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## **What's in a name? The construction of social enterprise**

Simon Teasdale

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# What's in a name? The construction of social enterprise

## Abstract

Much attention has been paid globally to the concept of social enterprise. However, beyond the notion of trading for a social purpose, there is little consensus as to what a social enterprise is or does. Existing academic literature provides a bewildering array of definitions and explanations for their emergence. This is because the label social enterprise means different things to different people across different contexts and at different points in time. This conceptual confusion is mirrored among practitioners. A wide variety of organisational types have had the label attributed to them or have tried to claim the label for themselves. Using the example of the United Kingdom, where social enterprise has been heavily promoted and supported as a site for policy intervention, this paper provides an in-depth analysis of how the meanings of social enterprise have evolved and expanded over time. This enhances understanding of a fluid and contested concept constructed by different actors promoting different discourses connected to different organisational forms.

## Keywords

Big Society; definition; discourse; New Labour; social enterprise; third way.

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## Introduction

Since the late 1990s the concept of social enterprise has achieved policy recognition in many different countries. In the United States (US) an Office of Social Innovation and Civic Participation has been set up within the White House. In England the government created a Social Enterprise Unit within the Department of Trade and Industry (DTI), which later became part of the Office of the Third Sector (OTS), and since May 2010, the Office for Civil Society. New legal forms for social enterprises have been created in Belgium, Italy, the US and England. These developments have been closely followed within academia. Much of the early social enterprise literature has focused on defining social enterprises, and adapting theories to explain their recent emergence. However there is no consistently applied definition of social enterprise. Indeed different authors have used the label to apply to a wide range of different organisational types. This wide variety has rendered conceptualisation problematic (Simmons, 2008), and caused problems for those seeking to produce generalisable research (Short et al., 2009) as little is known about the size or characteristics of the social enterprise population. This conceptual confusion may help explain the lack of attention paid to social enterprise in the public administration journals.

Social enterprises are not a single organisational form, but rather a large range of organisations (Simmons, 2008) which have evolved from earlier forms of nonprofit, co-operative and mainstream business (Defourny & Nyssens, 2010). While many of these organisational forms have been in existence for centuries, the language employed to describe them is clearly *new*, and would appear to have emerged around 1990 in the US and mainland Europe (Defourny & Nyssens, 2010). England makes an interesting case to explore the emergence of social enterprise discourses. It probably has the most developed institutional support structure for social enterprise in the world (Nicholls, 2010). This policy enthusiasm for social enterprise can be dated to the election of a New Labour government in 1997 keen to plot what has been described as a *third way* beyond traditional statist social democracy and neo-liberalism (Giddens, 1998). To some extent social enterprises, which appeared to marry economic and social goals, were an organisational exemplar of the third way (Grenier, 2009; Haugh & Kitson, 2007). However despite a decade of government investment into social enterprise infrastructure and research, there is still no clear understanding as to what a social enterprise is or does (Lyon et al., 2010). To some extent this is to be expected. As this paper demonstrates, social enterprise is a contested concept constructed by different actors around competing discourses.

This paper then sets out to explore the meanings of social enterprise, and to understand the recent emergence of the new language. The aim is to understand how competing social enterprise discourses have shaped the construct in England. This is achieved firstly by drawing upon the academic literature to outline and conceptualise the discourses pertaining to different social enterprise organisational forms. The main section of this paper then considers the academic and policy literature of the period and draws on the opportunity to access contemporaneous notes from meetings in order to trace the chronological construction of social enterprise in England. This enhances understanding of a fluid construct which is continually re-negotiated by different actors competing for policy attention,

and trying to push their own definitions to suit their own purposes. Over time (and indeed across contexts), different actors are able to align their definition of social enterprise with prevailing policy discourses. The final section of this paper explores how a construct associated with New Labour might fare under a new political regime.

## Social enterprise

As is common in an emerging research field, early work has focused on definitions and explanations for the emergence of social enterprise. Much of this research has been undertaken within the disciplines of business and management studies. More recently some commentators have paid attention to social enterprise and social entrepreneurship as a form of discourse. From this perspective, social enterprise is not a new phenomenon, but rather the repackaging of existing phenomena under the hegemonic discourses of neo-liberalism (Dey, 2006; Parkinsn & Howorth, 2008) or the third way (Amin, 2005). This section begins to make sense of the different definitions employed. It is argued that the academic and practitioner discourses pertaining to social enterprise are linked by different organisational forms. A two dimensional framework helps the reader make sense of these different discourses and forms. This also serves as a tool to analyse the expansion of the social enterprise construct in the subsequent sections of the paper.

The label social enterprise has been applied to a range of phenomena. It has been used to refer to earned income strategies by nonprofits, (Dees, 1998); voluntary organisations contracted to deliver public services (Di Domenico et al., 2009); democratically controlled organisations with an explicit aim to benefit the community where profit distribution to external investors is limited (Defourny & Nyssens, 2006); profit orientated businesses operating in public welfare fields (Kanter & Purrington, 1998), or having a social conscience (Harding, 2010); and community enterprises founded by local people working to combat a shared problem (Williams, 2007). A wide ranging review of the social enterprise research literature found the only defining characteristics central to each of these definitions were the primacy of social aims and the centrality of trading (Peattie & Morley, 2008). It is perhaps most helpful to accept that social enterprise means different things to different people across different contexts and at different points in time. A more finely grained sociological approach helps explain these different meanings in different parts of the world (Kerlin, 2010).

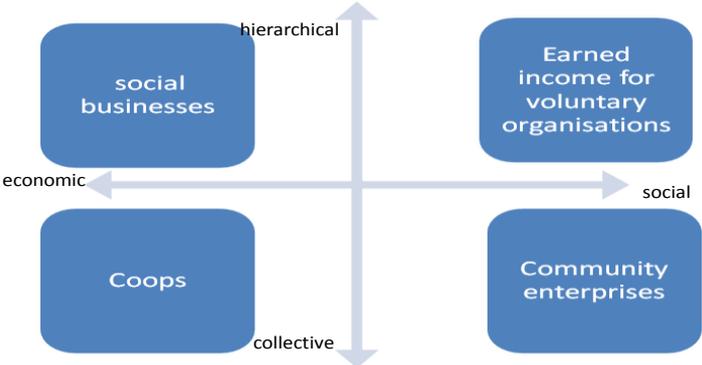
There is an ongoing debate between academics in Western Europe and the US as to who used the language of social enterprise first. It would appear that scholars on both sides of the Atlantic began using the term in the late 1980s (Defourny & Nyssens, 2010). However, whereas in the US *enterprise* was initially used as a verb (Dees, 1998), in mainland Europe the *enterprise* referred to a noun – the organisational unit (Nyssens, 2006). In both definitions the *social* was used as an adjective. But in mainland Europe the concept derives from a more collective tradition, whereby co-operatives are the dominant organisational form (Defourny & Nyssens, 2010). Hence *social* initially referred to a collective organisational form. For some commentators, a necessary condition for the ideal type of social enterprise in Europe remains a commitment to democratic ownership (Defourny & Nyssens, 2010). Despite a long tradition of co-operative organisation in the US, the social enterprise literature has not connected with this. In the US, *social* has tended to refer to external purpose rather than

internal dynamics, that is, what an organisation does rather than how it does it. Thus in the US social enterprise is used to refer to market based approaches to tackling social problems (Kerlin 2006). This has traditionally been described as initiated by the individualistic social entrepreneur, although more recently there has been some acceptance that social enterprises rely on team entrepreneurship (Light, 2008). Nonetheless, as a broad generalisation, the European and US approaches can be distinguished by commentators' attention paid to collectivisation and democratic ownership or to individualistic social entrepreneurs getting the job done using hierarchical organisational structures.

A further distinction can be made between those US scholars using the term to refer to revenue raising activities undertaken by nonprofit organisations (Dees, 1998), and those referring to for profit organisations operating in and around the 'social sector' – providing public or social goods (Kanter & Purrington, 1998). European scholars can also be distinguished by those focusing on for-profit businesses (Harding, 2010) and those focusing on community enterprises whose earned income is just one component of a range of sources (Amin et al., 2002). Thus on both sides of the Atlantic it is possible to distinguish between those social enterprises (and commentators) prioritising social purpose, and those whose primary commitment is to generating profits (Williams, 2007).

A useful way of conceptualising these different organisational forms and academic discourses involves bringing these two dimensions together (Pharoah et al., 2004; Teasdale, 2010) to create a framework (see Figure 1). Of course the four overlapping categories are ideal types, at least when referring to organisations. In practice each dimension applies to both the internal organisational structure, and to the external (social) purpose.

Figure 1: Conceptualising social enterprise organisational forms and discourses (adapted from Teasdale, 2010)



**Explanations for the emergence of social enterprise**

Some academic theories pertaining to the nonprofit or third sector have been adapted to explain a pre-supposed recent emergence of social enterprise. However closer analysis reveals that the different theories are often used to explain different phenomena. Thus theories of state and market failure have been used to explain the emergence of *new* forms of social enterprise as a response to the inability of states to meet the needs of citizens in a globalised world, and the inequitable distribution of goods in free markets (Spear, 2001). Resource dependence theory is typically used to explain nonprofits increased reliance on earned income (Dees, 1998), often attributed to a need to counter cutbacks in state financial support and philanthropic giving (Eikenberry, 2009). Thus turning to earned income is a rational solution at a time when government funding and philanthropic giving is supposedly falling. In England, the role of the state in developing infrastructure to increase the supply of social enterprises to help deliver public services is well recognised, to the extent that some authors argue social enterprise is a political construct (Di Domenico et al., 2009). This role is explained in part by voluntary failure theories which argue that governments and nonprofits have historically acted as partners in solving social problems. While nonprofits may be first to recognise social problems, they require state resources to tackle them effectively (Salamon, 1987). Finally, institutional theories have been used to explain the marketisation of civil society amid the moral legitimacy of business like practices (Dart, 2004). Thus social enterprise is seen as morally legitimate as a consequence of society’s wider fixation with business ideology. The different theories are not incompatible. It is conceivable that each explains the emergence of different forms and aspects of social enterprise. A minority of authors do attempt to explain difference in social enterprise forms. Kerlin (2010) adapted social origins theory to argue that differences in scale and form of social enterprise activity are a consequence of socio economic context and the unique histories of different regions. Amin et al. (2002) demonstrate that prevalence and type of social enterprise vary within areas of the England in relation to local political circumstances, class interests and socio economic factors.

While there is little evidence to support the assumption that the numbers of social enterprise are increasing in England, it is clear that use of social enterprise discourses is becoming increasingly prevalent not only among academics and policy makers (Di Domenico et al., 2009; Nicholls & Young, 2008), but also by practitioners within the third sector (Parkinson & Howorth, 2008). An understanding of the practitioner literature signifies that the academic theories are used to justify different discourses. Table 1 links the different organisational form to academic and practitioner discourses, and to umbrella bodies promoting these forms and discourses.

Table 1: Social enterprise discourses, theoretical assumptions and organisational forms

<b>Discourse</b>	<b>Theoretical assumptions</b>	<b>Umbrella body</b>	<b>Organisational form</b>
<i>Earned income</i> : social enterprise as an activity (sale of goods and services) that has always been carried out by voluntary organisations.	<i>Resource dependence</i> – earned income as a response to declining state and philanthropic funding.	NCVO <sup>1</sup>	<i>Oxfam</i> , <sup>2</sup> the international aid and poverty relief charity, derives most of their income through grants and private giving. However a growing proportion is generated through the sale of second hand and fair trade goods.

Discourse	Theoretical assumptions	Umbrella body	Organisational form
<p><i>Delivering Public Services:</i> The state should retreat from delivering services (but remain as funder). The third sector should expand to fill the gap.</p> <p><i>Social Business:</i> Social enterprises are businesses which apply market-based strategies to achieve a social or environmental purpose. Many commercial businesses have social objectives, but social enterprises are distinct as their social or environmental purpose remains central to their operation. No limits are placed on distribution of surpluses to external investors, and no asset lock is required.</p> <p><i>Community Enterprise.</i> Development trusts are community enterprises working to create wealth in communities and keep it there. They trade on a 'not-for-personal-profit' basis, re-investing surplus back into their community and effecting social, economic and environmental, or 'triple bottom line', outcomes.</p> <p><i>Co-operatives</i> are a different way of doing business. They are different because they are jointly owned and democratically controlled and it is the members who are the beneficiaries of the activities of the business.</p>	<p><i>Voluntary failure</i> – the third sector does not have the capacity to deliver welfare services and requires infrastructural investment to meet the challenges.</p> <p><i>State failure</i> – The inability of the public sector to deliver effective welfare services has led social enterprises to fill the gap.</p> <p><i>Market Failure</i> – The failure of the private sector to allocate resources equitably.</p> <p><i>Social Economy</i> – a more radical tradition that sees capitalism itself as the problem.</p>	<p><i>ACEVO</i><sup>3</sup></p> <p><i>Business in the Community</i><sup>5</sup></p> <p><i>Development Trusts Association</i><sup>7</sup></p> <p><i>Co-operatives UK</i><sup>9</sup></p>	<p><i>Turning Point</i><sup>4</sup> derives over 90% of their income through contracts to deliver drug and alcohol services on behalf of the state.</p> <p><i>Carbon Retirement Limited</i><sup>6</sup> was created in 1998. It is a for profit business which allows businesses and individuals to offset their carbon footprint.</p> <p><i>Sunlight Development Trust</i><sup>8</sup> is a community owned and managed charitable organisation that works with partners across all sectors. We combine a mix of services aimed at everyone within our community; nobody is excluded. Our overriding aim is to improve health inequity and well-being by providing an improved range of social, medical and community activities.</p> <p><i>A co-operative</i> is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.</p>

As the field of social enterprise research has widened, a number of people have approached the subject from a more sociological standpoint. Here the focus has been upon social enterprise (and entrepreneurship) as a new language. Two schools of thought can be identified. First, some authors portray the language of social enterprise as a neo-liberal discourse promulgated by business schools which uncritically accepts assumptions that states are unable to deliver welfare services (see Dey, 2006), and that there is no trade off between social and economic goals in capitalist economies (Blackburn & Ram, 2006). Other authors particularly from England, have associated the language of social enterprise with a third way or communitarian rhetoric that attempts to plot a middle ground beyond traditional statist social democracy and neo-liberalism (Grenier, 2009; Haugh & Kitson, 2007). England provides a particularly interesting case by which to understand the emergence of social enterprise discourses as its development has been a central tenet of the recent New Labour government (Simmons, 2008). It is appropriate then to turn to England to trace the influence of discourses on the construction and institutionalisation of social enterprise.

## The construction of social enterprise in England

This section charts a chronological path of the development of social enterprise policy and discourse in England. Of course some oversimplification is necessary to comply with the demands of limited space. Three critical points are identified: the first mention of social enterprise in the policy literature in 1999, the creation of a Social Enterprise Unit within the Department of Trade and Industry (DTI) in 2001, and the later subsuming of this unit within the Cabinet Office of the Third Sector (OTS) in 2006. Each critical point demonstrates the expansion of the social enterprise construct to incorporate new organisational types and discourses. The recent exit of New Labour from government in 2010 might suggest a new critical point has been reached. The final section of this paper discusses how the construct of social enterprise may fare under a new political regime.

### Preconditions

Much of the existing literature, (see for example Teasdale, 2010), has portrayed social enterprise as suddenly emerging on the policy landscape in 1999 following the launch of the Treasury's National Strategy for Neighbourhood Renewal report *Enterprise and Exclusion* (HM Treasury, 1999). However, Grenier (2009) writing in respect of social entrepreneurship, notes that certain preconditions were in place that helped place the language in the policy arena. Closer analysis of the Labour Party's policy proposals while in opposition reveals that similar preconditions were in place that facilitated the emergence of social enterprise as a site for policy intervention in England.

Prior to the election of New Labour in 1997, the widely influential book *Social Justice: Strategies for National Renewal* (Commission for Social Justice, 1994) set out Labour's proposals for social and economic reform. The book places a heavy emphasis on the failure of the market to provide social justice. While the term social enterprise was not used, the authors argue that many of the organisational forms later associated with the construct could contribute towards national renewal in four areas: local regeneration and community development; combating long term unemployment; alternative models of organising private and state organisations; and delivering public services.

The theme of local regeneration runs through the book. Development Trusts were proposed as a way for local communities to take control of local assets and also to co-ordinate the activities of a range of social economy organisations, all of which would later be labelled as social enterprises. These included worker co-ops, housing co-operatives and credit unions. Non profit distributing Intermediate Labour Market Organisations, which aimed to move disadvantaged people into employment through on the job training, were highlighted as a response to long term unemployment. LETS organisations (informal barter organisations) were highlighted as a potential fallback option if structural unemployment could not be reduced. Employee ownership models were highlighted as a positive example of how relations between firms and employees might be rebalanced. Comparatively less attention was paid to the role of voluntary organisations in making services more responsive to the needs of consumers in a mixed economy of welfare provision (Commission for Social Justice, 1994). Thus the preconditions were in place that enabled a small number of practitioner organisations who were able to use language that fitted the New Labour agenda to push social enterprise into the policy arena as a response to market failure (Haugh & Kitson 2007, Ridley-Duff et al., 2008).

### **1999: The rapid construction of a social enterprise movement**

According to Brown (2003), the English social enterprise movement was sparked by a merger of two co-operative development agencies in London in 1999. The name for the new institution was Social Enterprise London (SEL) (Ridley-Duff et al., 2008). Brown (2003) suggests that the use of the term '*social enterprise*' was pragmatic. That is, it was designed to capture public and political interest in the work of co-operative development agencies without alienating people through the language of common ownership. Although the term social enterprise was used in the US at this time to refer to earned income derived by nonprofits (Dees, 1998), this was not a direct influence on SEL. There is though evidence of influence from Spain where one of SELs board members had spent time working alongside co-operative and social economy actors on a range of European Union funded projects.

The report from a well attended first SEL conference in 1999 offered the first tentative definition of social enterprise in England:

Social Enterprises are businesses that do more than make money; they have social as well as economic aims and form the heart of what is now coming to be known as the "Social Economy". Aims include the creation of employment, stable jobs, access to work for disadvantaged groups, the provision of locally based services and training and personal development opportunities (SEL, 1999, quoted in Brown, 2003: 10).

It would appear then that Social Enterprise London at this time had a strong focus on employment opportunities and democratic ownership, probably influenced by the worker co-operative elements within SEL. Social enterprises were promoted by SEL as able to contribute towards these priorities of the recently elected New Labour government.

A number of high profile practitioners were successful in persuading the New Labour government to facilitate social enterprise development. Indeed, SEL had links to the highest echelons of New Labour on their governing board (Brown, 2003). Within 18 months of SEL's formation the term '*social enterprise*' was used for the first time in a government publication, at least in the context of organisations trading for a social purpose. The Treasury's Neighbourhood Renewal Unit report

*Enterprise and Exclusion* borrowed heavily from SEL's own material, in defining social enterprises as follows:

Social enterprises, which together make up the social economy, are in most ways like any other private sector businesses, but they are geared towards social regeneration and help, rather than simply the generation of profits. As such social enterprises do not fall within the standard definitions of private or public sector enterprises (HM Treasury, 1999: 5).

The range of organisational types highlighted in the report was wider than that provided by SEL, and included more of the organisational forms highlighted by the Commission for Social Justice. Examples of social enterprises included:

...large insurance mutuals and retail co-operatives, smaller co-operatives, employee owned businesses, intermediate labour market projects, social firms [e.g. for production by people with disabilities], or social housing (HM Treasury, 1999: 105).

A community development discourse pertaining to community enterprises (see Table 1) was led in part by the Development Trusts Association. Community enterprises aimed to keep wealth in local communities and to establish ownership over local assets. The primary distinction between co-operative and community enterprise discourses centres upon the degree to which the social enterprise is financially sustainable through trading. Assimilation of community enterprises into the social enterprise movement partly reflected the ability of a small group of practitioners to utilise the language of the third way to achieve their aims (Ridley-Duff et al., 2008). It was a marriage of convenience. For a small group of practitioners in and around SEL espousing a co-operative discourse deriving from a more radical social economy tradition, social enterprise was not about local regeneration but rather a way of designing new (mutual) structures for public services and private businesses which would *permit* 'radically altered ways of behaving whose values might be inherent to the processes of the business itself' (Westall, 2009: 6). To help achieve this they forged links with one of the think tanks most closely associated with New Labour (see Westall, 2001), and later had some influence in areas of education, health and transport.

1999 symbolised the pragmatic marriage of more economically focused co-operative businesses with a range of organisational types for whom trading was only one of many income sources. The construct of social enterprise had quickly expanded outwards from the co-operative movement to incorporate community enterprises, in line with the dominant policy discourse of the time (see Figure 2). This reflects a subtle shift in the meaning of the *social*, from economic democracy towards what Amin describes as 'a regenerative tonic' for 'hard pressed areas' (2005: 614). Social enterprise was portrayed by government as a policy tool to combat market failure and regenerate deprived areas. How this marriage would cope with the entrance of new partners with very different ideological preferences remained to be seen.

### **1999-2001: From democratic participation to 'what works'**

The aforementioned Neighbourhood Renewal Unit report led to the then Department for Trade and Industry (DTI) taking responsibility for social enterprise in 2001 (Grenier, 2009), and providing support to social enterprises through Business Link. A range of social enterprise working groups were set up to facilitate this process. Representatives of the different organisational types including co-operatives

and development trusts were invited to sit on the working groups set up to inform the forthcoming DTI Social Enterprise Unit strategy. Returning to the framework outlined earlier in this paper (see Figure 1), these people represented the original constituents of the social enterprise movement – co-operatives and community enterprises. Also represented for the first time were social businesses which differed from the existing constituents in that democratic ownership and collective purpose were not seen as necessary organisational attributes.

The different personalities involved clashed regularly, in part a consequence of the different ideological interests they were pursuing. Those from the co-operative movement were keen to promote economic democracy and collective ownership as defining criteria of social enterprise. Community enterprise representatives stressed the importance of local regeneration initiatives. Social business representatives had tapped into the New Labour discourse of *what works* as opposed to the more process led discourses / activities of community enterprises and co-operatives. This social business discourse was later taken up by groups such as Business in the Community, who promoted a discourse of social enterprises as mainstream businesses whose social or environmental purpose was central to their operation (see Table 1). A recent article in the trade magazine *Third Sector* highlights a value based clash between individuals representing different constituents, both of whom were members of the working groups. The social business representative criticised a focus on democratic control and non-distribution of profits as excluding private sector entrepreneurs who also create social value. In response the co-operative representative noted that it is not enough to persuade existing businesses to conduct themselves in an ethical way, instead it is necessary to develop business models that serve the community (Ainsworth, 2009). These clashes are covered elsewhere by Grenier (2009) who discusses battles between social enterprise and social entrepreneurship discourses. However, it may be that many of these clashes were as much about individuals' egos, and competition to access resources as any profound ideological differences.

The period from 1999-2001 then marked the initial encroachment of social businesses into the social enterprise arena and further widened the construct so as to also incorporate the notion of businesses operating in the social sector, which was how the terminology was initially used in the US by some commentators (Kanter & Purrington, 1998). The period was a time of intensive lobbying by the different competing interests representing co-operatives, community enterprises and social businesses. To some extent the role of the DTI representatives was to balance the competing interests. The first attempt to *map* the social enterprise sector derived from one of the working groups recommendations. It is illuminating that this study (IFF Research, 2005) ignored social businesses adopting conventional business structures, focusing instead on organisational structures favoured by co-operatives and community enterprises – industrial and provident societies and companies limited by guarantee. Thus at this time the social enterprise policy discourse was positioned as in 1999. However, the later positioning of social enterprise within the DTI was seen by some commentators as prioritising a social business discourse over and above those for whom process was as important as outcome.

## 2001-2005: Business solutions to social problems

At the SEL conference in June 2001, Patricia Hewitt made a commitment to embed social enterprise more fully within government policy if Labour were to win the forthcoming election. A week later she was made Secretary of State at the DTI with a list of five priorities. One of these was social enterprise.

The early work of the social enterprise unit within the DTI focused upon creating a definition. This was not a legalistic definition, and was purportedly kept deliberately vague so as to permit the inclusion of a wide a range of forms as possible (DTI, 2002). Work towards this was informed by the social enterprise research and mapping working group. Their early working definition would have excluded co-operatives and some social businesses as it did not allow for the inclusion of organisations with 'some element of private benefit'.<sup>10</sup> Following a period of intense lobbying by the co-operative movement, Brown (2003) notes that the definition of social enterprise published in *Social Enterprise a Strategy for Success* (and used until May, 2010) was expanded to:

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: 8).

The insertion of the word '*principally*' was seen by Brown (2003) as allowing the inclusion of worker co-operatives whose members have a financial stake in the enterprise. Additionally the working definition had implicitly suggested that social enterprises did not deliver profit to shareholders / owners.<sup>11</sup> The final version suggested only that social enterprises were not driven by profit maximisation. Also significantly, the final version of the government's commitment to the development of social enterprises included as one of the characteristics supposedly exhibited by 'successful' *social enterprises* as 'democratic and participative management' (DTI, 2002: 16).

As well as permitting the inclusion of co-operatives as social enterprises, the inclusive definition provided by the DTI also allowed for the inclusion of for-profit businesses with social objectives. This perhaps reflected a dominant discourse within the DTI, and pushed heavily by social business representatives, that social and economic objectives were not mutually exclusive. Grenier notes that social enterprise was characterised by the Social Enterprise Unit as 'business solutions to social problems' (2009: 191). Another characteristic exhibited by 'successful' social enterprises but absent from the draft strategy was 'financially viable, gaining their income from selling goods and services' (DTI, 2002: 16). This implied that social enterprises relied primarily on trading for their income. As noted earlier, many community enterprises derived income from a wide range of sources, and were financially viable only to the extent that they could attract grants and donations. In part this shifting emphasis reflected a dominant policy discourse that social enterprises were in most ways like any other business.

This move away from social enterprise as a vehicle for regeneration was probably deliberate. The draft working definition was seen by some members of the working group as implicitly limiting social enterprises to regeneration and public service delivery.<sup>12</sup> It would seem that the DTI favoured a broader approach. The final version highlighted that social enterprises 'operate in all parts of the

economy' (DTI, 2002: 7). They also adopted a wide range of legal forms including 'companies limited by shares' (DTI, 2002: 7).

2001 - 2005 saw a broadening of the social enterprise construct so as to fully incorporate social businesses. Some critical academic commentaries covering this period saw social enterprise as a neo liberal response to perceived state failure (Blackburn & Ram, 2006). The assimilation of social businesses necessarily diluted the influence of the co-operative movement, and community enterprises. It is useful to conceptualise this period as also marking a shifting of the dominant policy discourse from local regeneration and employment creation (involving community enterprises and co-operatives), and towards business solutions to social problems (involving social businesses). This is exemplified by the second attempt to map social enterprises in the United Kingdom (UK) using the Annual Small Business Service surveys, which attempted to determine what proportion of mainstream businesses were social enterprises. Unlike the previous study, there was no legal constraint on the distribution of profits to external shareholders. Nor were social enterprises limited to organisations demonstrating social ownership or democratic control. Instead they could take any legal form (Lyon et al., 2010). This shifting policy discourse was also evident in the creation of a new legal form for social enterprises in 2005/06, the Community Interest Company (CIC) which had no element of democratic control necessary (Nicholls 2010). Although social business discourses were dominant during the period, other actors were resentful of the policy attention social enterprise was achieving, and were keen to demonstrate that charities and other nonprofit organisations had a long tradition of trading for a social purpose.

### **2005-2010: Moving in with the third sector**

The Charities Aid Foundation (CAF) had demonstrated an early interest in the potential for social enterprise to offer alternative income streams to their members by commissioning research examining the potential utility of social enterprise in the voluntary and community sector (see Pharoah et al., 2004). In this respect, social enterprise referred to earned income by nonprofits. The National Council for Voluntary Organisations (NCVO) has produced an almanac since 1996. By 2008 they calculated that around two thirds of civil society income was derived through social enterprise activity:

Social enterprise is normally thought of as a type of organisation. However, another way of thinking about social enterprise is as an activity, carried out by a variety of organisations within civil society (Kane, 2008: 1).

Whereas NCVO and CAF represented the earned income school of thought pioneered by Dees (1998), the Association of Chief Executives of Voluntary Organisations (ACEVO) was leading a move to increase the role of voluntary organisations in the delivery of public services (Davies, 2008). ACEVO has also adapted to the language of social enterprise, and has lobbied government for social enterprises to deliver public services (Ainsworth, 2010). However ACEVO was not claiming to represent social businesses, but rather non profit distributing voluntary organisations (ACEVO, 2010).

The Office of the Third Sector (OTS) was created in 2006 following a period of lobbying by strategic alliances of voluntary organisation representatives, and saw responsibility for social enterprise moving to the Cabinet Office. This led to the policy emphasis that:

Social enterprises are part of the 'third sector', which encompasses all organisations which are nongovernmental, principally reinvest surpluses in the community or organisation and seek to deliver social or environmental benefits (OTS, 2006: 10).

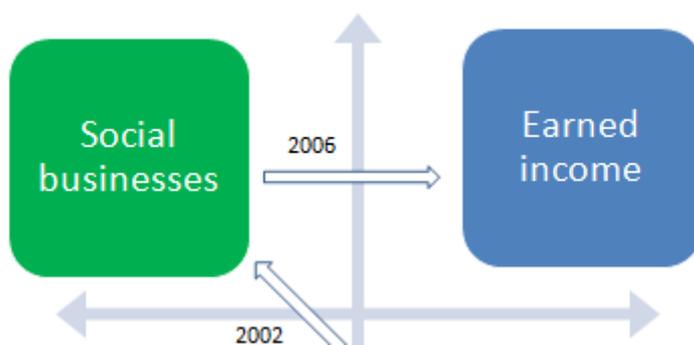
Thus the earned income discourses had further widened the social enterprise construct (see figure 2). This has seen commentators from this period noting that the institutionalisation of social enterprise in England may be bound up in the privatisation of public services (Haugh & Kitson, 2007), with social enterprises becoming 'a creature of public funding' (Peattie & Morley, 2008). Indeed, it has been argued that this period saw the re-labelling of voluntary organisations delivering public services as social enterprises (Di Domenico et al., 2009). Once more the dominant policy discourse can be seen as shifting, this time away from business solutions to social problems, and towards a third sector / earned income discourse that favoured voluntary organisations delivering public services. This is exemplified by the most recent state sponsored attempt to map the sector, the *National Survey of Third Sector Organisations*, carried out in 2008 and drawn from a population of nonprofit distributing third sector organisations. The survey also yielded the interesting finding that almost half of third sector organisations identified as social enterprises, although only around 5% were classified officially as such (Lyon et al., 2010). This demonstrates a remarkable permeation of social enterprise discourses in the nine years since the term was first institutionalised in the United Kingdom.

Alcock (2010) described the deliberate facade of a third sector as an alliance of strategic unity, as all players potentially benefit from a higher profile. While this may be true for some third sector players, it should not be forgotten that social enterprise already had a high profile in policy circles. Signs of fragmentation within the social enterprise *movement* began to appear towards the end of the period. A social enterprise kite mark designed to identify businesses that meet defined criteria for social businesses excluded many co-operatives who pay out more than half their profits as dividends; social businesses who had no asset lock to prevent assets being used for private gain; and community enterprises who derived less than half their income through trading (Social Enterprise Mark, 2010).

## Discussion and conclusion

Social enterprise means different things to different people in different contexts and at different points in time. It is a label that has been applied differentially across time and context to worker co-operatives and employee owned firms; not for profit local regeneration initiatives; private sector organisations who pay less than half their profits as dividends and self identify as social enterprises; earned income for charities; and the privatisation (or voluntarisation) of public services. Its meanings are culturally, socially, historically and politically variable. The only distinguishing characteristics of social enterprise are trading to achieve income, and the importance of social purpose (Peattie and Morley, 2008). This paper has demonstrated why this might be seen as the case in England.

Figure 2: The expansion of meanings attached to social enterprise



Social enterprise has been constructed by a variety of competing interests embracing different discourses and representing different organisational constituents. Figure 2 plots the expansion of the social enterprise construct between 1999 and 2010. The New Labour administration may have been initially influenced by the co-operative movement in supporting the development of social enterprise. A hasty marriage between co-operative and community enterprise discourses helped social enterprise position itself close to the heart of the third way project in 1999. A second stage saw the influence of a social business discourse upon the construct. This became firmly embedded following the establishment of the Social Enterprise Unit within the DTI. In stage three the influence of earned income and voluntary organisations as a vehicle for public service delivery further broadened the construct. Each widening of the social enterprise construct also coincided with a shift in the dominant policy discourse of each time period. The most influential actors were those that tapped into to prevailing government objectives. Thus a dominant community enterprise discourse coincided with a policy fixation with area based regeneration in New Labour's first term of government (Blackburn and Ram, 2006). The dominant social business discourse linked closely to the enterprise culture promoted in the second term of office (Grenier, 2009). The final term saw a dominant earned income discourse which linked to a policy agenda of using the third sector to deliver services (Haugh & Kitson, 2007). However, no single actor has managed to capture the social enterprise construct for themselves. The government chose to keep the social enterprise construct loosely defined so as to permit the inclusion of as wide a range of forms as possible (DTI, 2002).

Of course one advantage of loosely defined policy constructs is that they can be used to portray a cohesive policy agenda around a selection of loosely connected policies. The New Labour Government actively promoted the support and development of different organisational types, over time and across different contexts. This has involved expanding the construct by accommodating new organisational types and discourses rather than switching from one preferred type to another. Thus the government could claim to be addressing various social problems using social enterprise. As the construct has expanded, the perceived benefits of social enterprise appear to have increased exponentially. Indeed, by 2009 the OTS claimed that social enterprises demonstrated:

that social and environmental responsibility can be combined with financial success. They are innovative; entrepreneurial; concerned with aligning the needs of the individual with those of society; and social justice is their guiding principle. They offer joined-up, personalised services by... ..making the connections for service users...enabling users to make informed choices. They enable access to public services by... ..taking the service to the citizen, empowering dispersed communities to work together. They improve outcomes for those "hardest to help" by... ..developing innovative solutions...sharing the problem and the solution. They influence individual choices by... ..using role models within the community...giving people a stake in protecting their future (OTS, 2009: 1).

The positive attributes associated with each of the different organisational types would appear to have been aggregated to create a mythical beast. It is perhaps unlikely that any single social enterprise possesses each of these attributes.

So what is the future likely to hold for a construct indelibly associated with New Labour? Herein lays a certain paradox. The new coalition government has been quick to distance themselves from the language of New Labour. The Office of the Third Sector has been re-christened the Office for Civil

Society, and has updated their website to make an arbitrary distinction between social enterprises and co-operatives (Cabinet Office, 2010). However, the language of social enterprise is used by around half of third sector organisations, and a large number of private businesses (Lyon et al., 2010). This language appeals to both sides of the political spectrum, particularly as regards the delivery of public services (Di Domenico et al., 2009). Moreover, the global interest paid to social enterprise suggests it may be difficult to erase the term from the policy landscape.

However, as this paper has demonstrated, social enterprise is a label rather than a specific organisational form. Many of the organisational types amalgamated under the social enterprise construct found have favour in Conservative led discussions of the *Big Society*. Co-operatives have been portrayed as a vehicle to free public services from bureaucracy and offer workers control over the services they deliver (Blond, 2009). Although local regeneration and development trusts are unlikely to garner the same support as under New Labour, community organisations are likely to play a role in the localisation agenda (Conservative Party, 2010). Mainstream (social) businesses and voluntary organisations are likely to play a greater role in the delivery of public services as the coalition government seeks to reduce public spending (Conservative Party, 2010). Earned income is likely to remain the most important source of revenue for many charities. Certainly it is unlikely that government grants to charities will increase significantly in the near future. The important question then is whether the different organisational types will feel the need to describe themselves as social enterprises in the future, and whether there remains any value for governments and different organisational types in portraying a strategic unity around the social enterprise construct.

## Endnotes

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<sup>1</sup> <http://www.ncvo-vol.org.uk/>

<sup>2</sup> [www.oxfam.org.uk](http://www.oxfam.org.uk)

<sup>3</sup> <http://www.acevo.org.uk/>

<sup>4</sup> [www.turning-point.co.uk](http://www.turning-point.co.uk)

<sup>5</sup> [http://www.bitc.org.uk/london/programmes/se\\_pilot.html](http://www.bitc.org.uk/london/programmes/se_pilot.html)

<sup>6</sup> [www.carbonretirement.com](http://www.carbonretirement.com)

<sup>7</sup> [www.dta.org.uk](http://www.dta.org.uk)

<sup>8</sup> <http://www.sunlighttrust.org.uk/>

<sup>9</sup> <http://www.cooperatives-uk.coop/>

<sup>10</sup> Sourced from an unpublished and undated document titled “Summary of the outcomes of the Social Enterprise Unit’s Working Groups”

<sup>11</sup> Ibid

<sup>12</sup> Ibid

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## About the Centre

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Third Sector Research Centre

Park House

40 Edgbaston Park Road

University of Birmingham

Birmingham

B15 2RT

Tel: 0121 414 3086

Email: [info@tsrc.ac.uk](mailto:info@tsrc.ac.uk)

[www.tsrc.ac.uk](http://www.tsrc.ac.uk)

## Social Enterprise

What role can social enterprise play within the third sector? This work stream cuts across all other research programmes, aiming to identify the particular characteristics and contribution of social enterprise. Our research includes theoretical and policy analysis which problematises the concept of social enterprise, examining the extent to which it can be identified as a distinct sub-sector. Quantitative analysis will map and measure the social enterprise sub-sector, and our qualitative case studies will contain a distinct sub-sample of social enterprises.

## Contact the Author

**Simon Teasdale**

**Tel: 0121 414 2578**

**Email: [s.teasdale@tsrc.ac.uk](mailto:s.teasdale@tsrc.ac.uk)**

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