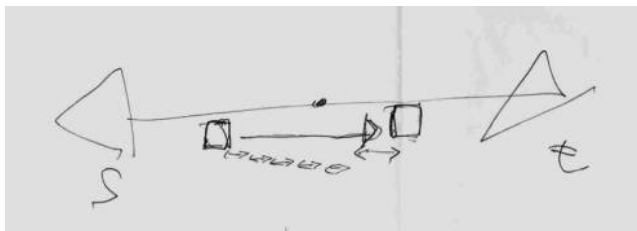

Figure 4.
Drawing depicting
incremental change

"market driven" and a (s) social for "mission driven" at the poles. One drew the large arrow in the middle pointing towards the £, which he stated was used to symbolise more financial security rather than profit. The other then said it was not as "straightforward" a process, drawing the series of smaller arrows underneath. They concurred in discussion that this better represented the process, experienced as a series of backward and forward movements between their goals. These show that they had moved beyond the mid-point on the spectrum (as denoted by the box nearer the £) in order to become more financially secure; however, they are seeking to move back towards the social end. This drawing illustrated that a smooth linear movement towards the economic end did not reflect their everyday practices, and also that the ends of the spectrum – although seemingly similar in meaning – were nonetheless different from those of the academic model. Moreover, the overall impression from organisational participants was that mainstream support was "one-dimensional" in focusing upon funding, supporting Schwabenland's (2006, p. 107) assertion that "social entrepreneurship is increasingly defined primarily in terms of diversifying the funding base [...] not demonstrating new ideas or models".

How participants conceived the boundaries of identity and identification links to the depiction of normative models. When shown the cross-sectoral model, organisational representatives emphasised that their social enterprise activity was positioned within the overlap between the public and third sectors. However, there was a view that general socially entrepreneurial activity was located between the private and public sectors. Yet none drew a single location and instead drew arrows to depict movement and flux. Reflecting upon when they first heard the term social enterprise, no organisational representatives felt it had been first introduced within the boundaries of their own organisations. This is not to suggest they were passive in accepting the new identity, or that they were in any way a "victim" of those promoting social enterprise within public policy.

Advisors appeared to influence identity, seemingly assuming that a social enterprise identity would be adopted. One noted:

> [...] people need to critically work out what the different meanings are of social enterprise and where they will take you.

Advisors marked social enterprise at the interstices of where all three sectors overlap, some putting particular emphasis on the overlaps shared with the private sector and describing these as an "untapped area" into which they sought to move. One – supporting social enterprise activity in the third sector – felt the organisations he supported needed to show they would eventually become "viable" by becoming part of a mainstream service. Many advisors found the linear models problematic for making sense of their every day experiences. One said that instead of a "thin line", the continuum needed to have "a big smudgy broad messy line" to represent the diversity of organisations and projects. Another commented:

> The line implies you're more of one and less of the other. There is not enough depth – it doesn't say enough. It is a long line: it is like you either go one way along the line, or you go back along the line. You don't ever fit in a place.

This idea of fitting in a place is of note. It also shows that some practitioners delivering social enterprise support under government policies also grappled with how social enterprise is portrayed by government rhetoric and academic models.

Some participants refused to place a mark upon the line. Two advisors – asserting that the spectrum was not useful for considering social enterprise development – claimed

the two ends should not be positioned on one continuum; they indicated that charities are mission-driven and those that are market-driven are social enterprises. Their view appears to better fit that of government rhetoric.

Re-constructing perceptions of opportunity
We now consider how participants applied the cross-sectoral models to their collaborative working across sectors. Advisors appeared to hold two givens:

(1) social missions are linked to opportunity recognition; and

(2) third-sector organisations are generally considered "risk averse", due to the lack of trustees' business experience and "proactive governance".

Some described a problem from the overlapping nature of the sectors. One said in "trying to build partnerships" with social organisations there was a need for "clear water" between what each was attempting to do, implying she sought limits and the crossing between boundaries was problematic.

Utilising the cross-sectoral model as a boundary object with organisational participants offered different views of opportunities. A few emphasised movement across the overlap of private and third sectors, as illustrated by Figure 5, produced by two participants contracted to provide social services for statutory providers. They drew their organisation firmly in the Vol. (voluntary sector), and saw the future of social enterprise – drawn as dots into the private sector – in developing a separate training project.

More commonly opportunities were perceived in relation to the public sector and service delivery. Nevertheless, a common question was "Is it an opportunity?" or "How much is it gonna cost us?", with several participants describing experiences of being
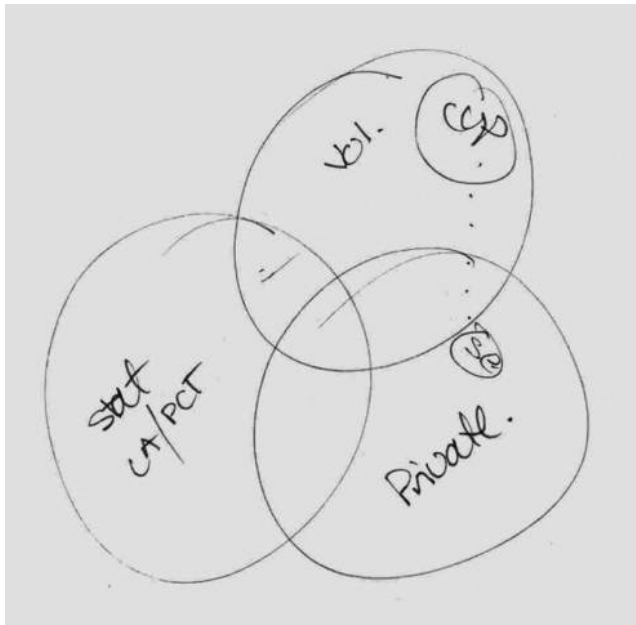
Figure 5.
Viewing a social
enterprise opportunity

pressured into "providing things on the cheap" for statutory providers. An advisor also identified two pragmatic risks to organisations:

(1) investing time developing projects that may get nowhere in delivering public sector services; and

(2) cashflow problems, even if projects come to fruition.

He cited public sector funding streams paying quarterly to organisations left unable to pay monthly bills, which then go "into the red"; however, advice about such risks is not offered to organisations, with learning left instead to hindsight from the experiences of mistakes.

Organisational participants commented that key factors were the statutory services' norms and reluctance to make procurement procedures transparent. They claimed the onus appeared to be placed upon organisations to compromise, which one organisational participant accepted:

[…] it's ok, it's a game, and to play it you have to know the rules. And you have to be able to bend the rules a bit.

This does not suggest illegal activities but rather transgression and learning the rules in order to make them work for their organisations. As such they are engaging in adaptive ways of working and key aspects of being entrepreneurial – although not changing rules. However, they also understood the need to know and to play by the rules in order to gain legitimacy and contractual agreements with public sector agencies.

Ability to secure contracts was perceived to rest upon reputation (e.g. being seen as "a safe pair of hands"). Participants from two organisations highlighted risk in voicing problems to third parties – alluding to the perception "outside" that social enterprise equals success and other positive connotations, whereas voluntary and social equates to negative connotations, old fashioned and out of touch. One commented they could not tell a support agency that they were struggling, for fear that essential funding would be withdrawn. Another said that admitting there were problems would adversely affect their chances of securing future contracts.

Organisational participants also voiced concern over potential competitors within the local third sector "going bust"; none wanted their organisation to survive at another's expense. At the same time, large private sector businesses were perceived by all participants as a threat, especially when tendering against small social organisations. This threat – drawn by an advisor (Figure 6) – depicts big business changing the boundaries between sectors and encroaching upon areas of service delivery.

The advisor initially made small dots to show the diversity of activities within the voluntary and community sector, and highlighted the common ground and overlaps between the public (annotated as statutory services provided by local authorities) and voluntary and community sector, which she identified as "maybe" the location of social enterprise. However, her next marks were assertive and she amended the boundaries of the private sector to emphasise her reality of the changing environment. Similar to organisational participants, she described a "huge threat" (symbolised by arrows) as coming from this area and articulated a need to "defend" against the private sector taking contracts that she felt would be better delivered by the third sector. The picture is particularly telling in that – although tensions exist between third and public sectors – there appears a feeling of commonality in developing social enterprising solutions, to keep "them" (the private sector) at bay.
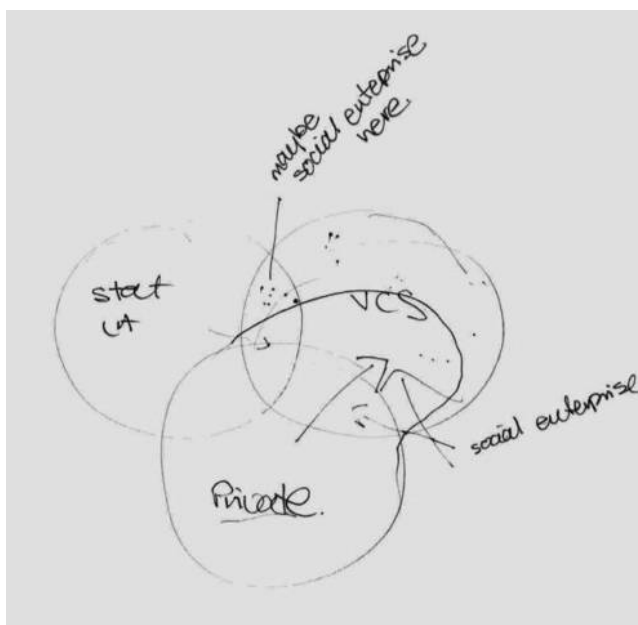
Figure 6.
Social enterprise as a
private sector threat

Concluding thoughts: limits and promises of boundary work

This paper describes ways in which participants engage in social enterprise, specifically how they make sense of their positions and negotiate space and meanings. Previous studies have demonstrated that how organisations are perceived by infrastructure agencies affects both their access to resources and the "boundaries" and "priorities" for the field (Grenier, 2006); and that working at inter-sectoral boundaries highlights the need for social enterprises to be adaptable to changing social, political and economic climate (Alcock and Scott, 2007). Some theorists utilising cross-sectoral models, however, position social enterprise within a static location, within solid boundaries, thus neglecting movement.

Utilising transgression we found no one view, no clearly delineated lines of boundaries. As for reconstructing notions of movement there appeared no smooth linear transition to social enterprise, and the linear model proved problematic as it misses the messiness of everyday practice. Nor did the linear spectrum facilitate participants to separate ideas of "efficiency" and the "modernisation agenda" from diminishing grant resources. As one participant commented these ideas were "conflated" yet "complex", perhaps mirroring Kerlins' (2006) view that the development of the social enterprise sector is influenced by changes in grant funding and the development of effective service provision by the third sector. Indeed this response to a funding crisis was happening at the same time as the drive by some practitioners for modernisation and improved efficiency of the third sector.

Notably, the frameworks did not enable other types of transgression to be readily discussed. Only when handling the pencils did participants redraw the models, adding different views of social enterprise transformations. Hence, an iterative process of crossing and re-crossing boundaries with identities and practices became apparent, shifting over time in relation to different priorities. Thus in part reflecting a key insight

drawing upon Pestoff's (1998) account of tensions in inter-sectoral boundaries. However, these problems were not something to be expressed in public as this might adversely affect access to support. This finding highlights the power structures in these relationships. By looking at everyday practices we can begin to see how some aspects of identity and identification were adopted to gain a type of legitimacy with public sector agencies, whilst others were negotiated or minimally adhered to in the relationships with public sector.

Cross-sectoral models offered spaces to discuss issues reconstructing perceptions of opportunity beyond static organisational boundaries, particularly interactions, and supported notions of co-created opportunities. Utilising drawings helped to uncover hidden areas of opportunity (and risk), such as private conversations of problems not stated in public. That opportunities are primarily perceived between the public and third sectors was unsurprising within the context of this study. Whilst the state has undoubtedly influenced social enterprise, participants' interactions with the cross-sectoral model suggested more than a static view locating themselves within the limit of a boundary between the sectors. We highlight the negotiations between participants and attempt to open space to show movement in how practices are changing, which crosses the boundaries an imposed static framework of the data would not offer.

We propose three ways for research to negotiate boundaries and offer different ways to frame social enterprise. First, engage playfully with narrative approaches, "handing the pencil" to participants to make images that complement their stories and reflect upon assumptions. Second, we suggest transgressiveness and boundary work as complementary notions, offering a means of seeing empirical data as more than merely constant movement and/or contradictions. However, whilst practitioners comfortably spoke of co-creating opportunities with the public sector/threats from the private sector, we noted that they utilised the models to illustrate flux, fluidity and movement. However, choosing such models of sectors possibly overly imposed a symbolic space where only certain movement can be conceived. We think that radical change and what is meant by social enterprise, as a movement, warrants further investigation.

By valuing the views of practitioners undertaking boundary work, we seek new perspectives, though we do not suggest that government narratives are less true than those small stories of practitioners. Although presenting the visual materials as boundary objects, we recognise the possibility that social enterprise may not be a central concern of contemporary practitioners. We also acknowledge that boundary objects are not solely positive, or even a value-neutral tool; the use of a boundary object to advantage one view over another – or enhance individual status – holds power implications as the objects can also act to enhance or constrain shared understanding. Given that transformation and power relations are implicit, we are interested in the view that neither theories of resistance nor normative models are subtle enough to capture everyday practices and instead these dichotomies are being perceived as "increasingly irrelevant" (Pink, 2012, p. 4).

In concluding, debate appears to set up two opposing boundaries – those staying within the mainstream vs those seen as resistant or troublesome by seeking alternative solutions (Curtis, 2008; Hudson, 2009). However, practitioner drawings suggest both of these views might be misleading. Instead of a binary view between these spaces, practitioners did not see government policy advocating the notion of enterprise as positive and to be embraced, or as enterprise as negative and to be resisted at all costs. Our work illustrates tensions interrelated to boundary work and how social enterprise is taken up by practitioners. We acknowledge that the research was undertaken when

New Labour was attempting to mainstream social enterprise and the third sector. The political landscape has clearly changed since then, most notably emphasis on fiscal austerity following the recession. Yet despite differences of rhetoric and language (e.g. the Coalition renamed the Third Sector as Civil Society), there has also been remarkable continuity with regard to the roles and responsibilities allocated to the third sector.

To limit critique to these aspects severely limits the development of the field. We argue the need for more attention to the iterative processes of social entrepreneurship in pubic service delivery. We hope our work has emphasised the value of drawing upon boundary work, and participants' drawings, to begin to think of different ways of conceiving social entrepreneurship. By focusing upon the dominant policy portrayal of social enterprise between public and third sectors, we question if this does "satisfy the information requirements of each of them" (Star and Griesemer, 1989, p. 393). We call for yet further questioning of assumptions, and for renewed efforts to facilitate alternative understandings of how social enterprise is interpreted and enacted in everyday thinking, identities, practices and power relations. Our study supports Dey and Steyaert's (2012) call to transgress political narratives of government authorities, politicians and think-tanks, and to create critical space where the "unexpected can take flight". Relinquishing our assumptions and power, by giving participants pencils, we stimulated responses that were at times unexpected and unlike the smooth linear transition played out in government policy and the literature. We hope our research encourages further thinking beyond building and maintaining boundaries, and that the narratives of practitioners' movements might offer glimpses to change how we conceive practice, policy and theory.

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5. Conclusion

Having presented each publication, and having highlighted their individual contributions to knowledge, I now draw together specific points in terms of the operationalisation and theorisation of social enterprise in order to bring my findings together and conclude. In doing so, I reflect on the journey and the contemplation that has fleshed out some new ideas. These new ideas culminate in a new theoretical model for understanding social enterprise that situates my current thinking.

Firstly, Figure 10 highlights the focus and contributions to knowledge from each publication. There are several themes that transcend each of the publications, as shown by the symbols (each symbol represents a different theme).

No	Focus (O=operational, C=conceptualisation)	Contributions to Knowledge
1	(O) Investigate business practices, challenges for operationalising a social enterprise business model	cultural transition, ▲ barriers to growth, ■ financial uncertainty and sustainability,■ below full cost recovery, ■ acknowledge the need to prove their impact - yet unaffordable, under skilled to ◉ undertake social accounting.
2	(O) Investigate business practices through development and pilot of Balance diagnostic tool	see themselves as entrepreneurial, ▲ low level engagement with proving social value, ◉ some enterprises more social than others,▲
3	(O) Growth and development through life cycle analysis	Passionate individuals working on limited resources, long hours, ■ relentless pursuit for financial sustainability,■ skills shortages to prove social value, ◉ internal structure changing from an customer focus to an internal focus for impact reporting - potentially leading to over-bureaucracy of the firm - towards organisational death▲◉
4	(C) Question where 'social' is in social enterprise	Problematising the social, marketisation, commodification, incorporation and definition ▲★
5	(C) Concept of ethical capital	Defining social enterprise through ethical capital lens, levels 4 and 5 added to Tsukamoto's model, differentiating social enterprise from CSR and charity, ★
6	(C) Defining social enterprise	Definitional debate EU, US and UK, linear models, cross-sectoral models, ★
7	(O, C) Investigating definition	cross-sectoral models, visual drawings, ★ the rising tide analogy rejected, tidal movement, ▲ entrepreneurial in negotiating identity, transition, ▲ social enterprise discussed as a negative ideology - as too business-like ▲
8	(O, C) Investigating definition	transition,▲ culture change, ▲ identity tensions between mission and market, legitimacy,▲
Key: ▲ Triangle - change, transition and entrepreneurship ■ Square - financial sustainability and growth ◉ Circle - social performance and management ★ Star - conceptual theorising		

Figure 10: The eight publications within this thesis focus and contributions to knowledge

The Operationalisation of social enterprise

Change, transition and entrepreneurship

The triangle symbol in Figure 10 highlights that many of the organisations interviewed saw themselves as in a state of change, a transition from one kind of organisational culture into another, or in a perpetual state of change. Dees (1998) suggests social enterprises are the result of a transition blending two orientations into one (see Figure 1). Likewise, Defourny (2001) suggests the convergence of NGOs and co-operatives are creating social enterprises (see figure 2). In terms of the research in this thesis, with the social enterprise concept in its infancy, it is no surprise that many social enterprises were self-identified, or observed by the researchers as organisations in transition. This transition phase was observed early on in the research, for example from publications 1, 2 and 3 interviewees spoke of a more competitive marketplace as a recent occurrence, which they were responding to by developing greater awareness of the need to 'sell themselves' to their different audiences. Part of this greater awareness was in their own identity as having to prove and promote their value and of a growing need to generate trading income. Certainly the resistance to marketisation was observed as well as challenged in the practicality of blended value in meeting both economic and social missions - in terms of both the level of trading and embracing an entrepreneurial culture. Some organisations in this research highlighted a resistance to the development of social enterprise being about innovation and new ways of behaving day-to-day. In some instances practitioners' intentions towards more business-like behaviours, such as quantifying outputs in relation to income, masked the subtlety that this was a strategy to achieve 'social' goals. The DTI, in their strategies for the development of social enterprise, *"Social enterprise: A strategy for success"* (2002) and *"Social enterprise action plan: Scaling new heights"* (OTS 2006) documentation pronounced that social enterprises need to be aware of both mission and money, and that they should see themselves as businesses, seeking to become more professional and continuously raise their standards. This drive to promote an enterprise focus in the sector is contestable. Borzaga and Solari (2001) talk of the dangers of the increased emphasis on operational efficiencies, as opposed to

advocacy - as seen in publication 3. Publications 7 and 8 argue that the situation is more complex and that social enterprises are reluctant to lose their identity by becoming businesses in the way that the Social Enterprise Strategies (DTI 2002, OTS 2006) suggests. In some instances practitioners described small steps towards more business-like practices, yet others explained it as more of a tidal movement or of wearing two hats and having a double identity, one on show to funders and one which is their reality. For those in opposition to an enterprise culture *per se*, resistance takes the form of protecting identities, values, mission and their particular organisational framework.

Financial sustainability and growth

The square symbol in Figure 10 highlights that many of the organisations raised concerns over financial sustainability and growth. The DTI, in their *"Social enterprise: A strategy for success"* (2002) acknowledges the sector needs support to close the gap between finance opportunities (investment and loan finance) and take up. Haugh (2005) suggests we need research that explores the financial mix and structures and the impacts on social enterprises from different approaches to income generation. Dees (1998) in his spectrum outlines (non-profit, charity and voluntary type) social enterprises financed by below market rate capital or a mix of donations and market rate capital.

In terms of my findings, publications 1 and 3 acknowledge income was a significant issue for many social enterprises. This is nothing new in itself, previously indicated by Smallbone, *et al* (2001). However, what I observed was different to Dees. Unpacking what Dees refers to as the 'mixed motive' and the blend of both gift and trading income would appear to rely on the existence of <u>both</u> sources of funding for an organisation to achieve financial sustainability. In practice, a common acknowledgement from the organisations I interviewed was that there was no blend of both income sources. The funding landscape for these types of social enterprise was that <u>one</u> (trading) income source was <u>replacing</u> the other (grant), which is not what Dees' 'mixed motive' implies. The result of this situation is that below market rate capital is less likely to be underwritten with grant/donation income - therefore leaving

many organisations operating at close to breakeven or reliant on volunteers to remain sustainable.

Furthermore, many of the organisations I interviewed were of a delivery mindset, with survival their goal and service user needs their long-term outlook. Entrepreneurialism was evident in how they navigated survival routes through a changing financial landscape, not necessarily radically reforming or reshaping society. Throughout my empirical research neither loan finance, equity investment nor investment capital were mentioned. My findings reveal the struggles of organisations to survive let alone thrive. As these conclusions suggest, trading income, financial sustainability and indeed solvency were key challenges that are under-represented in contributions to theory. As Haugh (2012) suggests, explicit research on the finance mix of social enterprises is currently lacking in the field, which would shed further light on any contribution to theory.

Social performance management

The circle symbol in Figure 10 highlights that many of the organisations were struggling with proving their social impact. The DTI *"Social enterprise: A strategy for success"* (2002) acknowledges policy makers having a role to play in recognising the value of social enterprise. However, Haugh (2005) points out that in order for social enterprises to be appreciated for their work they need to measure their performance and prove their social impact. Indeed at the time of the research local authorities were beginning to push the Social Return on Investment (SROI) tool as a reporting requirement of contracts (Flockhart 2005). The how, what, and when, as well as resource issues have been common critiques of impact measurement, supported in my empirical publications. The size of many social enterprises and the resources at hand to measure social impact are a barrier when measurement is a complex, expensive and time-consuming activity. This is acknowledged by Gordon (2009), who costs SROI as a £12-15,000 exercise and Social Accounting and Auditing (SAA) as a £4,000 exercise. Furthermore, impact measurement itself is a contested field of research (Paton 2003) and is beyond the scope of this thesis. My contributions, highlighted in publications 1,2 and 3, are based on

the results generated from the Balance tool which demonstrated that social measurement is something that is being thought about, but not widely undertaken. My data from publication 2 revealed that 33% of the participants suggested that they have not considered social accounting and that 47% are starting to introduce it but only 13% are currently undertaking it (Bull 2007). It would therefore appear that the business practices of the majority of the sample of social enterprises from my research did not currently address the evidence gap requested of them by gatekeepers of public funding. In looking at my sample, the majority of the organisations interviewed were competing for public funding. The lack of social accounting goes against local authority agendas charged with becoming more accountable for the public money they are spending on contracts within their communities. There are many possible assumptions here that require further investigation. If social enterprises had cash reserves, would they utilise social accounting? If they had the skills, would they? If they were to have funding to cover the costs of social accounting, would they? Therefore further research is required to fully explore these issues.

Better businesses?

The *"Social enterprise: A strategy for success"* (DTI 2002) claims there is fragmented business support for the sector and that the policy will make social enterprises *'better businesses'*. The *"Social enterprise action plan: Scaling new heights"* (OTS 2006), reinforced the objective - claiming social enterprise leaders have a characteristic that is "driving passion and business acumen" (2006:4) and that their organisations' intentions are to "maximise their business performance and, in turn, their social impact" (2006:5).

However, Smallbone, *et al* (2001) claims, mainstream business advice fails to recognise the differences in the business model and so therefore specialist advisors are required that understand the challenges that social enterprises face. Publications 1, 2 and 3 highlight skills shortfalls and business advice as a barrier to growth, in line with Hines (2005). Many organisations in my publications sought support to help grow their businesses. Acknowledging that the assumption that business support can help improve sustainability and

growth is not the focus of this study, the offer of social enterprise business support is problematic. The rhetoric from the DTI is that social enterprises need to be made *'better businesses'*. Yet what does this mean exactly? At the time of the research - and more-so since the first three publications in this thesis (discussed in publications 4, 5, 7 and 8) I question the 'pro-business' lens as the rhetoric and not the reality of social enterprise. Social enterprise *business* support is itself questionably an oxymoron for some types of organisations.

The publications contribute to theory by outlining the precarious challenges for financial/organisational sustainability and identity in practice. For many of the organisations interviewed, being entrepreneurial was less about creative destruction and more about learning how to be creative in the way they play the system (publication 8) in adapting and changing their service offer to target emerging opportunities (trading (contract) income in light of reduced/removal of grant income opportunities). Thus, social enterprise has different connotations in practice, than in theory. These organisations were conforming to changes brought in by the government, so realigning their service offer to suit. They were not the organisations I had read about from the literature of radical change agents, that were reshaping and leading reforms to innovate communities out of poverty.

My findings appear to support some of the barriers to growth that were identified by the SEU; lack of coherence and limited account of the differences within the sector (I assume this is the breadth of organisational structures - organisations with different philosophies); poor understanding of the value of social enterprise and the difficulties in accessing and making use of finance available. Following this the *"Social enterprise: A strategy for success"* (DTI 2002) sought to create an enabling environment, seeking to make social enterprises *'better businesses'*. This driver for change is problematic when the thrust is not necessarily led by the organisations themselves and where the pull in meeting the expectations of government strategy is potentially flawed. Often the organisations themselves are not able to take up the mantle (financial shortcomings) or do not wish to take up the mantle (resisting being

enterprised-up) or are sceptical of government reform and the privatisation agenda, and are against the commodification of public services.

The conceptualisation of social enterprise in the UK

The star symbol in Figure 10 highlights my theoretical contributions to knowledge. At the time of my initial research investigation, the conceptualisation of social enterprise was emerging. In these three papers attention is drawn to definition and the defining principles of social enterprise. These publications brought to attention a critical perspective. I was influenced by Pharoah, *et al* (2004) who were sceptical of the government agenda to 'enterprise-up' the voluntary sector through the development of social enterprise. This scepticism is supported by Arthur, *et al* (2006), who is quoted within publications 5 and 7 as saying;

> *"Ten or so years ago it would have seemed like an oxymoron to amalgamate the terms social and enterprise. Since that time the concept has rapidly passed from obscurity to the status of orthodoxy"* (2006:1).

As Arthur, *et al* (2006) infer, the concept of social enterprise requires theoretical exploration mindful of an amalgamation of its individual constituting parts. As they suggest, it conflates an economically driven activity that has been known to erode social benefit with an organisation. The state's involvement in manufacturing a market economy is described by Curtis (2008) as following a contractualism model. Maitland's (1997) work is relevant here, as a shift to a contract culture is a move towards marketisation, and a different legitimising force away from virtue to self-interest, a case also made by Dart (2004). They both suggest the market promotes and rewards those that desert the virtues, as explored in publication 5.

Publication 5, reflects on Alter's (2004) spectrum model and Wagner-Tsukamoto's (2005, 2007) ethical capital theory, responding to Haugh's (2005) call for research that relates to mainstream management theory, re-applying it in the social enterprise context. Ethics were explored to highlight the commodification and marketisation of the social economy, which may explain

the resistance of social enterprises towards a more commercial business model. The thinking here was that there might be other ways of conceptualising social enterprise than measures of trading income and marketisation. The theorising here is an important contribution to an alternative understanding of what social economy organisations create in their business model. The reflection on theoretical frameworks and cross-referencing and merging theories, was useful. Part of the exploration of theoretical models was later brought out in publications 7 and 8, which followed a similar line of enquiry in terms of making sense of conceptual models (see figures 2, 3, 4 and 5 in publication 7 and 4, 5 and 6 in publication 8). It was these explorations that lead me now towards a new conceptualisation of social enterprise.

Towards a new theoretical model of social enterprise in the UK

In terms of theoretical modelling to date, as highlighted in this thesis, some of the literature describes social enterprise as a singular concept. I see this as problematic because as Peattie and Morley (2008) argue, social enterprise is an umbrella term which encompasses a variety of organisational types. I turn firstly to where there appears to be some consensus in the defining principles. As Nicholls (2006) suggests, there has been broad consensus that social enterprises are engaged in the trading of goods and services (as discussed on page 19. They are somewhere between those trading at more than 25%, termed as moving towards (Lyon, *et al* 2010) and those trading beyond 50%). They are primarily for social value (Pearce 2003), strive for social and economical sustainability (Alter 2004) and are driven to create and develop ethical capital (Bull, *et al* 2011). However, beyond these general principles the organisational forms that are delivering against these principles differ. It is this difference where I wish to focus.

I propose a new theoretical framework for theorising social enterprise that has come to me whilst finalising this thesis. I think there is room for a greater understanding of the different forms of social enterprise in the UK and a refining of the concept. How I see this developing is through a further mapping

of the sectors, to which Westall's fourth sector model (Figure 11) is growing in its appeal in my research (Ridley-Duff and Bull 2015).
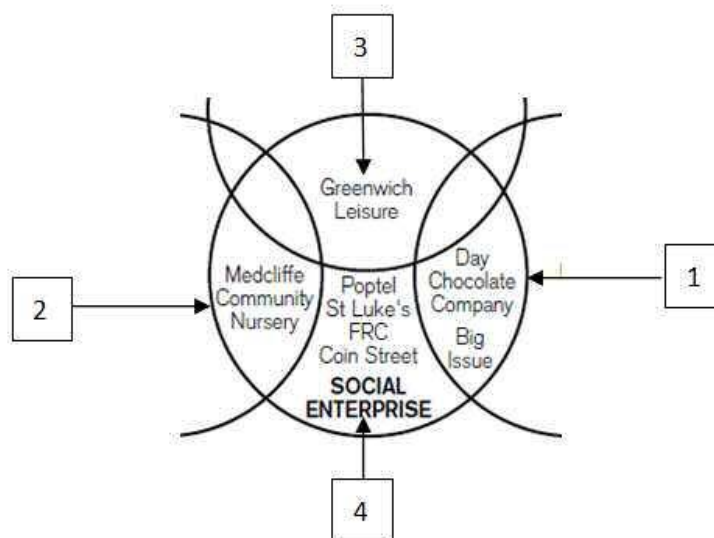
Figure 11: Westall's (2001): 4 types of social enterprise.

As Westall's (2001) model here suggests there are four types of social enterprise; one a hybrid of mainstream business, a second a hybrid of voluntary sector types, a third a state funded type and fourthly a hybrid form as previously stated that breaks free from *historical baggage*. In publication 6, a chapter from my co-authored book challenges current definitional concepts of social enterprise, suggesting current conceptualisations fail to fully represent their historical antecedents. From the discussion of publication 4, there are three main routes to incorporation for a social enterprise; (i) Charity Law, regulation of trading charitable types of social enterprise (organisations with community and voluntary organisational origins). (ii) Society Law, regulation of solidarity types of social enterprise (organisations with co-operative and mutual origins) and (iii) Company Law, regulation of private social business types by Guarantee or by Shares (organisations with mainstream business origins). These three routes create very different types of enterprise, all with the previously outlined shared principles. In moving a model forward, my latest thoughts are in merging Westall's (2001) model, with the incorporation forms from publication 4. Figure 12 captures my current attempt at a clear concept for three main types of social enterprise in the UK.

The framework seeks to bring together both the theory and practice of social enterprise in the UK from a new perspective.

Key:
IPS – Industrial and Provident Society. An organisational form for solidarity types regulated by Financial Services Authority.
Bencom – Community Benefit Society. An organisational form for solidarity with explicit community governance and benefit regulated by Financial Services Authority.
CLS – Company Limited by Shares. An organisational form for social business types regulated by Companies House.
CLG – Company Limited by Guarantee. An organisational form for social business types regulated by Companies House.
CIC – Community Interest Company. A secondary layer of incorporation for CLGs and CLSs, regulated by CIC Regulator.
CIO – Charity Incorporated Organisation for trading charitable types, regulated by Charity Commission.

Figure 12: The operationalisation of incorporation to 3 types of Social Enterprise in the UK.

To explain the model; the labelling around the outer triangle represents the general principles of social enterprise. The general principles are those characteristics that many theorists claim of social enterprise; trading goods and services, primarily for social value. My findings from the publications within this thesis also highlight social and economic sustainability as well as the creation and development of ethical capital.

The inner three triangles are the operationalisations of social enterprise. There are, somewhat confusingly, several forms of social enterprise in the UK. They can however be operationalised through three different incorporation models. Essentially three core types of social enterprise: 'Solidarity' types, 'Trading Charity' types and 'Social Business' types. I propose a theorisation of the three core types in terms of their constitution in law, through their incorporation, rather than from a sector perspective. I acknowledge, and also

highlight, organisations that straddle between two types: The Community Benefit Society (Bencom) organisation type, incorporated in both Society and Charity law. CLG Charity type, incorporated in both Charity and Company law. Finally, CLS/CLG Co-operative type, incorporated in Company law but operating with democratic principles associated with solidarity types.

Trading Charity Types

Trading Charity types are incorporated as Charitable Incorporated Organisations (CIO). I suggest in Figure 12 there are tensions in satisfying the level of trading income. Figure 13 helps explain. In terms of Charity Law, there could be considered three types of organisations on a spectrum towards social enterprise. These are transition types from traditional non-profit charitable types (shown in the outer ring in Figure 13), which would be those totally reliant on grant income. Charities with between 25-50% trading income could be considered, as I identify in Publications 7 and 8, as in transition (shown in the inner ring in Figure 13). Whilst bona fide Trading Charitable Types of social enterprise are those with more than 50% trading activities (meeting the Social Enterprise Mark 2011 criteria) (shown in the centre of Figure 13). The arrow depicts movement as the boundaries and transitions are not static (as discussed in Publications 7 and 8).

Trading Charitable Types of Social Enterprise

Minimal Trading Activities

Charitable organisations (Traditional non-profits)

Figure 13: Hybrid Circles of Trading Charitable Types of Social Enterprise

Solidarity Types

Bona fide Solidarity types are incorporated as Industrial and Provident Societies. I suggest in Figure 12 there are tensions in satisfying society social

value beyond the directors or members (Findlay 2011). Figure 14 helps explain. In terms of Society Law, there could be considered three types of organisations on a spectrum towards social enterprise. In the outer ring in Figure 14, employee representation in an organisation provides some effort towards solidarity. The inner ring in Figure 14 shows single stakeholder shared ownership. At the centre of the ring in Figure 14, bona fide multi-stakeholder types of social enterprise that work to address member and non-member social value.
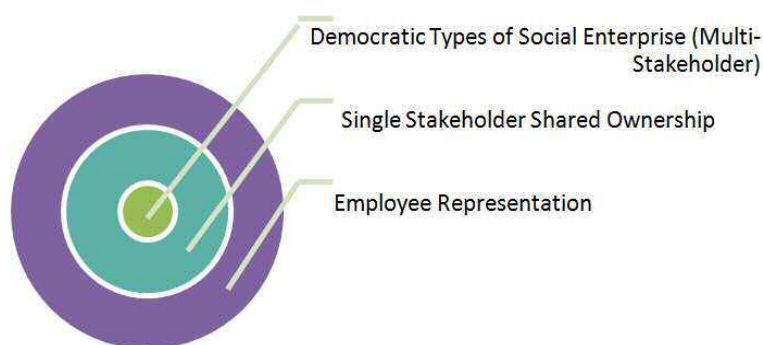
Figure 14: Hybrid Circles of Solidarity Types of Social Enterprise

Social Businesses

Social Businesses are incorporated as Limited Liability Companies (Company Limited by Guarantee, Company Limited by Shares). I suggest in Figure 12 there are tensions in satisfying the primary purpose, asset lock and profit distribution. Figure 15 helps explain. In terms of Company Law, there could be considered three types of organisations on a spectrum towards social enterprise. In the outer ring in Figure 15, mainstream businesses, these organisations provide some level of social responsibility - to the state, to employees and to their customers, yet in terms of assets and profit distribution their responsibility is to their Directors. In the inner ring in Figure 15, responsible businesses, these organisations are practicing social responsibility, yet in terms of assets and profit distribution their responsibility is to their Directors. (see Publication 5 for full explanation). At the centre of the ring in Figure 15, bona fide Social Business Types of Social Enterprise have asset locks, limit profit distribution and are primarily for social good.
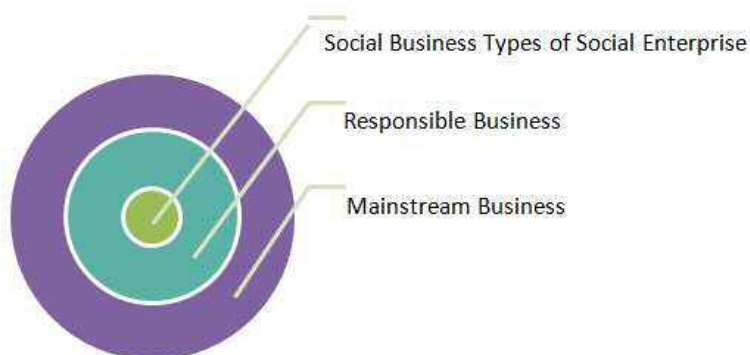
Figure 15: Hybrid Circles of Social Business Types of Social Enterprise

Company forms of social enterprise can also be additionally incorporated as Community Interest Companies, which protects asset lock and profit distribution in Law.

In sum, Social enterprises are hybrid enterprises that are influenced in composition from their historical/preferential constitutional roots. So by considering the historical antecedents and the three legal constitutions of social enterprise (Company, Charity and Society Law) this theoretical framework puts forward a convincing case for the different organisational identities of those that can be regarded as social enterprises. In looking at the differences between those that are constituted by Company, Charity and Society Law, I highlight that they are very different organisational forms with characteristics that cannot be reduced to two characteristics; 'trading' and 'social purpose', as their individual business models identify them more aptly than a single definition of social enterprise can.

6. Critical Reflections

This thesis clearly critiques the development of social enterprise in the UK, which was popularised during the late 1990s under a Labour Government that sought to re-engage socially damaged Britain (Amin, *et al* 1999) through regeneration strategies in deprived communities and public sector reform in health and social care (Leadbeater, 1997). The Government's social enterprise strategy, *"Social enterprise: A strategy for success"* (DTI 2002), followed by *"Social enterprise action plan: Scaling new heights"* (OTS 2006) both sought to develop the sector and build *'better businesses'*. I undertook qualitative research between 2004 - 2007. Eight publications are offered here, that show contributions to knowledge, from both empirical and theoretical perspectives.

In an operational sense, there are several practical challenges that are evident in the findings of these publications: Namely; financial sustainability (regardless of the 50% trading income goal, with a withdrawal of traditional grant funding, replaced by a more competitive marketplace for contracts, organisations are struggling to fund all their mission specific projects): Social impact reporting (which is seen as expensive and beyond many organisation's skills sets) and business support for sector specific needs (where an understanding of the balance of meeting both social and economic goals is required). Each of these challenges have uncovered tensions that do not relate or concur with the rhetoric of the promise of social enterprise. Many of the organisations I interviewed appear to be in transition, with fewer social enterprises striving to be *'better businesses'* and more market focussed than the *"Social enterprise: A strategy for success"* (DTI 2002) policy agenda would suggest. For those in opposition to an enterprise culture *per se*, resistance is in protecting identities, values, mission and their particular organisational framework.

The threshold that defines a social enterprise is something that I reflect on. In hindsight, it would have been useful to apply a financial pre-requisite prior to interviews, as anecdotally the organisations I interviewed were either self defined as social enterprises or defined by local sector support agencies as

such. Therefore the 50% threshold of trading income may have eliminated many, if not the majority, of the organisations from the studies of social enterprise to a study of third sector organisations, possibly on a journey towards social enterprise, yet far from it.

On reflection, given the infancy of the sector at the time of the research, a repeat of a study of this magnitude, with a decade of growth in the understanding of the sector, may return a very different picture. Nevertheless, these research publications have provided baseline research of a sizeable cohort of social enterprises in the UK, providing both operational findings of the business and management concepts and levels of maturity, as well as several theoretical papers that engage in developing the conceptual model of social enterprise.

The papers which form this thesis have been selected because they answer the calls for empirical and theoretical research. These papers reflect my journey of researching in an emerging field of inquiry, where knowledge is in its infancy and the shaping of the new paradigm is puzzling, messy and entangled in a complex social world. I therefore lay claim to have contributed to this field of study in terms of theoretical and practical development of the phenomenon that is social enterprise, which has been influenced from my own engagement with social enterprises as well as colleagues in the field who draw attention to the tensions in the 'pro-business' movement within the social economy, as Dees (1998) describes.

In the conclusion to this thesis, I have tried to demonstrate a thread of research that positions my work within what I have described as an emerging research paradigm. As history shows, the concept of social enterprise is multi-faceted and can be conceived in many different ways. The poem used in Mintzberg, *et al*'s (1998) *Strategy Safari* book; 'The Blind men and the Elephant' is useful here, in reflecting on how different theorists have positioned social enterprise. As the poem goes, the blind men went to find out about the creature that was approaching their village. Each came back reporting a different story of what the elephant was like, based on which part they had touched. This is similar to the widely differing ways used to describe

social enterprise. Dees (1998) [Figure 1, p4] reports that social enterprise are non-profit organisations that blend philanthropic aspects with commercial ones. Defourny (2001) [Figure 2, p5] conceives social enterprise as a new form of business, a merger of co-operatives and non-profit organisations. Leadbeater (1997) [Figure 4, p10], conceptualises social enterprise as an activity taking place in the overlaps of the three sectors of the economy; Westall (2001) [Figure 6, p11], positions social enterprise as a fourth sector, which incorporates innovative business models to address social needs; Pearce (2003) [Figure 7, p11], sees social enterprises as trading organisations in a social economy, whilst Alter (2004) [Figure 8, p12], sees them as sustainable, mission driven, evolving non-profits.

In response to the disparate conceptualisations that have tried to develop normative theories of social enterprise as one business model, I offer a new theoretical model that identifies social enterprise in the UK through legal incorporation as opposed to sectors or the blending of one organisational form with another. The Trading Charitable Type, Democratic Type and Social Business Type social enterprise forms clearly builds on the conceptualisations that were initiated in my earlier publications, whilst recognising the general principles of trading for social purpose within a financially sustainable business model.

My publications and sector activities over the past decade have significantly contributed to the development of the field. There is evidence to support this in many ways: I include publications that have received academic accolades: Working papers of publication 1 (Bull and Crompton 2006) and 3 (Bull, *et al* 2008) were shortlisted for best paper in track at the ISBE conference. Publication 5 was awarded 'The Emerald Award for Excellence – Social Enterprise Journal - Outstanding Paper of the Year 2011'. (Bull, *et al* 2010). Publication 6 (Ridley-Duff and Bull 2011) is from a book, which according to Google statistics compares favourably against other publications in the field in terms of citations. A working paper of publication 7 was awarded 'The Best paper in Track award ISBE Conference 2011' (Seanor, *et al* 2011) and was a paper included in the Manchester Metropolitan University Research Excellence Framework 2014.

Further to these publications, in the North West, the formation of Social Enterprise North West was created in order to support the development of the local infrastructure. I was a Director of Social Enterprise North West between 2009 and 2011. More locally in Greater Manchester the formation of Together Works CIC was also created to support the delivery of the DTI's social enterprise strategy, I was a Director between 2008 and 2013. I have therefore been involved in the development of social enterprises across the North West region during this time. One of the main contributions I have made to social enterprise development in the North West region is through the diagnostic tool, Balance, developed during publication 2. The diagnostic tool has generated more than £50,000 commercial income and approximately £1million associated with research grant income to Manchester Metropolitan University. The tool is currently used by approximately 500 North West of England organisations, as well as discussions taking place in Sweden, USA and Australia about the transferability into different countries and political/cultural contexts.

My contributions have also added to the theoretical conceptualisation of social enterprise through my co-authored book (Ridley-Duff and Bull 2011), with Sage Publications. The culmination of an ESRC series (details in Appendix 3), examining and discussing the expanding critical reflections on social enterprise, that was theoretically informed from my critical questioning of the development of social enterprises is a key outcome of my work.

I have built up a UK profile in the field of social enterprise (see Appendix 4), which has developed into a critical mass of researchers interested in critical studies of social enterprise. In pursuance, these relationships led to the one day seminar I organised and chaired. I was part of a team in 2013 that was awarded an ESRC seminar series titled 'Reconstructing Social Enterprise' (see Appendix 3 for further details), for which I organised seminar 5 in Manchester. Being part of such a team of highly regarded, leading, academics in the field of social enterprise is evidence of my developing stature as a leading researcher in the field of social enterprise.

Methodological reflection

In terms of methodological reflection, as Hill and McGowan (1999) suggest, in an emerging field of inquiry, qualitative, grounded research is more fruitful than quantitative research as the variables to test are yet to materialise. The publications in this thesis have therefore been qualitative, of an inductive, subjective nature - hence within a phenomenological paradigm. As Gartner (2007) puts, prioritising meaning and sense-making above counting and classifying phenomenon, establishes local contexts and world views.

In each of the empirical research papers I have sought to investigate business practices in social enterprises by utilising theoretical frameworks to structure the investigation and subsequent data analysis. Thus, utilising the Balanced Scorecard framework (in categorising questions for the aide memoir and subsequent coding in data analysis) in publications 1 and 2. Using the concept of the Organisational Life Cycle as a theoretical framework (as data nodes) in publication 3. Finally, through to Dees' (1998) hybrid spectrum model (Figure 1) as a visual tool to aid conversations with social enterprises, as well as using the spectrum for practitioners to add to or redraw their interpretations as to how they conceptualise social enterprise (publications 7 and 8). This innovative approach is supported by Guillemin (2004), who sees the benefit of using drawings alongside discussion. Hence, exploring visual images selected by researchers, are tools in sense making and reflection with research participants (Rose 2008).

7. Future directions of UK social enterprise research

The collection of papers in this thesis cover a decade of work in the field of social enterprise. In that time, interest in the social enterprise business model has significantly increased: From a higher educational perspective; Lepoutre, *et al* (2013) refers to Short, Moss and Lumpkin (2009) as identifying a 750% increase in publications between 1991 to 2009, as well as Brock (2008) identifying 350 professors in 35 countries teaching and researching social entrepreneurship. This growth in social enterprise higher education worldwide is also reflected in the UK with an ever growing interest in the concept. In a search on the ESRC's website for research output publications, the rise in the terms 'social enterprise', 'social entrepreneurship' and 'social economy' has increased dramatically between 2004, with just four references to the terms in research projects to a height in 2010 of two hundred and nine references to the terms (Figure 13).

Search Term	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
"social enterprise"	0	3	8	23	55	99	121	100	88	57
"social entrepreneurship"	0	0	0	0	0	2	4	7	19	16
"social economy"	4	6	7	5	44	97	84	33	7	3
Total*	4	9	15	28	99	198	209	140	114	76

*Acknowledged that the same research output may use two or indeed all three of the terms within one research project.

Figure 13: ESRC Research output publication statistic search by keyword

The growth of social enterprise in practice has also expanded, evidenced in the UK with over 25% increase in the number of organisations defined (admittedly contested) as such between 2004 to 2014[1].

In that time, and as the work in question contributes to, considerable progress has been made in the field. Early texts; Pearce's (2003), Borzaga and Defourny's (2001) and Nicholl's (2006) book publications have academically laid the foundations for the emergence of social enterprise/entrepreneurship.

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[1] Numbers obtained from data from Annual Small business Survey (2005), n=55,000 and Cabinet Office (May 2013) n=70,000.

Subsequently, Bridge, *et al* (2009), Doherty, *et al* (2009), to which Ridley-Duff and Bull (2011) builds from, all provide an awareness of the key concepts of social enterprise in the UK from both theoretical and practical positions. Coupled with the emergence of *Social Enterprise Journal* in 2005, followed by *Journal of Social Entrepreneurship* in 2010 which have both provided a core home for research. The topic has also grown and expanded into other related disciplines, such as; entrepreneurship (*Entrepreneurship, Theory and Practice*, *International Journal of Entrepreneurial Behaviour*); voluntary sector (*Voluntas*, *Voluntary Sector Review*); social policy (*International Journal of Public Sector Management*, *Social Policy and Administration*).

A momentum in UK research on social enterprise has been building since Amin, *et al* (1999) in;

- Management Studies (Paton 2003, Bull and Crompton 2006 [publication 1], Bull 2007 [publication 2], Bull, *et al* 2008 [publication 3], Parkinson and Howorth 2008, Doherty, *et al* 2009, Martin and Thompson 2010);

- Legal Identity (Snaith 2007, Ridley-Duff and Southcombe 2012);

- Definition (Chell 2007, Ridley-Duff 2002, 2007, Ridley-Duff and Bull 2011 [publication 6];

- Governance (Low 2006, Mason, *et al* 2007, Spear, *et al* 2007, Ridley-Duff 2010, Mason 2010, Cornforth 2014);

- Social Policy (Westall 2001, Haugh and Kitson 2007, Alcock 2010);

- Entrepreneurship (Lyon and Ramsden 2006, Chell 2007, Thompson 2008);

- Measurement (Paton 2003, Somers 2005, Gibbon and Affleck 2008, McLoughlin, *et al* 2009, Lyon, *et al* 2010, Pathak and Dattani 2014);

- Voluntary sector studies (Teasdale 2010, Alcock 2010);

- Cooperative studies (Spear, *et al* 2007, Ridley-Duff 2007);

- Antecedents (Nyssens 2006, Teasdale 2012, Ridley-Duff and Bull 2013);

- Social Investment Finance (Nicholls 2010, Mason and Kwok 2010, Sunley and Pinch 2012);

- Social Innovation (Mulgan 2006, Leadbeater 2007, Nicholls and Murdock 2011);

- and Critical Studies (Bull 2008 [publication 4], Curtis 2008, Parkinson and Howorth 2008, Arthur, *et al* 2009, Bull, *et al* 2010 [publication 5], Teasdale 2010, 2012, Dey and Steyaert 2012, Mason 2012, Seanor, *et al* 2013 [publication 7], Seanor, *et al* 2014 [publication 8] and Doherty, *et al* 2014).

Doherty, *et al* (2014) claim the field has moved beyond definition and the context to investigate their management and performance, towards an investigation of the tensions in the duality of institutional logics; in behaving socially and behaving enterprisingly (conceived as financial). Doherty, *et al*'s paper is interesting in relation to my research, as it has many parallels with my publications presented in this thesis; (i) it draws attention to the hybrid nature of social enterprise (drawing on Billis 2010) and to the spectrum model (drawing on Dees 1998) and further challenges the blended mission concept, as do my publications 4, 7 and 8 in my research. (ii) It also acknowledges boundaries as a research agenda, touching on identity and legitimacy (drawing on Dart 2004), as do publications 1, 7 and 8 in my research. (iii) It also has a focus on management practices, as do publications 1, 2 and 3 in my research. As well as (iv) distinguishing differing forms of social enterprise, from 'organic', 'relabelled' and 'enacted' (2014:5). The latter (enacted) refers to those in transition from traditional voluntary sector type organisational forms into social enterprise. In these types, the activity of 'doing' social enterprise is seen as a task of voluntary organisations alongside a mixed income trajectory (Teasdale 2010). Publications 1, 7 and 8 of my research focus on this too. Doherty, *et al* (2014), also draw attention to the precarious nature of social enterprise, where they do not necessarily follow commercial norms for full cost recovery and profit maximising behaviours, as they concurrently pursue non-financially rewarding goals, to the possible detriment of financial sustainability, as do publications 1, 2, 3, 7 and 8 in my research. I therefore concur with this research from evidence within these publications.

These areas of interest will continue to shape the theoretical development of the field. The final area of interest in a critical thread challenges many of the normative assumptions inherent in the grand narrative. Dey and Steyaert (2012), state that there is a problematic tendency developing in social enterprise research that reduces potentially radically reforming organisational concepts (social enterprises) to de-politicised, economic engines. They continue; *"one of the most pressing domains of normative reflection concerns the idea that the linking of the two terms "social" and "entrepreneurship" necessarily engenders an uncontested win-win situation."* (2012:97).

Indeed, critical theory was a theme in a call for greater depth of research from Haugh (2012), in a paper which reframed the research needs of the sector. She suggests scholars are no nearer a definition of social enterprise that clearly articulates the 'social' in the model. Therefore, defining the phenomena and constructs is a vital step in theory generation, to which I have contributed to in the publications in this thesis.

A critical perspective has recently (beginning in 2011) been adopted by the main social enterprise (UK based) research conference (ISIRC), closely followed by the special issue in the Social Enterprise Journal (2012), edited by Teasdale, he states;

> *This special issue ....* [would] *not be possible without prior critical work undertaken by academics such as Mike Aiken, Ash Amin, Mike Bull, Tim Curtis, Raymond Dart, Angela Eikenberry, Doug Foster, Jon Griffith, Rory Ridley Duff, Pam Seanor and Duncan Scott. It is hoped this special issue reinforces their message that critical research can remain sympathetic to the hopes and aspirations of social enterprise practitioners while making sense of the environment in which they operate.*

This special issue has firmly placed a critical research thread in the theoretical development of the field of research in the UK (and beyond) to which I have been acknowledged in adding to and shaping debate through my contributions to knowledge in this field of research.

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Appendix 1

Organisation details from each study.

Publication 1

No	Business Type	Business Type (other)	Sub-sector	Age (Yrs)	Turnover	Employees	Volunteers
ORG 1	Company Limited by Guarantee		Theatre	1	£ 7,000	2	2
ORG 2	Company Limited by Guarantee	Registered Charity	Health and Social Care	15	£1,144,000	30	25
ORG 3	Company Limited by Guarantee		Health and Social Care	11	£ 136,000	36	6
ORG 4	Company Limited by Guarantee		Environment	9	£ 950,000	45	56
ORG 5	Company Limited by Guarantee		Environment	2	£ 84,000	7	4
ORG 6	Company Limited by Guarantee	Registered Charity	Environment	5	£ 120,000	2	10
ORG 7	Company Limited by Guarantee		Education	10	£ 120,000	9	0
ORG 8	Company Limited by Guarantee		ICT	4	£ 300,000	8	0
ORG 9	Company Limited by Guarantee	Registered Charity	Education	5	£ 150,000	4	0
ORG 10	Company Limited by Guarantee		Community	20	£ 800,000	25	10
ORG 11	Company Limited by Guarantee		Third Sector Business Support	3	£ 150,000	6	6
ORG 12	Company Limited by Guarantee		Health, Social Care, Employment	3	£6,500,000	250	30
ORG 13	IPS Co-operative		Food and Drink	9	£3,500,000	38	0
ORG 14	Company Limited by Guarantee		Marketing and Community Dev't	3	£ 200,000	16	10
ORG 15	Company Limited by Guarantee	Registered Charity	Education	25	£ 30,000	3	20

Publication 2

30 fresh interviews (15 social enterprises were re-interviewed from the previous study).

No	Business Type	Business Type (other)	Sub-sector	Age (Yrs)	Turnover	Employees	Volunteers
ORG 1	Company Limited by Guarantee		Theatre	1	£ 7,000	2	2
ORG 2	Company Limited by Guarantee	Registered Charity	Health and Social Care	15	£1,144,000	30	25
ORG 3	Company Limited by Guarantee		Third Sector Business Support	18	£ 350,000	9	0
ORG 4	Company Limited by Guarantee		Health and Social Care	11	£ 136,000	36	6
ORG 5	Company Limited by Guarantee		Environment	9	£ 950,000	45	56
ORG 6	Company Limited by Guarantee		Environment	2	£ 84,000	7	4
ORG 7	Company Limited by Guarantee		Health and Social Care	1	£ 10,000	3	0
ORG 8	Company Limited by Guarantee	Social Firm	Catering	0.3	£ 25,000	4	5
ORG 9	Company Limited by Guarantee		Environment, Regen	15	£2,300,000	47	8
ORG 10	Company Limited by Guarantee	Registered Charity	Environment	20	£ 258,000	26	25
ORG 11	Company Limited by Guarantee	Registered Charity	Environment	5	£ 120,000	2	10
ORG 12	Company Limited by Guarantee	Registered Charity	Education	10	£ 675,589	8	1
ORG 13	Unconstituted		Third Sector Business Support	4	£ 15,000	1	0
ORG 14	Company Limited by Guarantee	Registered Charity	Third Sector Business Support	1	£ 100,000	2	0
ORG 15	Company Limited by Guarantee		Education	10	£ 120,000	9	0
ORG 16	Company Limited by Guarantee		Employment	18	£ 450,000	45	0
ORG 17	Company Limited by Guarantee		ICT	4	£ 300,000	8	0
ORG 18	IPS Co-operative		Tourism and Fair Trade	1.5	£ 30,000	3	0
ORG 19	Company Limited by Guarantee	Registered Charity	Education	5	£ 150,000	4	0
ORG 20	Company Limited by Guarantee		Environment, Arts	1	£ 30,000	1	15
ORG 21	Company Limited by Guarantee		Community	20	£ 800,000	25	10
ORG 22	Company Limited by Guarantee		Environment	1	£ 20,000	5	0
ORG 23	Company Limited by Guarantee		Third Sector Business Support	3	£ 150,000	6	6
ORG 24	Company Limited by Guarantee		Health, Social Care, Employment	3	£6,500,000	250	30
ORG 25	Company Limited by Guarantee		Health and Social Care	2	£ 107,000	5	40
ORG 26	IPS Co-operative		Food and Drink	9	£3,500,000	38	0
ORG 27	Company Limited by Guarantee		Marketing and Community Dev't	3	£ 200,000	16	10
ORG 28	Company Limited by Guarantee	Registered Charity	Youth and Community	4	£ 20,000	7	10
ORG 29	Company Limited by Guarantee	Registered Charity	Employment	3	£ 200,000	11	0
ORG 30	Company Limited by Guarantee	Registered Charity	Education	25	£ 30,000	3	20

Publication 3

9 fresh interviews (2 organisations within this study were part of previous studies, 1 new organisation)

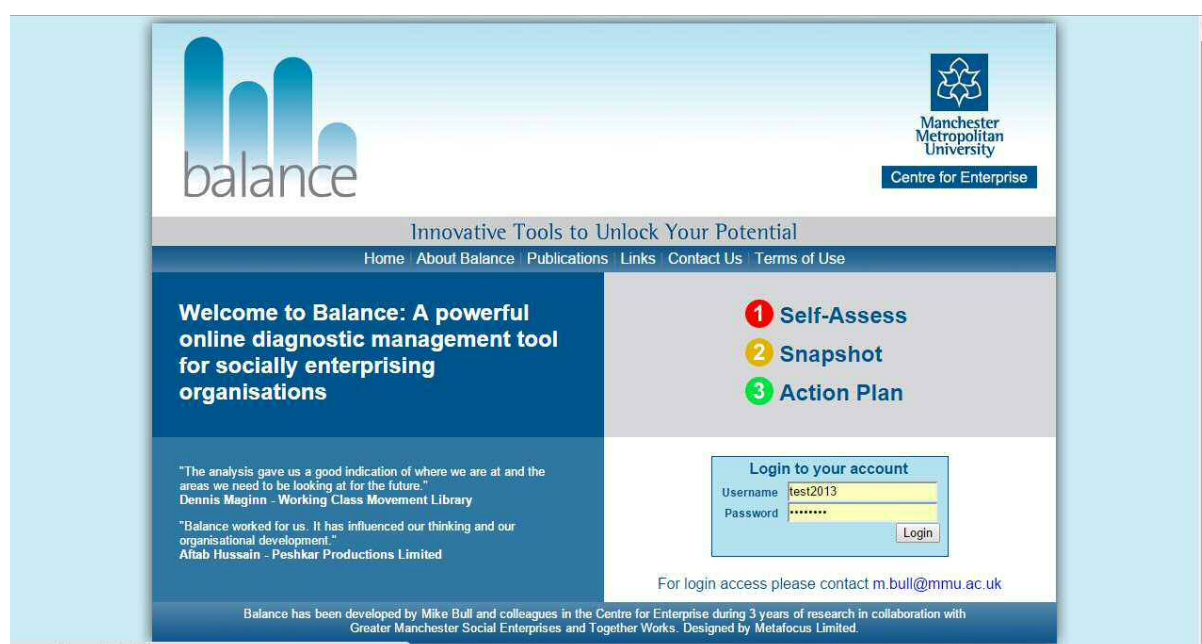| No	Business Type	Business Type (other)	Sub-sector	Age (Yrs)	Turnover	Employees	Volunteers
ORG 1 3 interviews	Company Limited by Guarantee	Registered Charity	Health and Social Care	15	£2,000,000	30	25
ORG 2 3 interviews	Company Limited by Guarantee		Health and Social Care	11	£ 300,000	26	3
ORG 3 3 interviews	Company Limited by Guarantee	Registered Charity	Health and Social Care	12	£ 580,000	4	5

Publication 7

The study includes 8 interviews conducted at the time of previous studies but not used within them (all the organisations were part of previous studies)

No	Business Type	Business Type (other)	Sub-sector	Age (Yrs)	Turnover	Employees	Volunteers
ORG 1 3 interviews	Company Limited by Guarantee	Registered Charity	Health and Social Care	15	£2,000,000	30	25
ORG 2 2 interviews	Company Limited by Guarantee		Third Sector Business Support	18	£350,000	9	0
ORG 3 3 interviews	Company Limited by Guarantee		Health and Social Care	11	£300,000	26	3
ORG 4 2 interviews	Company Limited by Guarantee		Environment	9	£950,000	45	56
ORG 5	Company Limited by Guarantee		Environment	2	£84,000	7	4
ORG 6	Company Limited by Guarantee		Health and Social Care	1	£10,000	3	0
ORG 7	Company Limited by Guarantee		Environment, Regen	15	£2,300,000	47	8
ORG 8	Company Limited by Guarantee	Registered Charity	Environment	20	£258,000	26	25
ORG 9	Company Limited by Guarantee		Third Sector Business Support	3	£150,000	6	6
ORG 10	Company Limited by Guarantee		Health and Social Care	2	£107,000	5	40
ORG 11 3 interviews	Company Limited by Guarantee	Registered Charity	Health and Social Care	12	£580,000	4	5

In summary, 31 different organisations were interviewed. With 62 interviews in grand total, as some organisations were interviewed more than once.

Appendix 2 - Further information about the Balance diagnostic tool.

The purpose of the diagnostic tool was to be designed to analyse the competencies of social enterprises. The tool was to be designed to aid practitioners in evaluating managerial skills gaps. It was also to be designed as a tool for business support agencies to use in the interview stages with practitioners in evaluating their barriers and needs for growth and success. Therefore the tool was to be designed with multiple purposes and users in mind: (1) For practitioners; It would be a strategic business performance analysis tool; (2) For business support agencies; It would aid in the first interview with consultant and client and help analyse and tailor a decision about the kind of business advice a client needed. It was to be designed to also track client development over the time of the business intervention (distance travelled). It was also to be designed to help support agencies prove the impact of their advisor's advice in the development of social enterprises. (3) For academia; it would be a data collection tool for academic research.[2] The first and second funding phases are published as research reports, which are outside of the publications in this thesis (see www.cfetools.com for details).

balance

Manchester Metropolitan University

Centre for Enterprise

Innovative Tools to Unlock Your Potential

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Welcome to Balance: A powerful online diagnostic management tool for socially enterprising organisations

1 Self-Assess
2 Snapshot
3 Action Plan

"The analysis gave us a good indication of where we are at and the areas we need to be looking at for the future."
Dennis Maginn - Working Class Movement Library

"Balance worked for us. It has influenced our thinking and our organisational development."
Aftab Hussain - Peshkar Productions Limited

Login to your account
Username   test2013
Password   ••••••••
Login

For login access please contact m.bull@mmu.ac.uk

Balance has been developed by Mike Bull and colleagues in the Centre for Enterprise during 3 years of research in collaboration with Greater Manchester Social Enterprises and Together Works. Designed by Metafocus Limited.

www.socialenterprisebalance.org

What is balance?
At Manchester Metropolitan University's Centre for Enterprise we bring specialist expertise in creating on-line assessment tools to unlock potential in individuals and organisations. These are designed to plot and capture distance travelled towards goal fulfilment

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[2] Bull *et al*(2009) explains the development of the diagnostic tools in more detail.

balance was created by Mike Bull and colleagues during 3 years of research with Third Sector Organisations and business support providers

balance stimulates critical reflection by identifying stages in organisational development. Through the process Balance supports positive changes in organisational development

balance simply draws together different parts of management life into one picture to guide solutions for 'whole organisation' performance optimisation without the effort and 'number crunching' required with statistically driven tools

To achieve this we have built Balance around 7 important key management skills areas for Third Sector Organisations:

Who should use it?
balance is designed for small to medium organisations. Balance is for any of the following: : Charities Trading Arm, Community Enterprise, Co-operatives, Development Trust, Employee Owned Company, Registered Charity, Social Enterprise, Social Firm, Voluntary Organisation
balance is for managers, teams of managers and Boards

Why should we use it?
balance is a tool to support organisational development
balance offers a way of viewing current business practice and encourages thinking and reflection

How does it work and how long does it take?
balance presents a number of business scenarios and uses self-assessment to identify current business practice
balance takes about an hour to complete online
balance generates:
an instant snapshot of strengths and weaknesses
a Strategic Action Plan outlining steps for development

sector focused benchmarking indicators

When should we use it?
balance is an annual performance development tool
balance stores (privately and securely) previous results offering a comparative benchmarking analysis, year-on-year.

How does it work and how long does it take?
balance presents a number of business scenarios and uses self-assessment to identify current business practice
balance takes about an hour to complete online
balance generates:
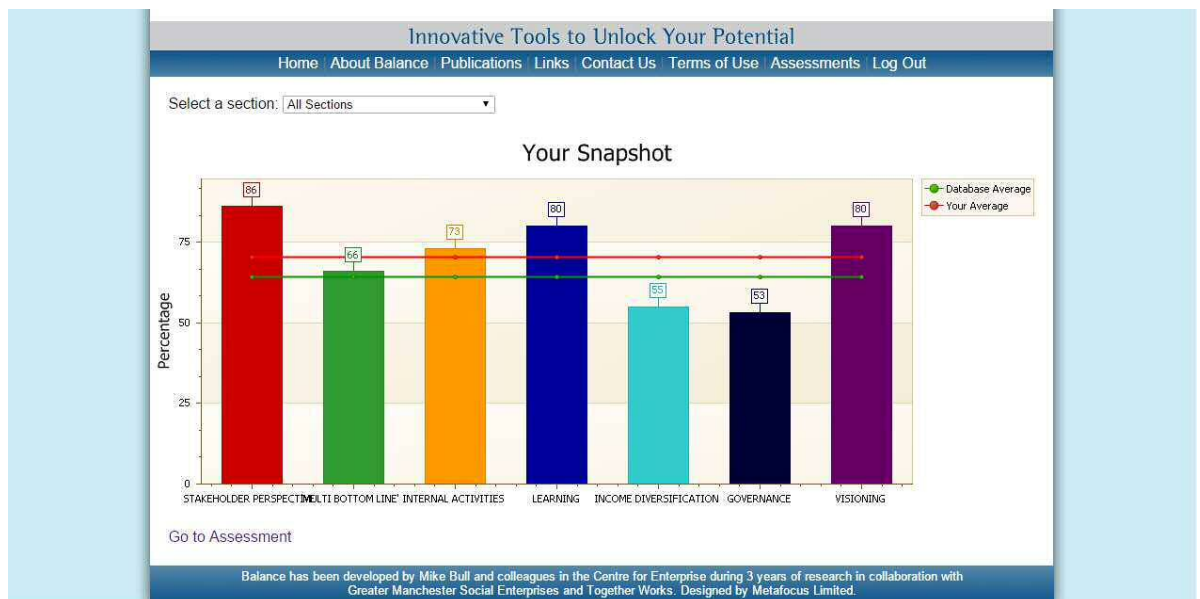an instant snapshot of strengths and weaknesses
a Strategic Action Plan outlining steps for development
sector focused benchmarking indicators

When should we use it?
balance is an annual performance development tool
balance stores (privately and securely) previous results offering a comparative benchmarking analysis, year-on-year.

Balance diagnostic tool feedback from users.

What do you think to the tool?	Good	Average	Poor
Software	86.6%	10%	3.4%
Navigation	80%	10%	10%
How would you rate the tool today?	83.3%	10%	6.7%
Do you think at first glance that the tool/ information will be useful in the future?	86.6%	6.7%	6.7%
How did you find the experience of reflecting and thinking?	89.9%	6.7%	3.4%

"I'm going to get all our managers to it, it could help us all to focus better"
"It's not quite what I thought it was going to be – but I'm really pleased I took part."
"I enjoyed it and I'd do it again"
"The analysis gave us a good indication of where we are at, as a business – and the areas we need to be looking at for the future"."I found it very useful. It confirms that we are well in front of the game but there are very specific things we can do to improve".
"Balance has worked for us. It has influenced our thinking and our organisational development".
"Good actions and stages, like it"
"We've not used it [the report], we've not felt the need, we scored well and didn't see much point, but we've told people [internally] about it and its been a pat on the back for our staff and our board"
"We use PQASSO and this fits in well"
"It's good. It needs to say do this every year, and it also needs to say don't read it all at once but break it down"
"It's been very helpful in focusing my thoughts"
"I'd like to try it again in say 12 months time, can I do that?"
"It shows very specific things we can do to improve. Can't ask for more than that"

Val Jones, CEO of SENW said:
"Balance has proved to be an effective tool for SENW in terms of highlighting the importance of measuring triple bottom line for our social enterprises business across the North West.   Initially SENW used the tool as an aid in supporting Social Enterprises across the North West as part of its Intermediate business support programme. Based on the success of this and of the awareness and impact that Balance helped make on that programme, SENW embedded Balance and now Clarity as part of a new programme which will run from 2012 to 2015 ensuring that each social enterprise and indeed social businesses are inputting data that will enable the North West to build up a picture of its social impact and will be used as part of the overall evaluation of the three year programme."

Appendix 3 - Details of ESRC Seminar Series 2013.

Reconstructing social enterprise: An ESRC seminar series awarded to the Universities of Oxford, Birmingham, St Gallen and Manchester Metropolitan.

Alex Nicholls, Simon Teasdale, Pascal Dey and Mike Bull.

BACKGROUND

The idea for the seminar series came from discussion between researchers and social enterprise practitioners concerned at what they saw as a reality gap between the idealised notion of social enterprise presented in academic and policy literature, and the day to struggles of those practising social enterprise.

Social enterprise (SE) broadly defined as market based approaches to tackling social problems (Kerlin, 2006) has receive much policy, practitioner and academic attention in recent years. However the evidence base upon which policy support relies is at best shaky. The lack of thorough empirical research and the paucity of critical work poses a problem to understanding SE's 'transformative and regenerative potential (Cukier et al., 2011), and its role in developing an alternative, more inclusive model of society quite generally (Craig and Porter, 2006).

AIMS AND OBJECTIVES

The overall aim of this seminar series is to build an international community of academic researchers, policy makers and practitioners which seeks to advance critical research into SE. The broad objectives within this are:

1. To bring together academics from different disciplines and countries who are researching SE from a critical perspective

2. To make critical research accessible to and useful for practitioners and policy makers

3. To engage practitioners and policy makers in developing research

4. To develop an internationally focused critical research agenda around SE and democratic renewal

5. To relate the insights derived from our research to Critical Management Studies so as to contribute to extending its area of application from the corporate sphere to the domain of civil society

We acknowledge that critical research on SE has been largely inaccessible to practitioners and policy makers, in part because it is published in journals not accessible to those outside of academia, but also because the language of much critical research is equally inaccessible to

practitioners. The ultimate yardstick of our seminar series is to develop critical knowledge and models not only based on the view of practitioners but with and for them.

We thus aim to develop a future research agenda informed by, accessible to and useful for practitioners and policy makers. Such a participatory model of exchange will allow for a more nuanced perspective of SE, including how SE can contribute to social cohesion, civil and civic engagement, and how it makes for democratic renewal which recognises differences of size, culture, geography and politics.

SEMINAR CONTENT

Given that critical inquiry draws upon a range of approaches our seminar series invokes those already employed in the field of SE research. On the most elementary level this comprises collating further the evidence base on SE so as to bring into view not only its promise but also its dangers and limitations. On a more explicitly critical note, we invoke different perspectives from Critical Theory and Organization Studies to construe SE as a new language whose meaning has shifted away from the radical discourse of democratic renewal espoused by practitioners in the late 20th Century (Teasdale, 2012), and been captured by policy makers and elites espousing a withdrawal of the state from the direct delivery of public services and the marketisation of those (civic) areas of life traditionally predicated upon self-help and mutual aid (Dey, 2011).

The first two seminars involve the deconstruction of the dominant SE discourse by demonstrating how prevailing forms of thinking impose certain limits to our understanding of SE. First, we draw upon a range of academic research and practitioner experiences to delineate the political and ideological 'making' of SE. Second, we draw upon a number of empirical reality tests (i.e. 'myth busting') to unpick taken for granted assumptions of SE.

The second half of the series begins the task of reconstructing SE in a more radical and democratic light. Our third seminar explores the use of normative theory to offer a value based democratic alternative to the dominant managerial, rational choice model. The fourth seminar seeks to recast the democratic renewal of society based on the voices of SE practitioners and counter posing the language and meanings of these practitioners with dominant policy discourses.

To permit genuine exchange between theory and practice, each seminar includes presentations from practitioners operating at local and national levels, all of whom have been involved in the design of this seminar series from the start. Our final seminar, which is chiefly concerned with co-constructing a prospective critical research agenda into SE, will aim to give apt weight to practitioners' viewpoints through an innovative 'open space' format. These will be collated to develop an internationally focused research agenda around SE and democratic renewal.

Seminar 1, November 12, 2012: Toward an Ideology Critique of Social Entrepreneurship (Hosted by the University of Northampton). This seminar develops an understanding of the political and ideological framing of SE and Social Entrepreneurship.

> *The critical turn in social entrepreneurship studies* – Dr Pascal Dey and Professor Chris Steyaert, University of St. Gallen, Switzerland
>
> *The Politics of Social Entrepreneurship* – Dr Alex Nicholls, Oxford University
>
> *Social Enterprise as a smokescreen for the Privatisation of Public Services* – Andy Benson, National Coalition for Independent Action
>
> *The Proselytising Think Tank: von Hayek to Social Innovation?* Professor Ray Loveridge, University of Oxford
>
> *Social Entrepreneurship and the Routinization of Charisma: An Ethnographic Approach* - Stefanie Mauksch, EBS University, Wiesbaden.

Seminar 2, January 9, 2013: Social Enterprise and myth busting (Hosted by the University of Surrey). This seminar draws upon research evidence to challenge some of the taken for granted assumptions around SE.

> *Myths of social enterprise* – David Floyd, Social Spider
>
> *Critiquing the social enterprise growth myth* – Dr Simon Teasdale, University of Birmingham
>
> *Is social enterprise a substitute for state provision of services? Evidence from cross-national research* – Dr Ute Stephan, University of Sheffield
>
> *Rhetoric and reality of the social investment market* – Professor Peter Wells, Sheffield Hallam University

Seminar 3, March / April 2013: Normative theory and social enterprise (Hosted by the University of Birmingham). This seminar attempts to move beyond the detrimental effects of SE discourse by summoning alternative values and norms.

> *Marketisation of the Nonprofit Sector* – Angela Eikenberry, University of Omaha
>
> *Associative Democracy and Social Economy* – Professor Graham Smith, University of Westminster
>
> *Ethics and social entrepreneurship* – Michael Gonin, HEC Lausanne
>
> *The marginalization of collective ownership* – John Goodman, Co-ops UK

Seminar 4, July 2013: Critiques of transgression (Hosted by Manchester Metropolitan University). This seminar explores the contested nature of SE and aims to raise the emancipatory profile of practitioners' 'little narratives' which are often marginalised by dominant discourses.

The language of social entrepreneurs – Professor Carol Howorth and Dr Matt Macdonald, University of Lancaster

Do social enterprise actors draw in straight lines or circles? - Mike Bull and Pam Seanor, Manchester Metropolitan University

The social enterprise mark as understood by practitioners – Dr Rory Ridley-Duff, Sheffield Business School

Manipulating dominant discourses for social purpose – Andrea Westall, Independent Consultant

How is social enterprise understood by practitioners in the homelessness field? – Gemma McKenna, PhD Student, University of Middlesex

Seminar 5, September 2013: Open Space (Hosted by Oxford University). This seminar aims to draw together the learning from the earlier seminars, and move toward a future research agenda through an innovative open space format

Learning from critical perspectives - Reverend Tim Curtis, University of Northampton

Toward a shared research agenda -Dr Alex Nicholls, Oxford University

Appendix 4 - Supporting credentials and esteem.

As a Research Fellow in Centre for Enterprise, MMU, I have led and been co-investigator on many research projects connected to social enterprise that have informed the thinking in my publications:

- ESF (2004-2005) Social Enterprise Research Project – informed publication 1
- ESF (2005-2006) Social Enterprise Research Project – informed publication 2
- ESRC (2009 – 2010) NHS Social Enterprise Research Project – informed theoretical development of publication 7 and 8
- ERSC (2013) – Social Enterprise Seminar Series – the series bid was informed by my research publication 4, 7 and 8

As a result of these projects and associated publications I have developed a profile both regionally and nationally that includes;

- Editorial Board member of Social Enterprise Journal
- Guest Editor, Special Issue on Social Entrepreneurship. IJEBR (International Journal of Entrepreneurial Behaviour and Research) 2008.
- Co-author of the book - Ridley-Duff, R., and Bull, M., (2011) "Understanding Social Enterprise: Theory and Practice". Sage Publications.
- Chair and Speaker at ERSC Reconstructing Social Enterprise Seminar Series 2013
- Speaker at ESRC Public Policy event 2007
- Guest Speaker at Westminster Briefings 2011
- Track Chair of Social and Sustainable Enterprise, Institute for Small Business and Entrepreneurship Conference
- Chair of The Social and Sustainable Enterprise Network, Special Interest Group, Institute for Small Business and Entrepreneurship
- Chapter - Foster, D., and Bull, M., (2010), 'Seedley and Langworthy Trust', "Cases in Strategic Management" Eds; Costanzo, L.A., Dess, G.G., Lumpkin, G.T. and A.B. Eisner., McGraw- Hill Education Europe
- Chapter – Ridley-Duff, R., and Bull, M., (2014) 'Social Innovation for Value Creation', in Principles of Responsible Business. Laasch, O and Conaway, R., PRME