

## Briefing Paper 22

### Social enterprise and the environment: a review of the literature

Dr Ian Vickers, Middlesex University

This review suggests that more is known about social enterprise and the environment than is sometimes acknowledged, notwithstanding that many of the studies identified rely on survey evidence that is limited in various ways or case studies which lean towards the exploratory. Further complicating factors are that the environment involves a very broad, cross-cutting agenda and that 'social enterprise' is an ill-defined concept, with socially and environmentally motivated ventures taking place under a wide variety of organisational forms, including within and/or spanning private and public sectors.

Insight into the origins and development of the 'green social economy' is provided by the literatures on social movements, environmental politics and social innovation (e.g. Lowe and Goyder, 1983; Pepper, 1996; Mulgan, 2006).

The 1970s and 1980s in particular saw attempts on the part of activists to pioneer alternative technologies and other creative responses to environmental issues, although with limited impact in terms of the wider dissemination of solutions. As Smith (2004, p.117) argues, the main legacy of the alternative technology movement has been in providing an "important critique of the technocratic basis and poor environmental performance of mainstream industrial technology."



The opportunities for environmentally motivated social enterprises have increased in recent decades in parallel with the growth of national and international policy towards sustainable development, regeneration policy and specific areas of environment-related regulation and fiscal incentives, public sector reforms and the outsourcing of public services. Action to support sustainability at the community level in the UK has also been driven by Local Agenda 21, regeneration initiatives, National Lottery projects and other funding streams targeted at disadvantaged communities in particular (e.g. Lucas et al; 2003; Church and Elster, 2002). Social and environmental quality standards and brands, such as those of the Soil Association, the Forestry Stewardship Council and the Fair

Trade Foundation have also been prompting commercial businesses (and third sector organisations) to change their practices and have stimulated the growth of co-ops and farmers' markets in their respective supply chains.

Most recently, concerns about the dangerous threat of global climate change have prompted a renewed policy drive to facilitate a transition to a 'low carbon economy' (HM Government, 2009). The economic crisis of recent years has, in the eyes of some, further reinforced the arguments for alternative models of enterprise and economic governance, a context in which social enterprise and 'hybrid' models are seen to have particular strengths in terms of reconciling social, economic and environmental criteria, or the 'triple bottom line' (e.g. Boyd et al; 2009; Murray, 2009).

The best available evidence shows that only a small minority of social enterprises in the UK (5%) identify the environment as a main focus of their activity (IFF, 2005; CEEDR, 2008) although up to a quarter claim to contribute to environmental aims in some way. The most comprehensive mapping study identified (IFF, 2005) found that social enterprise environmental activities in the UK were mainly centred around recycling and encouraging the sustainable use of resources (42% of those with environmental goals), but also included improving urban environments (29%), conservation goals (23%) and raising environmental awareness (20%).

Current issues and challenges facing green social enterprises relate to the financially precarious nature of their operations; the dynamic and increasingly competitive nature of the markets involved (i.e. as more commercial firms move into areas such as waste management and recycling); the difficulty of scaling-up and potential adverse consequences of this, such as loss of local focus; the managerial challenges, in terms of business acumen and specialist skills, in a context where management is often a more

difficult function than in purely commercial enterprises; and the difficulties involved in assessing environmental and social impacts. Nevertheless, a number of recent studies focused in particular on the waste recovery and recycling sector (notably Rowan et al, 2009) show that social enterprises are growing and thriving, their success being attributable to factors such as their adoption of cost-effective business models, routinely pricing in a margin for long-term organisational development, having externally verified quality assurance accreditation, developing long-term relationships with their public sector customers, having diverse income streams, and also their ability to take advantage of diverse national and local support networks. As Rowan et al (2009, p.10) persuasively argue:

*“Resource recovery goes beyond recovering value, in pounds or tonnes, from beds, bikes and planks of wood. It includes enabling individuals to recover their own resourcefulness, valuing themselves and others, through second-chance training opportunities or volunteering skills to their community. Resource recovery is about relationships and networks linking people together to make a practical difference, especially where individuals and communities are under pressure. It is as much about the human recovery as it is about material resources.”*

Recent years have seen the growth of attention focused on entrepreneurship which is motivated by environmental values, variously termed environmental or green entrepreneurship, eco- or enviropreneurship, sustainable/sustainability entrepreneurship (e.g. Walley and Taylor, 2002; Dean and McMullan, 2007; Cato et al. 2008; Parrish and Foxon, 2009; Tilley and Young, 2009). Entrepreneurial actors, with their propensity for innovation, experimentation and risk taking, are seen by some authors as the driving force of a sustainable society. Key issues include the need to understand

entrepreneurship as a process within ventures with co-operative structures and goals and the advantages and disadvantages of associative entrepreneurship and co-operative forms compared to more mainstream approaches to new ventures, and the role of diverse operating contexts and opportunities in facilitating or deterring green entrepreneurial action and innovation vis a vis the interests of incumbent businesses.

Literature on environment and innovation has been particularly concerned with how *green niches* are created (Kemp et al; 1998), focusing on areas involving renewable energy technology and services but also in food and housing - all sectors where social enterprises have been playing a role (e.g. Parrish and Foxon, 2009; Seyfang, 2009; Smith, 2006; Van der Horst, 2008). The transformation of systems of production and consumption is particularly difficult given the path dependent and mutually reinforcing nature of economies of scale, existing infrastructures, practices and norms, and the dominant 'culture of consumption' and associated marketing machinery that further reinforce existing practices. **Recurrent themes in this literature relate to the importance of supportive contexts, including public sector and other forms of support, and of learning which spans the boundaries between enterprises, users and user-communities, policy makers and other actors. Social enterprises play a key role in going beyond the narrowly 'technical' solutions of the mainstream and, with their (in the main) local focus and concern with community engagement (but including communities of interest, as well as of place), are identified by a number of authors as playing a key role in catalysing innovation in support of sustainability.**

In a recent discussion paper on the potential of a 'new social economy' Robin Murray (2009) presents the case that the recent economic crisis, allied to concerns about

dangerous climate change, demands a programme of

*“profound structural change, of a radical transformation of infrastructures and institutions that will be the precondition for a new, qualitatively different period of growth [...] In this transformation environmental and social innovation will have a central place” (p.5).*

Thus Murray and other contributions reviewed here argue the need for systemic innovation – the transformation of how whole systems of production and consumption are conceived and delivered. This requires radical new ways in how existing resources are deployed and in the design of regulations and incentives, with Murray and other commentators seeing the third sector and social enterprises as having a key role to play. Clearly the future is uncertain and such persuasive arguments need to be considered in the light of more cautionary evidence relating to the limited scale, capacity and influence of the social economy (e.g. Bridge et al, 2009) as well as the considerable obstacles posed by the cultural and political/institutional barriers to sustainability transitions (Jackson, 2009).

Areas where there is a need for further research include:

- the extent to which social enterprises in general (i.e. not just those where the environment is a primary motivation) assess their contribution to environmental as well as social sustainability, including their use of new tools such as Social Return on Investment (SROI);
- their relationships with stakeholders and partner organisations, including with respect to innovation (e.g. with corporate social responsibility (CSR) motivated commercial enterprises and/or local authorities) and the 'co-production' of services/products.

There is a need for further research to clarify the advantages and disadvantages of associative entrepreneurship and co-operative forms compared to more mainstream approaches to new ventures. To what extent are social enterprise legal forms experienced as overly cumbersome/restrictive compared to private sector forms for some types of green/socially motivated entrepreneurship and innovation?

A key consideration for any future research is the extent to which the changing market structures and policy interventions, and more 'bottom up' initiatives, are combining to enable a better integration of environmental, social and economic sustainability criteria. This could be further explored in relation to the following issues:

- the role of sustainable public procurement, including the potential of 'green new deal' type programmes in combining social/economic and environmental objectives, and how to further the involvement of social enterprise in such programmes;
  - the appropriateness of governance/regulatory structures, including sector specific policy in enabling socially innovative solutions and systems of provision, particularly in strategically important sectors (i.e. energy, food)
- where social enterprises are currently less prevalent;
- the influence of scale/geography including the potential for greater local sourcing and adoption of co-operative solutions involving the application of industrial-ecology / eco-industrial development principles;
  - the extent to which efforts that seek greater community engagement and learning around sustainability (such as the Transition Towns movement) are acting as seedbeds for environmental social enterprise activity in different types of locality;
  - the role of innovation and R&D support for low carbon innovation in social enterprises, including:
    - how to better support innovation for sustainability, including 'social' innovations;
    - existing public innovation support programmes and the extent to which sustainability considerations need to be further addressed as an aspect of their assessment criteria and to open up such support to social enterprises;
    - the relative roles of public sector support and other forms of support, particularly with respect to access to finance.

This paper is part of the Third Sector Research Centre – Briefing Paper Series see [www.tsrc.ac.uk](http://www.tsrc.ac.uk) for more details and a copy of the full Working Paper 22

***The support of the Economic and Social Research Council (ESRC), the Office of the Third Sector (OTS) and the Barrow Cadbury UK Trust is gratefully acknowledged. The work was part of the programme of the joint ESRC, OTS Barrow Cadbury Third Sector Research Centre***