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

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Social Enterprise and the Environment: a review of the literature

Abstract

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. 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. In recent decades, social enterprise activities that aim to combine environmental and social benefits have been particularly centred around employment creation and work experience initiatives targeted at disadvantaged groups and communities. The best available evidence suggests that up to a quarter of social enterprises in the UK see themselves as contributing to environmental aims, with only a small minority (5%) identifying the environment as a main focus of their activity. Sustainable waste and resource recovery/management constitutes the largest sector of the green social economy and, as such, has received the most systematic attention. Other activities include nature conservation, community-based renewable energy, sustainable housing, transport, food production and distribution, local currencies, and environmental education and awareness raising. Issues and challenges identified in the recent policy literature relate to the financially precarious nature of social enterprise operations, the dynamic and increasingly competitive nature of the markets involved, the difficulty of scaling-up and potential adverse consequences of this, and the complexities involved in assessing environmental and social impacts.

Recent literature also examines entrepreneurship and innovation that is motivated by environmental and social/ethical concerns. 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/or 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. While there are barriers and concerns about capacity, social

enterprises, with their (in the main) local focus and concern with community engagement (including communities of interest, as well as of place), are seen as integral to the advancement of environmental and social innovation in support of sustainability. The literature therefore affirms the ongoing importance of the green social economy in terms of challenging the narrowly 'technical' solutions of the mainstream.

Keywords

Social enterprise, environment, sustainability, social innovation, social entrepreneurship.

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1. Introduction

1.1 Aims and approach

This paper draws on academic and grey/policy literatures to examine the current understanding of the role of social enterprise in relation to the environment. Not-for-private-profit organisations and entrepreneurs within the social economy have long played a role in pioneering creative responses to environmental issues, although often with only limited impact in terms of the wider dissemination of solutions. As will be seen, the opportunities for 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. Most recently, the sharp rise in the policy agenda and public awareness of the threat of dangerous climate change has given impetus to the policy objective to achieve a rapid transition to a low carbon and more sustainable economy and society. This review therefore examines a diverse range of academic and policy literatures to provide an overview of social enterprises and their contribution to environmental sustainability, focusing on the following main questions:

- what are the origins and main drivers of social enterprise involvement in environmentally motivated activities?
- what is known about the types of activities involved and scale of the green social economy?
- what are the current opportunities and barriers facing environmentally motivated social enterprises?
- to what extent do social enterprises integrate and balance social, environmental and economic aims - the 'triple bottom line' - and what are the challenges in terms of assessing the sustainability performance of enterprises?
- that is known more generally about entrepreneurship and innovation processes that are driven by social and environmental concerns, including with respect to ventures within (or which span) the private and public sectors, as well as the social economy?

A number of sources have been utilised to identify studies published (in English language), both the grey/policy and academic literatures, including Middlesex University's library resources and online databases (i.e. the University's Multisearch facility) and other search engines (e.g. Google Scholar), specific academic journals, and some recent conference papers. The electronic search used a variety of terms, although the main focus has been on publications captured by:

Social OR Community AND Enterprise AND Environment OR Green OR Sustainable
Entrepreneurship OR Innovation AND Social OR Environment OR Green OR Sustainable

The remainder of this section examines the challenges involved in defining a social enterprise 'environmental sector', followed by an overview of the origins and development of the green social

economy. Section 2 examines the scale and scope of environment-related social enterprise activity, drawing on the recent grey/policy literature and academic studies focused on regeneration and sustainability at the local community level and in relation to particular sectors. A number of key issues and challenges facing 'environmental' (or 'pro-environmental') social enterprises are also identified. Section 3 draws on recent contributions from the international academic literature that examine entrepreneurship and (social) innovation that is motivated by environmental and ethical concerns and their potential role in the transition to a more sustainable economy and society. Although studies of this type are not always explicitly focused on the social economy, the insights involved may be of direct relevance to social economy organisations. Section 4 concludes by summarising the key points to emerge from this review and suggests a number of areas for further research.

1.2 Social enterprise and the environment – definitional challenges

The social economy ('third sector') covers a diverse range of initiatives and organisational forms, broadly defined by social aims and legal forms which are distinct from both private ('first sector') and public ('second sector') organisations.¹ The term social enterprise is itself contested and unclear, but generally accepted as referring to a set of organisations with primarily social purposes but which generate a significant amount of their income from trading in goods or services. In the UK the category includes community enterprises, co-operatives, development trusts, credit unions, trading arms of charities, employee-owned businesses, housing associations, social firms, and leisure trusts. Social enterprises are sometimes seen as *hybrid* organisations, reflecting that they have mixed characteristics, being values- (or 'common-good') driven and operating in the ill-defined space between the for-profit and non-profit worlds (Chew, 2008; Boyd et al., 2009; Sepulveda, 2009). In the United States, hybrid organisations are particularly associated with what some commentators are defining as a new 'Fourth Sector'. This is said to be coalescing out of the blurred area between the public, private and social (non-profit) sectors² and in response to the perceived limitations of traditional third sector organisations, notably their tendency to be dependent on limited and declining sources of grant income and donations (Diachon and Anderson, 2009). In the UK, the Community Interest Company (CIC) legal form was created in 2005 in order to further enable charities and other organisations to undertake formalised social enterprise activities.³ This review reflects (rather than resolves) the definitional and terminological ambiguity around legal/organisational forms in that it adopts the terminologies used by specific contributions, i.e. at times referring to 'third sector', 'social economy', 'community' and other 'hybrid' organisations.

Smith and Young (2007, p.4) observe that the social economy represents a sphere of socio-economic activity that, in principle at least, is highly attractive in terms of the achievement of ideals relating to environmental and social sustainability and more democratic organisational forms. They also point out, however, that while it is generally acknowledged that the numbers of environmentally-inspired activities and organisations within the (green) social economy is increasing, there has been very little empirical analysis and discussion in relevant academic journals. There has also been an absence of systematic attention to the scale and scope of the environmental sector of the social economy on the part of most government agencies, including the European Commission.

Considerably more attention, for instance, has been devoted to environmental issues and sustainability in mainstream businesses, including the small business sector.⁴

A key difficulty is that the environment involves a very broad, cross-cutting agenda. For example, arguably the most comprehensive functional classification system used to analyse the nonprofit sector is the John Hopkin's International Classification of Nonprofit Organisations (INCPO) System. Under this system, 'Environment' (Group 5) includes two sub-groups: 'environment' and 'animals'. Leaving aside animal-related organisations, the activities within the 'environment' sub-group are:

- pollution abatement and control;
- natural resources conservation and protection;
- environmental beautification and open spaces;
- multipurpose environmental organisations;
- support and service organisations, auxiliaries, councils, standard setting and governance organisations;
- environmental organisations not elsewhere classified (Salaman and Anheier, 1997, p. 72).

As Smith and Young argue, this categorisation *'does not capture the full range of activities and organisations that can be included legitimately within the green social economy'* (p.6). To illustrate this, they point to types of activity and social enterprises promoted by the Department of the Environment, Food and Rural Affairs in the UK to help it realise its strategic objectives, including areas such as sustainable rural regeneration, farming and food production (Defra, 2005a). Moreover, with the wider recognition that most economic activity has an impact on the environment, there has been growing attention to concepts such as clean (or sustainable) production (Jackson, 1994), eco-efficiency (WBCSD, 2000) and the scope there may be for the innovative (re)design of products, processes and services in all sectors in order to minimise the use of energy and other natural resources and to reduce waste and pollution. Relatedly, the notion of sustainable consumption involves a focus on the behaviour and lifestyle changes needed for living within ecological limits and the implications for the economy (Jackson, 2004, 2009; SRC, 2006). How other recent empirical studies have defined the scope of 'environmental social enterprise' will be further addressed in section 2.1, while the role of innovation is also a key theme in the following and later sections.

1.3 Origins and development of the green social economy

Although social enterprise is a relatively recent concept, insight into the origins and development of green concerns within the social economy is provided by the literatures on social movements, environmental politics and social innovation. Social innovation is a broad concept which includes new organisations, but also new strategies, concepts, and ideas which address social needs of all kinds (Mulgan, 2006; Westall, 2007). Social innovations have been important in relation to working conditions, education, community development and health as well as the environment, and are generally seen to extend and strengthen civil society. The history of social activism and the contribution of radical movements to social innovation can be traced back to the origins of industrial society and before. Webb and Webb (1911) document the role of voluntary and community

organisations as pioneering innovators of social welfare and the development of public services in the 19th century. In his 'short history of social innovation', Mulgan (2006, p. 14-16) describes how the growth of social movements and of civil society during the 19th and 20th centuries drove social innovation and new organisational forms to meet social needs, contributing to the development of the public sector and social policy. Mulgan's account therefore sees progress as involving the '*mutual reinforcement of social, economic, technological and political organisations*' (p. 16). Precursors for environmentalism included movements in the 19th century to protect biodiversity, leading to the founding of the Royal Society for Nature Conservation in 1912 (Lowe and Goyder, 1983, ch. 5). The National Trust was established in 1895 and grew out of a general movement to protect open space, with the aim of acquiring and protecting threatened countryside, coastline and buildings against the impact of development and industrialisation (op cit. ch.8). With 3.5 million members, the National Trust is now the largest third sector environmental conservation organisation in the UK (<http://www.nationaltrust.org.uk>). The Sierra Club was founded in 1892 to defend America's wilderness and also continues to this day, as with many other environmental conservation organisations established in the Victorian era.

The latter half of the 20th century saw the emergence of drives to counter pollution from big companies or seek compensation for their victims. As well as localised problems of air pollution, toxic waste, synthetic pesticides and groundwater degradation, the rising awareness of global scale threats - of acid rain, ozone depletion, the depletion of ocean fisheries and global warming - drove the growth of environmental pressure groups and direct action, including organisations such as Friends of the Earth, Greenpeace and various green/ecological political parties and groups around the world (Lowe and Goyder, 1983; Jamison et al., 1990; Pepper, 1996). The 1970s and 1980s in particular saw attempts on the part of activists to develop a coherent green political ideology in which economic democracy was a key element. Workers co-operatives were a favoured institutional form around which a new green economy could be built, although little explicit attention was given to other social economy organisational forms (Smith and Young, 2007, p.2).

Of particular relevance to recent social innovative action that seeks to address environmental problems were the pioneering efforts of the alternative technology movement. This began to emerge in the 1970s against the background of the growth in the 1960s and 1970s of social movements around ecology, feminism and civil rights, also giving rise to innovations in governments and commercial markets, as well as in NGOs. Smith (2005) combines insight from the literature on social movements, concerned with the social values around which movements cohere; and the sociology of technology, which views innovation as being fundamentally a social process involving diverse actors; to examine the history of the alternative technology (AT) movement. The AT movement involved the promotion of technologies viewed by activists as necessary in order to facilitate a radical transition from industrial society towards an economically steady-state society, seen as more socially convivial as well as more in balance with the environment and ecological principles and involving the wider adoption of co-operative organisational forms (see also Jamison et al., 1990). The technologies involved included renewable energy, autonomous eco-housing and communities, co-operative workshops, organic food production and distribution, and small-scale infrastructures for water. Fritz

Schumacher (1973) was a key figure; his influential book – *Small is Beautiful* - based on his observation of the problems inherent in the transfer of capital intensive technologies from the industrialised world to the developing world, led him to advocate small scale ‘appropriate’ technologies. He also founded the Intermediate Technology Development Group in 1966.⁵

The oil shock of 1973 and ensuing energy crisis stimulated public and government interest in alternative energy and energy conservation, with funds being committed to research and development in alternative energy technologies such as wind, wave and tidal power, low energy homes and solar housing. However, the limited funding tended to be concentrated on large scale technology development in incumbent firms and official energy institutes and universities, while small non-professional AT groups found it difficult to obtain funding from these programmes. Hence, in Smith’s analysis, the challenge of AT was interpreted through the incumbent industrial frame of reference (point of view, or mental model) which was unsympathetic to the AT vision of an alternative society. A few other countries experienced a more positive response to AT ideas, notably in the case of the wind energy sector in Denmark, where a stronger grassroots tradition and a more supportive policy setting enabled the enrolment of actors sufficiently resourced to develop and apply wind energy technology. Meyer (1995, 2007) documents the role of systematic government support including favourable tariff schemes and co-operative local ownership (contributing to widespread public acceptance of wind turbines) in the early success of the sector in Denmark. In the UK, although the AT movement ultimately had limited influence due to the disjuncture between the frames of activists and the incumbent technology producers and users, Smith argues that the main legacy has been in providing an ‘important critique of the technocratic basis and poor environmental performance of mainstream industrial technology’ (p.117).

Although attempts to generate wider support for AT were short-lived in the UK, AT ideas have continued to inform the broader environmental movement and social economy. Smith (p.113-115) documents this further development, with examples such as the success of the Centre for Alternative Technology in Wales, which continues to this day (<http://www.cat.org.uk>), and the growth of the alternative milieu itself, including the back-to-the land movement, in which people are motivated to pursue alternative lifestyles, become involved in networks of volunteering and support, including niche markets for AT. Of particular relevance were the pioneering actions of local groups in taking advantage of job creation grants, initially by Durham Friends of the Earth who created home insulation services for disadvantaged groups (Lowe and Goyder, 1983).

1.4 The recent policy context

The 1980s saw the growth of official policy and action towards sustainable development, involving the stated aim of simultaneously pursuing environmental quality, economic prosperity and social equity (WCED, 1987).⁶ The growth of EU and national policies to address rising unemployment, in combination with increasing policy attention to the sustainable development agenda at the local level has provided opportunities for pioneering third sector organisations. These have been particularly centred around employment creation and work experience initiatives for disadvantaged groups and communities, while also fulfilling environmental goals.⁷ Anastasiasas and Mayr (2009) examine such organisations in an Austrian context (dubbed ECO-WISEs: ecological-work integration social

enterprises), tracing their evolution from early niche development in the 1980s, growth and expansion into new niches in the 1990s and '*downsizing and rekindling*' in the 2000s. Similarly, action to support sustainability (and related work experience/job creation) at the community level in the UK has been driven by regeneration initiatives, National Lottery Projects and other funding streams (Church and Elster, 2002).

In the UK the social economy/third sector and social enterprises in particular have become closely associated with the strategies of the New Labour Government since 1997, and particularly its aim to reduce the obligations of the state by expanding the role of social (and private) enterprise in a mixed economy of public service provision (DTI, 2002; HM Treasury, 2005).⁸ Moreover, recent statements of policy makers have supported a strong role for the third sector and social enterprises in particular in addressing environmental issues while also addressing social objectives in local communities (Defra, 2005a, 2005b, 2008). The opening up of public sector contracts for environment-related services to community and voluntary sectors and to small-scale enterprises has been a significant area of opportunity, particularly with respect to waste management and recycling, housing, transport and other regeneration-related initiatives. At the same time, wider stakeholder influences, including within supply chains, and green/ethical purchasing pressures have been a growing influence on all businesses (e.g. Wheale and Hinton, 2007). Social and environmental marks and brands, such as those of the Soil Association, the Forestry Stewardship Council and the Fair Trade Foundation have also been prompting mainstream 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 (Murray, 2009, p.29).

Most recently, the sharp rise in the policy agenda and public awareness of the threat of dangerous climate change has given impetus to the objective to achieve a transition to a low carbon and more sustainable economy and society (HM Government, 2009a and 2009b). The systemic crisis and economic downturn affecting the entire global economy that began in 2007 has brought a further dimension to the debate. The Anglo-American model of capitalism is now more widely perceived to be deeply flawed, with the roots of the crisis to be found in the model's dependency on a lightly regulated, highly globalised financial system, consumption fuelled by high levels of personal financial debt and characterised by high levels of social inequality and cheap consumer goods imported from developing countries (e.g. Gamble, 2009), as well as being environmentally unsustainable and based on the accumulation of 'ecological debt' (Simms, 2005). Doubts raised as to the nature of financial-sector driven innovation under this regime and the desirability of a return to 'business as usual' have been accompanied by a renewed interest (in some quarters at least) in alternative models of enterprise, as well as modes of economic governance and regulation. Debate (and some policy development) has also focused on the potential of a government led 'green stimulus' in the form of an economic recovery package involving investment in a low carbon economy and the creation of 'green jobs' (GNDG, 2008; Ottmar & Stern, 2009; HSBC, 2009). It is against this background that the potential of social and 'hybrid' enterprises and claims that they represent alternative organisational models for balancing social, environmental and economic aims, or the 'triple bottom line', needs to be considered (Thompson and Docherty, 2006; Amin, 2009; Boyd et al., 2009; Murray, 2009).

2. The green social economy – scope, scale and issues

2.1 Current scope and scale: national, regional and sectoral studies

It has been argued that there is a serious lack of up-to-date evidence on the scale and basic characteristics of the social enterprise sector, particularly in relation to environmental issues (Smith and Young, 2007). Although it is true that there are very few large scale surveys, either in the UK, European or wider global context, recent years have seen a growing number of policy related studies in the UK focused on specific environmental (sub)sectors/themes and regeneration-related activities in regional and local economies/communities.

The Global Entrepreneurship Monitor provides some comparable data across a wide variety of countries on levels of socially/environmentally motivated enterprise, albeit limited to early-stage activity. Although the 2009 survey of 54 countries (Bosma and Levie, 2010) utilises a broad definition of 'social entrepreneurship' and does not disaggregate according to specifically environmental motivations or sectors, it observes a significant difference between country groups according to phase of economic development. Thus in less developed 'factor-driven' economies, socially entrepreneurial action tends to be focused on basic issues and pressing needs (which may be local environment-related) such as access to water and sanitation, basic health care provision or agricultural activities in rural areas. In the more developed 'innovation-driven' economies (i.e. including the United States and much of Europe), waste recycling and nature protection are amongst the most prevalent activities (op cit., p.48) which also include culture-related organisations and care services.

At the national level, the survey of social enterprises conducted for the UK government in 2005 (IFF, 2005) is the most frequently cited, although this was limited to those enterprises registered as companies limited by guarantee (CLG) or industrial and provident societies (IPS) and therefore omits socially entrepreneurial activity in other organisations, such as development trusts.⁹ The study estimated that there were 15,000 social enterprises in the UK registered as CLGs (88%) or IPSs (12%), constituting around 1.2% of the overall business population. Of the organisations surveyed (n=1,480) just 5% identified the 'green environment' as their sole focus, although 23% also stated that they seek to help the environment. The figure of 5% was also found for social enterprises focused on 'environment, conservation and animal welfare' in a more recent survey in South East England that also included charities (CEEDR, 2008, p.21), lending credibility to the figure found by IFF and confirming the limited scale of social enterprise activity that is directly motivated by environmental concerns. The IFF study found that environmental activities 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%). 'Environmental social enterprises' were also more likely to be focused on a particular locality, although 20% focused primarily on a wider area.

A study for the Scottish Social Enterprise Coalition (Triodos, 2007) sought to assess the environmental practices of diverse social enterprises across Scotland, also comparing them with the wider business sector (CBI Scotland, 2007). It is based on a relatively small sample, however, with just 48 social enterprises responding to e-questionnaires sent to around 200 organisations (four

detailed case studies were also conducted). The majority (67%) of respondents operated in a rural setting. Findings include that nearly half of respondents (48.7%) reported environmental sustainability as a core business purposes; 88% participated in schemes to recycle their used materials (compared to only 38% of the wider business sector); 79% used local suppliers to source products; and 51.4% reported environmentally friendly procurement practices (compared to 28% of Scottish businesses). Regarding barriers, the report draws attention to the small size of many community-led organisations which means they have a limited financial resources to invest in some forms of improvement (building insulation to improve carbon efficiency is mentioned) and are less likely to have written/formalised policies in place compared to larger organisations. Another significant limiting factor identified was that of poor local recycling facilities, particularly in rural settings; a key recommendation is therefore the need for greater engagement between businesses and local authorities in the planning and delivery of corporate recycling services (p.8).

The paper by Anastasiasas and Mayr (2009) reports preliminary findings from a study focused on pioneering third sector organisations which combine labour market and environmental goals in an Austrian context, utilising evidence from interviews with 15 experts and two stage survey evidence (n=210 & 61). Social aims tend to be the primary concern in such organisations, with some variation between the priority given to ecological and economic aims, but with the latter – notably the survival of the organisation - tending to predominate. How such enterprises manage the trade-offs between competing social/environmental and economic aims in the context of their co-dependency on public authorities and support is identified as a key issue.

Additional evidence on the scale, nature and growth potential of environment-related social enterprise is provided by studies for UK regional development agencies (RDAs) and also a number of studies focused on the waste management and recycling sector. Two studies for the RDAs (ERM, 2002; Groundwork, 2006) were aimed at providing a strategic framework for the support and development activities of the agencies concerned and their regional partners. The study by ERM identified 71 organisations in the East Midlands *'involved in, or aiming soon to be involved in environmental social enterprise activities'* (p.13) of which 42 were interviewed. Primary activities identified were waste/community recycling (41%); conservation and biodiversity (10%); energy (9%); environmental regeneration and housing (9%); education, training and consultancy (7%) (p.16).

The South East England study (Groundwork, 2006) estimated that there *'may be as many as 100-200 environmental social enterprises trading in the region'* (p.7), identifying the following sub-sectors (or themes): waste collection and recycling; energy production and other environmental technologies; landscape creation and maintenance; conservation of the built and natural environment; and other 'cross cutting' environmental business. Additional sectors identified as relevant to the environment were culture, housing associations, rural services, regeneration, health and social care. Regarding the latter, there has been increasing attention given to the social, therapeutic and education benefits of working with nature as providing a strong rationale for education, probation and social services to support projects involving young people and disadvantaged groups in urban green spaces, nature reserves and community forests.¹⁰ The main insights of the Groundwork report are derived from nine case studies of social enterprises in environment-related sectors.

As previously indicated, sustainable waste and resource recovery/management constitutes the largest sector of the social enterprise component of the UK 'environmental economy' and, as such, has received the most systematic attention (e.g. Williams et al., 2005; Luckin and Sharp, 2003, 2004; Sharp and Luckin, 2006; BRASS, 2006; Rowan, et al., 2009). This sector has been particularly driven by tightening environmental regulations, notably the adoption of EU Directives such as the Landfill and Waste Electrical Equipment Directives. At the same time, the third sector has been identified by the UK government as an important partner in delivering its strategic objectives, as set out in the Waste Strategy for England 2007 (Defra, 2007). Third sector/community waste and recycling enterprises are particularly involved in the reclamation of bulky or toxic elements of the waste stream, including furniture, white goods, IT equipment and paint. Waste recovery and recycling is also a labour intensive activity which fulfils the social policy aim of providing training and employment to disadvantaged groups (Nelmes, 2004; Anastasias and Mayr, 2009) as well as educational and campaigning activities within communities around waste issues (Williams et al., 2005). 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.'

Social enterprise activities in resource recovery increasingly feature as subsidiaries of larger third sector organisations (TSOs), such as housing organisations, while a number of charities also have a beneficial impact through the provision of national support for the development of local operations. Some smaller scale development trusts and local councils of voluntary service (CVS) also have resource recovery subsidiaries (Rowan et al., 2009).

The study by Williams et al. (2005) drew on data from a number of sources, including a survey of 144 organisations. They estimated the number of voluntary and community and waste organisations in England to be between 800-1200 (with a central estimate of around 1000), with a total income of over £100 million per annum. This study provides extensive evidence of the nature and quantity of the waste streams dealt with by the community waste sector (also Luckin and Sharp, 2003, 2004; and the useful literature review conducted by BRASS, 2006). Most recently, the 'state of the market' report by Rowan et al., conducted for WRAP and REalliance on TSOs in England, provides important insight into the scale, scope and issues facing the sector. The study identified 691 currently active 'Waste TSOs' and obtained detailed survey responses from 254 such organisations. In addition, interviews were conducted with selected TSOs, relevant network organisations, local authority commissioners and procurers, potential commercial partners, and finance/funding providers. This study estimates that:

- there are almost 700 active 'resource recovery' TSOs, with a turnover of £133,820,000 handling 248,000 tonnes of material in 2008/9;

- total turnover has increased by up to a third since 2005, despite the loss from the sector of the largest resource recovery TSO in 2008;¹¹
- total recycling tonnage has slightly reduced due to a loss of recycling collection services, although reuse has increased markedly from 30,000 tonnes in 2005 to 76,000 tonnes in 2008/9;
- the pattern of activity has changed considerably in the past four years, with a shift in emphasis from kerbside collection to reuse; total turnover has increased by up to a third since 2005, despite the loss of the largest resource recovery TSO in 2008;
- in terms of jobs: resource recovery TSOs provided 4,600 full time equivalent and more than 43,500 training and volunteering opportunities during 2008/9;
- carbon reduction impacts are estimated to amount to 523,000 tonnes compared with the same materials being disposed to landfill (Rowan et al., 2009, p.4-5).

Despite the difficulties faced, this study identifies a substantial number of TSOs that are growing and thriving in this sector and which have the following characteristics: cost-effective business models; they routinely price in a margin for the long-term development of the organisation; have externally verified quality assurance accreditation and adopt a professional approach to risk management; develop long-term relationships with their public sector customers, but also develop income streams from a range of other trading income; and have diverse support networks, locally and nationally, which they use to gather information, refine their delivery model and influence how future services are commissioned (p.6).

Other findings and themes to emerge from the regional and sectorally focused studies identified in this section relating to specific opportunities, barriers and other issues involved will be addressed in section 2.3.

2.2 Other contributions on community enterprise and sustainable regeneration

Localism and a concern with community based economic development that also recognises global interdependencies has been an important feature of green social thought and practice (Pepper, 1996; Cannan, 2000). The slogan of the green movement to '*think globally, act locally*' reflects the drive to encourage people to consider the health of the entire planet and global economic inequalities between North and South while taking action in their own communities. An emphasis on the local (or subnational) level was stipulated by Agenda 21, whereby signatory countries at the 1992 Rio Earth Summit were charged to instruct their local government tiers to develop local action plans for the promotion of sustainable development that is locally contextualised and in partnership with a range of stakeholders and community groups (Lucas et al., 2003). Agenda 21 and subsequent developments therefore pose the challenge of how to develop new modes of governance alongside a populace that is more engaged, informed and willing to participate in decisions and activities relating to sustainability. At the same time, national and regional policy has increasingly emphasised the development of social enterprises to address economic inclusion, and social/community regeneration issues, as well as contributing to environmental improvement.¹²

It is increasingly argued that community based organisations and many private sector small businesses (including those which are not environmentally focused) make an important contribution to

social and environmental sustainability by addressing employment and service needs through locally focused operations (e.g. Triodos, 2007; Seyfang, 2009). From a purely environmental perspective, local embeddedness is seen to contribute to the reduction of carbon emissions and other pollution costs involved in mass daily commuting and transport of goods, as well as the economic resilience of local economies. Further arguments in favour of economic localisation and more diversified local economies relate to: reducing vulnerability to external volatilities, thus increasing economic resilience (notably in relation to energy and food); the retention of local investment and wealth; the benefits to individuals of reduced commuting to work time and more flexible working patterns (i.e. particularly for disadvantaged groups who find it difficult to travel long distances to work or cannot afford accommodation in high cost areas); and the strengthening of human and social/organisational capital, also fostering local identity, social integration, cohesion and well-being (e.g. Ekins & Newby, 1998; Haughton, 1998; Morgan, 2004; Pike et al., 2006). As well as communities of place, there is a need to include communities of interest, e.g. membership organisations or 'virtual communities' and, rather than being introspective, re-localisation needs to be built on 'fair trade' with producers in developing nations, rather than 'free trade' (Moore, 2004; Goodman, 2004), supported by stronger rules on how international trade is organised, particularly with respect to environmental and labour standards. Processes of economic (eco)localisation, by which local/regional economies become more self-reliant, resilient and diversified, are therefore an important aspect of recent sustainability discourse, where the social economy is seen to have an important role, although (eco)localisation also poses a particular challenge for governance in a globalised world (North, 2009).

Community level involvement and enterprise in local action to support sustainability goals has been the focus of a growing number of studies, including some previously mentioned (i.e. in section 2.1). Three studies funded by the Joseph Rowntree Foundation have been concerned with community and neighbourhood renewal projects that have sought to address both socio-economic and environmental issues: Fordham et al. (2002) – on the Groundwork movement and its role in neighbourhood renewal; Lucas et al. (2003) – concerned with lessons from Local Agenda 21 for community planning and neighbourhood renewal; and Church and Elster, (2002) on locally-focused projects that identified themselves as combining environmental and social objectives. While all these studies contain relevant insights, most pertinent are the findings of Church and Elster, based on responses to a postal questionnaire (n=63) and case study research (n=17) involving activities such as food co-ops, community energy, recycling schemes, local transport and wildlife conservation projects. This study found that the socio-economic impacts of these projects (e.g. job creation, training, community development) were often more apparent and readily quantifiable than the impacts on resource use and the natural environment, which often appeared limited. While the integration of environmental and socio-economic issues occurred in many different ways, poor policy level support was identified as the main obstacle. These authors argue that more supportive policy frameworks need to include changes to funding mechanisms and support structures and greater recognition of the value of community-focused local action. The report by the Roundtable on Climate Change and Poverty in the UK (RCCP, 2008) includes a number of case studies of recent public and third sector initiatives which aim at

coupling environmental objectives with poverty alleviation, including in areas such as social housing, furniture reuse and 'green skills'.

The evidence relating to community ownership and management of assets (such as development trusts, community centres, city farms, housing co-operatives and community land trusts) is reviewed by Aiken et al (2008) who identify a number of knowledge gaps in relation to the UK, including that there is only very limited evidence of the scale and nature of community ownership of assets and of the risks and benefits involved. Specific to the environment, the report notes that in Scotland and Wales there has been a particular focus on community assets linked to renewable energy. The environmental impacts/benefits of community ownership and use of assets (i.e. including in relation to issues such as renewable energy/energy services, local food production and nature conservation/biodiversity) and its contribution to sustainable local economic development is clearly an important area for further research. Other recent work examines the practice and potential of innovative grassroots community action (Seyfang and Smith, 2007; Seyfang, 2009; Smith, 2006) and has been particularly informed by the literature on sustainability transitions and sustainable consumption (Jackson, 2004, 2009; SRC, 2006) (see section 3.3 on green innovation).

An example of an ambitious and multi-dimensional approach to the stimulation of sustainable community-led enterprise and regeneration is provided by the experience of Local Alchemy, a policy initiative developed jointly by the New Economics Foundation and East Midlands Development Agency and targeted at selected disadvantaged areas in the East Midlands between 2003 and 2007. Important features of this initiative included: the use of person-centred coaching to stimulate 'passion' and 'local economic visions'; the aim to make lateral connections with a range of relevant agencies in order to promote 'joining-up' in their thinking and activities thus maximising their local impact; and the application of 'triple bottom line' (social and environmental as well as economic) assessment criteria to projects. Case study research conducted in three of the pilot areas identifies a number of important policy lessons and also critical challenges that need to be addressed in order to further enable sustainable community-led regeneration (Vickers, 2007).

An interesting convergence of agendas is that between planning, governance and educational discourses towards place-based learning and participatory approaches in support of sustainable development (SD). Morgan (2009) identifies the broad notion of '*learning communities, cities and regions for SD and global citizenship*' as an important formulation emerging from this convergence, and identifies a number of pointers and exemplars of good practice. Also crucial here is the notion of green citizenship, or deliberative democracy focused on economic organisation, also stimulating pro-environmental behaviour through ongoing participation in environmentally beneficial activities (Smith, 2005; Luckin and Sharp, 2004). The Transition Towns initiative is a recent example of a socially innovative movement, motivated by the question '*how can our community respond to the challenges, and opportunities, of Peak Oil and Climate Change?*' (www.transitiontowns.org). The extent to which this and other efforts that seek greater engagement and learning in local economies/communities are acting as seedbeds for environmental social enterprise activity in diverse contexts is an important topic for further research.

Other literature focuses on particular sectors, most notably renewable energy: a key sector in relation to low carbon development and, as previously discussed, a focus of the alternative technology movement of the 1970s. Recent studies concerned with the potential of small scale energy systems suggest (both from an economic and carbon emissions reduction point of view) that such systems may be best operationalised at the community scale, where certain models of social enterprises may have comparative advantage over conventional enterprises (Cato et al., 2008; Van der Horst, 2008; Walker et al., 2007; Walker and Devine-Wright, 2008; also Patterson, 2007; Allen et al., 2008; Smith, 2007a). Community based renewable energy involves small scale and collective approaches to sustainable energy generation and technologies such as regional biomass energy systems, solar (photovoltaics), combined heat and power (CHP) district heating, smaller wind turbines closer to built up areas, wind to heat and ground-source heat pumps. Key themes in this literature relate to the multi-level policy context and the need for co-ordination and collective steering (Smith, 2007a), and also the role of community engagement and learning. For example, the study by van der Horst (2008) examines the experience of the Highlands and Islands Community Energy Company (HICEC) in Scotland in enabling such social enterprise activity, highlighting the importance of partnership working between HICEC staff and the staff at local social enterprises and the emergence of 'communities of practice' as a key benefit. Questions are raised, however, as to the replicability of this model in more urbanised parts of the UK.

Other sector specific studies of community enterprise and engagement around local sustainability include:

- *housing*: Pickvance (2009) examines sustainable social housing, focusing on two developments in South East England where the potentially coercive character of the consumption of sustainability features is highlighted and the need for a realistic and sensitive approach to such innovations;
- *community forestry*: a study of the role of community support and participation in forestry projects in British Columbia (McIlveen and Bradshaw, 2009);
- *weaving and farming*: a case study of a 'Buddhist economic approach' in Southern Thailand (Prayukvong, 2009).

2.3 Emergent issues and challenges

A number of current challenges, lessons and recommendations for social enterprises emerge from the various studies previously identified, including areas where further research may be needed to understand the capacity of the sector to respond to the challenge of sustainability and the enabling role of policy:

- the *financially precarious* nature of social enterprises in environment-related sectors (ERM, 2003; Groundwork, 2006; Williams et al., 2005; Rowen et al., 2009; see also Amin, 2009; Hudson, 2009). Although there are many examples of established social enterprises, many remain marginal in terms of covering costs and generating surpluses for reinvestment in community benefits and/or R&D to further the sustainability of the organisation. This is seen as

partly a function of scale, with long term viability being dependent on the ability of organisations to grow and scale up their operations;

- *the dynamic and increasingly competitive nature of the markets involved* – notably with respect to waste management and recycling, as more commercial firms move into this sector, threatening the role and longer term involvement of established community waste projects and social enterprises (Groundwork, 2006; Luckin and Sharp, 2003; Rowen et al., 2009). Despite the uncertainties, it is suggested that tightening legislation and increasing public awareness may give rise to opportunities for community enterprises to diversify into other waste streams, including electrical and electronic waste and more difficult materials such as plastics (Williams et al., 2005) and also community based waste education services (Sharp and Luckin, 2004). Rowan et al (2009, p.7) suggest that TSOs focus on niche markets, particularly bulky waste collection and reuse, where skills are needed in handling low volume materials involving high levels of contact and where competition based on the economies of scale of large contractors is less strong;
- the difficulty of *scaling-up* and potential adverse consequences of this, whether intended or unintended, such as loss of local focus and the danger that the distinctiveness of the contribution made is lost. The very ‘localness’ of social enterprises is often an important part of their success and environmental credentials, yet this is in tension with the pressure ‘*to upscale to achieve efficiencies and sufficient deal flow to run a business that covers all its costs and is viable in the long-term.*’ (Groundwork, 2006, p. 37). Potential strategies for scaling up and models for replicating successful approaches include the ‘social franchise’ where a successful concept is geographically replicated through a franchising operation (Litalien, 2006); and joining or forming consortia in order to be able to tender for waste collection and processing/recycling contracts, working in or developing niche markets, or upstream interventions whereby materials are recycled before they reach the waste stream (Groundwork, 2006, p.10). Rowan et al (2009, p.7) advocate the greater use of strong existing TSOs to act as service delivery and development networks for newer or smaller resource recovery enterprises;
- *people, entrepreneurialism and skills* - the capacity, business acumen and specialist skills needed to understand and respond to opportunities and market demands in changing and highly competitive areas such as waste management. Management is often a more difficult function than in purely commercial enterprises, insofar as social enterprises seek to balance multiple aims and stakeholder interests (Bridge et al., 2009 p.123-129; Groundwork, 2006);
- *measuring ‘added value’* - the increasing requirement to provide evidence of the environmental and social impacts and sustainability of activities to customers, procurers of services or investors. How to measure and assess social and environmental benefits and the development of sustainability indicators for social enterprises has been the subject of an ongoing discourse. ‘Social accounting’ and ‘social auditing’, alongside various related measurement tools, have been developed in order monitor and report multiple social, environmental and economic impacts and to communicate these to stakeholders, with no one method having been universally accepted in the UK (e.g. Bridge et al., 2009, p.137-143; Darby and Jenkins, 2006;

Church and Elster, 2002; Westall, 2009). Recent efforts to develop a standardised approach have centred on Social Return on Investment (SROI), a tool for translating social objectives into financial measures by focusing on the most important sources of value as defined by stakeholders (Aeron-Thomas et al., 2004; Cabinet Office, 2009). Rowan et al. observe, however, that '*SROI is a young tool that is not yet in widespread use and only a handful of TSOs in the resource recovery sector have developed SROI reporting*' (2009, p.42). SROI may also suffer from similar limitations as more established approaches to cost benefit analysis (Westall, 2009, p.9) and it is not necessarily the case that environmental costs/benefits are included as part of the exercise.¹³

Finally, government expenditure is increasingly recognised an important mechanism for promoting sustainable practices throughout the economy and particularly crucial for the ongoing and future contribution of social enterprises to the development of a more sustainable economy. Although recent studies on sustainable procurement refer to examples of good practice (notably in relation to food and health services), the knowledge deficit in the public sector around whole life costing has been identified as a key issue (SPTF, 2006; Morgan, 2008), including with respect to the involvement of smaller (including social) enterprises. Barriers to public procurement led sustainability and re-localisation efforts include that of 'regulatory ambiguity', i.e. uncertainty on the part of procurement managers about what is permissible under the rules, tending to make them very risk averse. Rowan et al. (2009) observe that while the 'national rhetoric' in the UK on engagement with TSOs has grown over the last five years, many resource recovery TSOs are experiencing difficulty in securing medium term contract arrangements; this appears, in part, to be an unintended consequence of the 'Gershon' efficiency model.¹⁴ In order to be less dependent on diminishing levels of grant funding, TSOs are being encouraged to contract to deliver public services. However, TSOs have found it difficult to gain access to contracts in a context where local authority waste services are increasingly through large integrated multi-service contracts and given that TSOs are typically smaller and more specialised than the private sector competition. Rowan et al. therefore make a number of recommendations in order to further the growth and development of the sector, including for local authorities and for WRAP/REalliance, as well as TSOs. These include the greater use of '*sub-contracting as regeneration*' rather than procurement, where there can be considerable benefits if linked to outcome based commissioning based on local priorities (p.7)

Walker and Preuss (2008, p.1607) observe that local government procurement is particularly fragmented and with no common procurement format, although there are examples of good practice. Drawing on case study research on the implementation of sustainable procurement in local government and the NHS, they make a number of recommendations relating to: the need for public sector contracting opportunities to be made more transparent (e.g. through Meet-the-Buyer events); the wider use of innovative tools (such as adopting a partnership approach or inserting community benefit clauses in contracts) that are currently only applied by a small vanguard of public procurers; support for procurement staff themselves (e.g. training on EU legal issues and EU procurement rules) (Walker and Preuss, op cit). Muñoz and Tinsley (2008) examine issues facing social enterprises in selling to the public sector. Findings based on interviews with social enterprise practitioners (including

in environment-related activities) and public sector procurement professionals in the East Midlands highlight problems relating to lack of knowledge and capacity within the social enterprise sector and also that organisations aspiring to sell to the public sector often experienced difficulties with the attitude of public sector staff. Further research is needed to explore the evolving relationship between social enterprises and the public sector and the application of social/environmental value added measures.

3. Sustainability-motivated entrepreneurship and innovation

3.1 Social entrepreneurship and sustainability

In economic theory the entrepreneur is generally seen as the individual with exceptional qualities who is motivated to start a new enterprise or organisation or to revitalize a mature organisation, but particularly new businesses generally and in response to identified opportunities. While the lure of profit and market share are taken to be the prime motivators of the individual entrepreneur, a burgeoning academic literature explores alternative conceptualisations of entrepreneurship involving more diverse motivations and in wider social, political and ecological contexts (e.g. Chell, 2007; Downing, 2005; Steyaert and Katz, 2004; Drakopoulou Dodd and Anderson, 2007; Nicholls, 2008; Williams, 2006).

The term social entrepreneurship is used with reference to the people who create socially entrepreneurial organisations or who seek to revitalise existing organisations, although social entrepreneurship is increasingly understood as a creative process that, rather than being the exclusive domain of heroic and charismatic individuals, involves *'ideas generated, propagated and operationalised by groups, networks, and formal or informal organisations'* (Nicholls and Young, 2008, p. xiii). In practice, the behaviour and operations of some private sector businesses may be difficult to distinguish from that of social entrepreneurs (Bridge et al., 2009, p.35-40; Bosma and Levie, 2010, p.49; Peattie and Morley, 2008); conversely, some third sector organisations and social enterprises adopt less than ideal practices which are more commonly associated with the private sector, particularly under highly competitive market conditions. Hence the importance of investigating the motivations, ideas, actions and experiences of the people involved in entrepreneurial processes and the contexts in which they are operating, as well as the organisational forms involved.¹⁵

A recent body of literature has been specifically concerned with entrepreneurship which is motivated by environmental values, variously termed environmental or green entrepreneurship, eco- or enviropreneurship (Isaak, 2002; Schaper, 2002; Walley and Taylor, 2002; Dixon and Clifford, 2005), sustainable entrepreneurship (Dean and McMullan, 2007) and sustainability entrepreneurship (O'Neill et al., 2009; Parrish and Foxon, 2009; Tilley and Young, 2009). Contributors are not always clear about whether the sort of entrepreneurship involved is taking place and/or expected to become more prevalent in the for-private-profit or third sectors or both, although for some authors the 'logics' involved are distinct from both the traditional for-profit and not-for-profit entrepreneurial models (O'Neill et al., 2009; Parrish and Foxon, 2009; Tilley and Young, 2009).

Dean and McMullan (2007) focus on the functioning of markets and emphasise the opportunities for profitability inherent in environmental entrepreneurship. They draw on environmental and welfare economics to show how environmental degradation results from the malfunctioning of markets. In their conception of environmental and sustainable entrepreneurship, such market failures represent opportunities for the generation of profitability and economic value insofar as market-based solutions can be extended by entrepreneurs with the co-operation of governmental actors.

Other writers focus on better understanding the varied motivations and values of the individuals involved in green new ventures; hence sustainable entrepreneurship is closely associated with phenomena such as corporate social responsibility (CSR) and business ethics, and the role of the value commitments and beliefs of entrepreneurs and business owner-managers in driving the greening of production and consumption (Masurel, 2007). Sustainability driven entrepreneurship is seen as potentially fulfilling two roles: *gap filling* and *catalytic* (Parrish & Foxon, 2009; Schaper, 2002). The former involves filling gaps in the provision of critical social and environmental goods and services that are not addressed by commercial industries and government bodies. Sustainability entrepreneurs may also be specifically motivated to create green businesses in order to catalyse or radically transform the sectors in which they operate and who want to make a living while also contributing to solving environmental problems (Isaak, 2002; Schaper, 2002; Austin et al, 2006). The social trend towards 'downshifting', whereby high-earning individuals seek less pressurised and materially intensive lifestyles and a better quality of life may be a source of individuals with business skills and experience in social entrepreneurship.¹⁶

Tilley and Young (2009) build on a critique of the mainstream representation of entrepreneurship and its place within ecological modernisation theory to present an alternative model. They follow other authors in arguing that, in a world of finite resources, the 'business case' involving the bolting on of policies and systems to address environmental and social sustainability, while still being primarily concerned with financial growth, is inadequate. Sustainable enterprises need to go beyond this to include the additional criteria of eco- and socio-effectiveness, sufficiency and ecological equity (op cit. p. 85; see also Dyllick & Hockert, 2002). The definition of wealth informing sustainability entrepreneurs given by Tilley and Young is '*contributing a holistic net benefit to the economy, community and natural environment*' (p. 88). This alternative model of sustainability entrepreneurship is presented as a framework to guide individuals with respect to the values and actions needed to start up a sustainable enterprise:

'This is challenging in the extreme to realise in practice because many of the elements are at best theoretical. However, entrepreneurs have the ideal characteristics required to experiment, take risks and put into practice these elements of the model and move towards sustainability entrepreneurship. Hence, entrepreneurs should not only be considered as contributors in a successful economy, but the driving force of a sustainable society.' (Tilley & Young, 2009, p. 85)

These authors echo other authors, however, in observing that for sustainability entrepreneurship to become more prevalent under current economic and regulatory frameworks, substantial incentives and rewards such as 'tax haven status' would need to be conferred by government. The role of

supportive conditions and governance/regulatory frameworks is an important theme to be further examined in later sections.

Some authors have sought to develop a more nuanced understanding of the motives and behaviours of green entrepreneurs. Walley and Taylor (2002) focus on the 'mutually producing' relationship between social structure and entrepreneurial action, building on the ideas of Giddens (1984). They utilise existing typologies of entrepreneurs to propose a typology of green entrepreneurs who seek to occupy new niches and reconfigure existing business models and practices: *innovative opportunists* - primarily financially oriented, having spotted a green niche; *visionary champions* - embracing a transformative, sustainability orientation; *ethical mavericks* - sustainable orientation, influenced by friends, networks and past experiences; and *ad hoc or accidental green/enviropreneurs*. This and similar typologies by other authors have been criticised, however, for being highly speculative and supported by limited empirical evidence (Gibbs, 2009, p.79). Moreover, a number of authors have argued that accounts which emphasise the role of pioneering and charismatic individuals (particularly prevalent in popular accounts of ecological modernisation) are overly simplistic and that there is a need to understand entrepreneurship as a process within ventures with co-operative structures and/or goals and also the role of diverse operating contexts and opportunities in facilitating or deterring green/ecopreneurial action and innovation (e.g. Beveridge and Guy, 2005; Cato et al., 2008). Thus Beveridge and Guy argue that there is a need to better understand the

'interplay of competing discourses of business and the environment, the flow of national and local technology politics, the trade-offs, compromises, deals and conflicting visions that constantly frame and reshape innovation processes.' (p.672)

Similarly, although social entrepreneurs are often represented as highly motivated individuals with a bold and clear vision who go on to found social enterprises, there has been a gradual shift in the literature on social entrepreneurship away from the focus on individuals towards understanding social enterprise/entrepreneurship as a process, the outcome of which is innovation (Perrini and Vurro, 2006; Diochon and Anderson, 2009). Cato et al. (2008) utilise seven 'preliminary case studies' to explore the notion of 'associative entrepreneurship'; a concept which lends itself to innovative ownership and control structures, i.e. mutualism and co-operative forms, which they see as particularly relevant to sustainable community-based ventures in the renewable energy sector in Wales. There is a need for further research, however, to clarify the advantages and disadvantages of associative entrepreneurship and co-operative forms compared to more mainstream approaches to new ventures.

3.2 The literature on green innovation – pioneers and green niches

The economic literature on innovation has been heavily influenced by the work of Joseph Schumpeter (1911, 1942) which viewed cumulative and disruptive entrepreneurial activity as playing a progressive role in capitalist economic development and structural change, involving as it does the growth of new industries and the contraction of others in a process of 'creative destruction'. The role of 'radical' or 'disruptive' innovation in catalysing economic transformation to meet the challenge of sustainability has been an important theme in the green innovation literature. This literature is particularly concerned with the role of innovation in providing solutions to a range of environmental issues, including: *green (or cleaner) products* – with reduced environmental impact over their full life

cycle and with greater scope for them to be refurbished/remanufactured; *more efficient processes* – to minimise, treat and reuse/recycle waste; *alternative technologies* – to reduce emissions of greenhouse gases and other pollutants and provide renewable energy; *systems innovation* – including new socio-technical systems involving more fundamental change and changes to patterns of consumption (Bessant and Tidd, 2007).

Recent UK government policy statements have affirmed a key role for social enterprises and the third sector more generally in furthering innovative approaches to environment-related policy development and public engagement with service provision (e.g. HM Treasury, 2005; Defra, 2008). In order to understand the arguments as they relate to social enterprise, there is a need to briefly review current theory about innovation processes as they occur in a mainstream business context. In recent decades thinking about innovation has shifted away from simple, linear models, where opportunities for new products are created by scientific/technological advance and/or market needs, to more sophisticated models which emphasise multiple feedback mechanisms, interactive learning and the relationships between innovating firms, research institutions, suppliers, customers and regulatory regimes. The variety of innovation processes are such that it is difficult to apply a general model of innovation, and studies in different sectors demonstrate that innovations take place in and are supported by complex systems of suppliers, producers, users and regulators (e.g. Gardiner, 1994).

Other key themes in the mainstream literature on the drivers and barriers to innovation in businesses relate to the nature and sources of creativity and new ideas; the importance of incentives and returns (including temporary monopolies); degrees of 'innovativeness' and typologies of innovation (e.g. radical, incremental, architectural etc); market and sectoral characteristics and their influence on the nature and degree of innovative activity; the role of firm capabilities and learning; the role of networks and network relations, and of public support for innovation.¹⁷ Studies which conceive innovation as an essentially *social* process and how innovation/technology can be made more responsive to the needs of particular user communities is of particular relevance (e.g. Mole and Elliot, 1987), and most recently on open source methods and techniques and co-production (von Hippel, 2004).

Similar lessons and core principles can be seen to apply to social entrepreneurship and innovation as in mainstream (particularly SME) business contexts, but with some key differences relating to motivations and how problems and needs are conceptualised. First, it is the driving motives which are usually identified as the key distinguishing feature of innovation in the social economy, involving a greater concern for environmental values and social justice and therefore radically different indicators of success and slower patterns of growth as compared to profit-driven innovation.¹⁸ Thus social enterprises are sometimes seen as having the 'transformative intent' (Alford et al., 2004) and as being closely involved with social innovation (e.g. Mulgan, 2006; Westall, 2007; Murray, 2009).

Second, and particularly in relation to 'green innovation', these motivations give rise to a particular orientation/attitude towards technology. Thus it has been observed that social enterprises in general tend not to engage in research and technology development although they may be innovative in other respects (Perrini and Vurro, 2006). Green motivated social economy activity, moreover, has sought to challenge the technocratic basis and poor environmental performance of mainstream technology,

arguing the need for 'appropriate' technology. As previously noted, however, the alternative technology movement of the 1970s foundered, in part, due to the limited technological resources and capabilities available to activists (Smith, 2005).

For significant innovation and the scaling up of social enterprise solutions, there is a need to access, gain support build trust within local networks of social and community-based organisations and also with policy networks. Regarding the latter, Mulgan (2006, p.8-9) identifies a number of factors to facilitate social innovation that addresses issues such as climate change, including institutions to help orchestrate more systemic change, linking small scale social enterprises and projects to larger organisations and regulations.

At a more modest level, (and as in the case of mainstream enterprise) small scale, incremental innovation has also been shown to be an important tool for overcoming restrictive resources, obstacles and mindsets within not-for-profit organisations (Evans and Saxton, 2004).

The general literature on green innovation has been particularly concerned with the potential of 'radical' or 'disruptive' innovation in the transformation of socio-technical systems to meet the challenge of sustainability (e.g. Freeman, 1992; Schot et al., 1994; Kemp et al., 1998; Smith, 2007b; NESTA, 2007, 2008). The relevance of this debate to social enterprise/the social economy lies in the emphasis given to understanding the dynamics of techno-economic change in market economies, particularly with respect to how opportunities for green innovations are opened up or closed down (as previously suggested in the discussion of the AT movement). The recent discussion paper by Murray (2009) applies a similar perspective to understanding the potential of what he characterises as an emerging 'new social economy'.

The environment and innovation literature is particularly concerned with how *green niches* are created, 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). The transformation of these systems of production and consumption is particularly difficult given the path dependent and mutually reinforcing nature of existing technologies, supporting institutions/infrastructures, practices and norms and economies of scale (Nelson and Winter, 1982; Dosi, 1982; Jacobsson and Johnson, 2000), and also the dominant 'culture of consumption' and associated marketing machinery that further reinforce existing practices (Yearly, 1988; Shove, 2003). The development of 'green' technology' can be particularly difficult where market demand has yet to emerge and the main driver is the public good; sustainable transitions are therefore enabled as a result of the development of a number of niche markets, often in a hybrid form in conjunction with existing technologies and supported by other changes in society at a higher level (Geels, 2002). The literature on 'strategic niche management' therefore focuses on the importance of protected spaces (green niches) and of user involvement in the early stages of promising technologies which have the potential to replace unsustainable technologies.

A key issue is the process by which practices are *translated* between the different contexts of the green niche and the wider market/policy environment (or socio-technical regime); crucial here being the quality of learning and of institutional embedding (Kemp et al., 1998; Smith, 2007b). Learning can be narrowly technical or 'first order', but there is also a need for 'second order' learning which involves a deeper interrogation and reflection of the basic values and assumptions that frame underlying

approaches. This involves the development of expectations about future niche development that are widely shared and the enlistment of a broad network of actors that are supportive of the new practice, including producers, users, regulators, standards institutes, investors and policy makers (Smith op cit, p.429-30). Paradoxically, while niches are more likely to influence the mainstream when they exhibit a degree of compatibility with the incumbent regime, this very compatibility also blunts radically innovative potential, therefore undermining the extent of regime transformation (see also Smith, 2006 in relation to the case of organic food). The challenge is therefore to extend the policy interest in green niche activities, such as eco-housing and organic food, beyond learning that is narrowly technical and economic in order to extend the social processes of change.

Seyfang (2009) draws on innovation theory and New Economics perspectives¹⁹ to examine the growing number of small scale examples of innovation and experimentation, often social rather than technological in character, which seek to promote sustainable livelihoods and consumption, particularly in food, housing and finance. She characterises these as innovative green niche approaches, involving the exploration of existing problem framings and search for more sustainable solutions, as opposed to the mainstream where innovation more often involves the application of 'technical' solutions to problems which have been too narrowly defined. Grassroots innovation and community action has the advantage of being able to use contextualised knowledge of what works in their localities and a better fit of solution, as compared to more inflexible top down approaches (also Burgess et al., 2003). Following the literature on sustainable transitions, Seyfang argues that the challenge is how to support the diffusion of green niche innovations, which can be through scaling up or the growth of niche activities; replication, whereby niche activities multiply in numbers; or translation, involving lessons from the niche being taken on by the mainstream (see also Smith, 2007b; Seyfang and Smith, 2007). Seyfang provides case studies on niche-regime interactions in the context of sustainable food, housing and green currencies, such as Local Economic Trading Schemes (LETS) and timebanks (op cit., chapters 5, 6, and 7).

A number of other recent studies have focused on the role of new ventures and SMEs (including social/hybrid enterprises) in developing and commercialising innovative low carbon/green technologies and solutions towards the sustainable transformation of industry (Boyd et al., 2009; Parrish & Foxon, 2009; Brown et al., 2007; Vivid Economics, 2008). For some writers, a small but important emergent category is that of hybrid organisations: privately held values- or mission-driven organisations that combine characteristics of the for-profit and non-profit worlds. Other terms used to describe such organisations (mainly in an American context) include Fourth Sector, Blended Value, For-Benefit, or B-Corporations (Billiteri, 2007, Emerson and Bonini, 2003; Strom, 2007). Recurrent themes in this literature, much of which involves case study examples of innovative technologies, relate to the role of supportive contexts, including venture capital, public sector and other forms of support (see in particular Vivid Economics, 2008).

The study by Boyd et al. (2009) examines the experiences of 47 hybrid organisations (most but not all of which are located in the USA) to identify a combination of key practices and characteristics:

- innovative products and services with environmental features in niche and hard-to-reach markets, rarely competing on price;

- their utilisation of business practices to integrate values (particularly in relation to environmental stewardship) and financial viability;
- nurturing uncommonly close personal connections with suppliers, producers and customers, also encouraging shared authority rather than top-down leadership, with an emphasis on transformational or participative leadership styles;
- exhibiting patience amongst all stakeholders, both financial and non-financial, as a pre-requisite for the achievement of dual-minded missions across generations;
- exhibiting a limits to growth rate (and profitability), given the challenge for hybrids to scale their business while balancing mission/values and profit goals (p.2-4).

Such hybrid organisations are represented by Boyd et al. as an important new model for combining environmental and financial sustainability which they see as being able to transcend the limitations of 'traditional nonprofits', notably their dependence on unreliable sources of donor funding.²⁰ They argue that hybrid organisations may ultimately prove more effective than traditional for-profit or nonprofit organisations, notwithstanding the limits to their speed of growth and scale of impact, particularly for those organisations which are more place-based.

Parrish and Foxon (2009) adopt a co-evolutionary theoretical framework to examine change as an interactive process involving technologies, institutions and business strategies. They utilise a case study of an innovative, not-for-profit marketing and finance company operating in the US energy sector – NativeEnergy (<http://www.nativeenergy.com>) – to illustrate how change in institutions can be brought about by sustainability driven entrepreneurial actors through 'virtuous cycles of innovation'. Important features of this case include the commitment of the entrepreneurs involved to increasing social equity (as well as reducing carbon emissions) and the application of an innovative business model to support future development. The former involved a collaborative relationship with Native American tribes, family farmers and other socio-economically disadvantaged communities. The unconventional business model entailed the creation of a new institutional convention known as 'green tags' – the aggregation of the expected environmental benefits created by a renewable energy project over 15-25 years and selling these to consumers at their net present value, thus providing a long term contract for developers to construct new projects (Parrish & Foxon, 2009, p. 53-56).

The literature reviewed in this section provides considerable insight into innovation for sustainability, in terms of the motivations, types of organisations (including social/hybrid enterprises) processes and actors involved. Transitions toward sustainable production/consumption are seen as involving a collective endeavour, requiring the involvement of multiple levels, organisational actors and individuals (citizens) in change which is over and above the purely technical (hence the term *socio-technical* systems) but that change is initially promoted by pioneering entrepreneurs and organisations opening up green niches that operate on the margins of the mainstream regime. A key issue is the process by which practices are translated between the different socio-technical situations that pertain between the green niche and the wider socio-technical regime; in this respect the literature on green innovation and niches draws attention to the quality of learning and how institutional embedding occurs.

4. In conclusion

4.1 Summary overview

This paper has sought to review a range of literatures relevant to social enterprise and the environment and the challenges involved in the transition to a more sustainable economy and society. Historical analyses show that entrepreneurs and organisations within the 'green social economy' have long played a role in pioneering creative responses to environmental issues, although often with only limited uptake and impact in terms of the wider dissemination of solutions. In recent years, social enterprise activity has been driven (particularly in the UK) by the concern of the state to change how public services are delivered through the greater involvement of both private and third sector organisations. Specific to the environment has been the need to respond to concerns around waste management and recycling which, in turn, have been driven by EU Directives. Action to support sustainability at the community level in the UK has also been driven by LA21 regeneration initiatives, National Lottery Projects and other funding streams. 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'. 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 models are seen to have particular strengths in terms of reconciling social, economic and environmental criteria.

The review suggests that more is known about social enterprise and the environment than is sometimes acknowledged, although many studies tend to rely on survey evidence that is limited in various ways and case studies which lean towards the exploratory. A key difficulty is that the environment involves a very broad, cross-cutting agenda which is not captured by functional classification systems; hence the literature identifies a wide variety of environment-related social enterprise activity, including in waste/resource recovery, nature conservation, improvement of urban environments, housing, energy generation and services, transport and rural services, food production/distribution, environmental education/awareness raising and so on. A further complicating factor is that 'social enterprise' is itself an ill defined concept and that socially and environmentally motivated ventures take place under a wide variety of organisational forms, including in the private sector.

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 complexities involved in assessing environmental and social impacts. Nevertheless, a number 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.

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. 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/or 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 and interests.

Literature on environment and innovation has been particularly concerned with how *green niches* are created, 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. 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 if interest, as well as of place), are identified by a number of authors as integral to the advancement of environmental and social 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 or, indeed, avoiding the need for their existence altogether. 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 political/institutional and cultural barriers to sustainability transitions (Jackson, 2009).

4.2 Areas for further research

There is a particular need for large-scale survey work to map and assess the current scale, impact and potential of the social enterprise sector in relation to the environment, including with respect to:

- the motivations and orientations of social enterprise leaders/entrepreneurs with respect to environmental sustainability;
- how they perceive and assess their contribution to sustainability (environmental, social and economic), including their use of 'environmental metrics' and of tools such as SROI;
- organisational capabilities, growth potential and perceptions of opportunities;
- their relationships with stakeholders and partner organisations, including with respect to innovation (e.g. with CSR motivated commercial enterprises and/or local authorities) and the 'co-production' of services/products;
- support needs, including with respect to the value of locally or regionally and sector specific support structures and incubators;
- the relationship of different kinds of social enterprise to the state and the facilitating role of third sector representative bodies.

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, including in sectors where social enterprises are currently less prevalent;
- the influence of scale/locality 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 engagement and learning in local economies/communities (such as the Transition Towns initiative) are acting as seedbeds for environmental social enterprise activity in different locations;
- the role of innovation and R&D support for low carbon innovation in social enterprises, including with respect to:
 - how to better support innovation for sustainability, including 'social' innovations;
 - existing public innovation support programmes and the extent to which sustainability considerations are or need to be further addressed as an aspect of their assessment criteria and also how 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.

End notes

¹ See Bridge et al. (2009, chapter 4) for an account of the emergence of the social economy and social enterprise, including the varying definitions and use of terminology in different national contexts.

² See the website of the Fourth Sector Network: <http://www.fourthsector.net/>. Note that in the United States there is less flexibility in the legal forms available, a factor which explains why many socially-motivated enterprises adopt private sector legal forms. The recent GEM report includes international comparison of total early stage entrepreneurial activity compared to *social* entrepreneurial activity, including the degree of overlap between the two (Bosma and Levie, 2010, ch.4).

³ There were 3,335 CICs registered as of January 2010. See <http://www.cicregulator.gov.uk/>.

⁴ See Vickers and Vaze (2009) for a recent overview of this literature in the light of the challenges and opportunities posed by the emerging 'low carbon economy'.

⁵ ITDG continues as Practical Action: <http://practicalaction.org>

⁶ The European Union and most leading industrial nations have been formally committed to the achievement of sustainable development for a number of years. Three national sustainable development strategies have been produced by the UK Government (DoE, 1994; DETR, 1999; HM

Government, 2005), the most recent of which sets out five principles relating to: living within environmental limits; ensuring a strong healthy and just society; achieving a sustainable economy; promoting good governance; and using sound science responsibly (HM Government, 2005, p.16).

- ⁷ Studies show that deprived areas often have poor environmental quality and that the most deprived areas often have the poorest environments, e.g. Fairburn et al. (2009) in the case of South Yorkshire.
- ⁸ For critical analysis of this development see, for example, Carmel & Harlock (2008), Curtis (2008), Kendall (2009).
- ⁹ It also excludes activity which may be strongly socially/ethically motivated but which takes place under the guise of private sector organisational forms, i.e. including sole traders, partnerships and some small businesses, as will be discussed later.
- ¹⁰ This principle is being developed in the context of care farms - an idea originated in the Netherlands, where commercial farmers (also woodlands and market gardens) diversify by working with health and social care agencies, offering normal farming activities to improve peoples' mental and physical well being. The UK movement is co-ordinated by the National Care Farming Initiative, a partnership organisation for which Harper Adams University College is the accountable body under its charitable objectives (Hine et al., 2008; website: <http://www.ncfi.org.uk>).
- ¹¹ The ECT group was the UK's largest community interest company, providing a range of public services, including recycling and sustainable waste management, street cleaning, healthcare, public and community transport, community railways, and vehicle and railway engineering. Formed in 1979 as part of Ealing Voluntary Service, ECT grew to be one of the UK's leading social enterprises and the UK's largest community recycling organisation, with a turnover of nearly £50 million and over 1,100 staff. In 2008 the Group refocused its strategy on community transport, with ECT recycling being acquired by May Gurney, one of the UK's most successful maintenance and support services companies and listed on the London stock market (AIM), and its health care service becoming an independent organisation (<http://www.ectgroup.org.uk/>; also case study in Cabinet Office , 2006, p.23).
- ¹² 'Community Action 2020', was introduced in the UK in 2005 with the aim of building on the experience of Local Agenda 21 in promoting the social economy (Defra, 2005; 2008).
- ¹³ See Somers (2006) for one such example of an analysis focused on the 'double' rather than 'triple bottom line'. It is also interesting to note that in the survey of 47 environmentally motivated private 'hybrid' organisations by Boyd et al. (2009), only 55 per cent recorded data on 'environmental metrics'. The authors suggest two possible reasons, which are partly supported by their survey evidence; first, that environmental sustainability is so integral to these organisations that there is no need for measurement; and second, that many such organisations lack the resources to perform such measurement and that environmental stewardship is ensured by the very nature of the organisation (p.34-35).

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- ¹⁴ See also the report by the House of Commons Public Administration Select Committee: *Public Services and the Third Sector: Rhetoric and Reality*, Eleventh Report of Session 2007-08, Volume 1 26 June 2008.
- ¹⁵ Peattie and Morley observe that: *'In practice there may be little to distinguish the conventional business with a strong emphasis on corporate social responsibility from the social enterprise with a strong entrepreneurial ethos'* (p.6). These authors further challenge the view that mainstream businesses exist principally to generate profits for shareholders and observe that:
- 'There are many small businesses operating in areas such as agriculture, handicrafts, entertainment and the arts where it would do them an injustice to view them as 'primarily for profit'. Many work for the love of their craft, to maintain a traditional way of life, and to create livelihoods for themselves or others.'* (p. 26).
- ¹⁶ There appears to have been little or no academic work on the phenomena of 'downshifting', although see Prudential Insurance (2004 - cited in Peattie and Morley, 2008).
- ¹⁷ Bessant and Tidd (2007) provide a useful overview.
- ¹⁸ Environmental justice is particularly concerned with the basic human right of access to a clean and healthy environment, recognising that *'Locally, nationally and globally the most vulnerable people with the least power and money often see this right denied'* (RCCP, 2008, p.4).
- ¹⁹ New or Green Economics and philosophy is a broad body of thought which argues that economics needs to more explicitly incorporate environmental and social factors but that in, order to be sustainable, development needs to change its primary goal to that of human well-being and living within ecological limits rather than economic growth (e.g. Schumacher, 1973; Ekins, 1986; Henderson, 1995; Robertson, 1989; Daly and Cobb, 1990; Jackson, 2004 & 2009; Cato, 2009).
- ²⁰ Similar defining features can be found in other case studies in the wider literature on green innovation and entrepreneurship, although the organisational forms involved may not be labelled as 'hybrid'.

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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.

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