

Third Sector Research Centre

Working Paper 3

**Can social enterprise address social exclusion?
Evidence from an inner city community**

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Abstract

This paper examines the potential impact of social enterprise on exclusion. The case study research involved participant observation over a two year period. Selection of cases was based on a preliminary typology for social enterprise. Exclusion was conceptualised as multi-dimensional and relative to the standards of the society in which a person lives. The research literature suggests that the aggregate impact of social enterprise on economic dimensions of exclusion is marginal. This is a consequence of a mismatch between policy expectations and what is happening in the field. This study found that different forms of social enterprise impacted on exclusion in different ways. People could become included within a group, but remain excluded by the standards of the society they lived in. This paper outlines these different impacts in order to open up a more balanced perspective on the potential and limitation of social enterprise in combating area based exclusion.

Keywords

Social enterprise; social exclusion; inner city.

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1. Introduction

Social enterprise is a contested concept that has gained increased prominence in the United Kingdom (UK) since 1997. Although the terminology is fairly new, the concept with which it is usually associated – organisations trading for a social purpose – has been existence since at least the early days of the industrial revolution and the birth of the co-operative movement. The first mention of social enterprise in UK policy literature is linked to combating area based social exclusion, and can be traced to the national strategy for neighbourhood renewal which loosely defined social enterprise as part of the social economy (or Third Sector) and

'...in most ways like any other private sector businesses, but they are geared towards social regeneration and help, rather than simply the generation of profits.' (HM Treasury 1999, p105).

The UK policy interest in social enterprise has since widened dramatically as evidenced by the establishment of a social enterprise unit within the Department for Trade and Industry in 2001, and later moved to the Office of the Third Sector (OTS) within the Cabinet Office. This has been accompanied by a host of initiatives to promote demand for, and supply of, social enterprises, for example funding a Social Enterprise Coalition to raise the profile of social enterprise. This policy enthusiasm has been linked by Haugh and Kitson (2007) to the early adoption of a 'Third Way' in the 1990s by a 'new' Labour government keen to plot a path between the competing ideologies of socialism and liberalism.

More recently social enterprise has also come to be seen as a vehicle for the transformation (or privatisation) of public services (Haugh and Kitson 2007). However social enterprise has continued to be associated with area based social exclusion, upon which it is claimed by government to impact in three broad ways (Smallbone et al. 2001):

- First, it is suggested that social enterprises can deliver services in deprived communities abandoned by the private sector, as they do not need to create a surplus to return to shareholders (HM Treasury 1999).
- Second, social enterprises are seen as able to provide employment opportunities, either directly, or through training, work experience, and matching local people to jobs (HM Treasury 1999).
- Finally, social enterprises are seen as playing a role in economic development by creating more enterprising communities and attracting new people to business (Cabinet Office of the Third Sector 2006, p4).

An underlying theme seen by the government as linking these claimed impacts is that social enterprises generate social capital (Smallbone et al. 2001) as their 'associative aspect' allows them to *'mobilise and reproduce social capital among their user groups'* (Spear 2001, pp266-267). This suggests a benign view of social capital more closely aligned to Putnam's notion that networks, norms and trust arise as a consequence of collective endeavour (2001), rather than Bourdieu's conceptualisation of social capital as the aggregate value of an individual's social relations (1986).

There is as yet little evidence to support (or deny) these policy claims. This paper draws upon data gathered during recent doctoral research to answer the research question ‘in what ways can social enterprise combat exclusion?’ The next section explores the two key concepts: social enterprise and exclusion. Consideration is given to how the concepts can be operationalised for research purposes. The third section outlines the research design pursued and introduces the geographic location of the research. Section 4 examines how different forms of social enterprise impact on different dimensions of exclusion within an inner city setting. Finally the implications of these findings for policy and practice implementation are discussed in Section 5.

2. Key concepts

2.1 Social Enterprise: Towards a preliminary typology

The term social enterprise came to prominence in the early 1990s in both the United States and continental Europe (Defourny and Nyssens 2006). The US tends to adopt a broader definition, usually centring upon the notion ‘*market based approaches to address social issues*’ which can be undertaken by organisations in any sector of the economy (Kerlin 2006). However the term has more usually been associated with non-profit organisations generating a trading surplus to meet their social goal (Dees 1998; Alter 2006). This surplus can be derived through trading activity that is wholly aligned with (the embedded social enterprise), or external to, the social goals of an organisation (Alter 2006).

In continental Europe social enterprise tends to refer to an organisational unit (Borzaga and Defourny 2001a; Nyssens 2006). The concept is seen as deriving from a more collective orientated tradition, whereby cooperatives are the dominant organisational form (Defourny and Nyssens 2006). Legalistic definitions of social enterprise, often relating to the co-operative model, are emerging across the continent (Borzaga and Defourny 2001b; Defourny and Nyssens 2006).

The UK borrows from both these traditions. The Government currently sees social enterprises as part of a wider third sector (also incorporating nonprofit voluntary and community organisations) and defines them as:

‘..a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.’ (Cabinet Office of the Third Sector 2006)

This definition is seen by Defourny and Nyssens (2006) as imprecise, but centres upon social enterprises as motivated by social purpose, and achieving their objectives (in part) through trading. Such a broad definition leads to confusion and to different commentators using the same term to refer to different organisational types (Smallbone and Lyon 2005; Peattie and Morley 2008). It is reasonable to assume that not all social enterprises address each of the policy claims outlined earlier. Instead it may be that different types of social enterprise impact upon exclusion in different ways.

Table 1. Sources of literature and associated ideal types of social enterprise

Source of literature	Key sources	Defining principles	Examples of social enterprise	Ideal type
The Co-operative movement	Spear et al. 2001; Borzaga and Defourny 2001a; Nyssens 2006	Collective decision making and common ownership. Economic orientation.	Worker Cooperatives.	Community business.
Community development	Williams and Windebank 2001; Evans 2007	Bottom up response to social problems. Collective decision making process involving local community. Social orientation.	LETS.	Community enterprise.
The voluntary sector	Pharoah et al 2004; Amin et al. 2002	Social Enterprise as income generation to help pursue social mission. Social orientation.	Voluntary organisations contracted to deliver state services.	Nonprofit enterprise.
Social business	Westall 2001; Department for Trade and Industry 2002.	Economically viable businesses with a clear social purpose. Hierarchical decision making process. Economic orientation.	The Big Issue.	Social business.

Within the UK social enterprise research literature, it is possible to identify four distinct sources, each referring to different organisational forms (See Table 1). These sources and their associated ideal types of social enterprise can be distinguished by their positioning in relation to two dimensions which Pharoah et al. (2004) see as reflecting two primary tensions inherent in social enterprise:

a. The individual versus the collective

Much of the debate around social enterprise in the UK is characterised by a new emphasis on individual entrepreneurialism replacing collective action (Parkinson and Howorth 2008). This has been accompanied by a focus on 'getting the job done' at the expense of the democratic processes inherent in running an organisation collectively (Pearce 2003). Thus social enterprises can be divided between those driven by an ideological commitment to collectivisation and democratic process, and

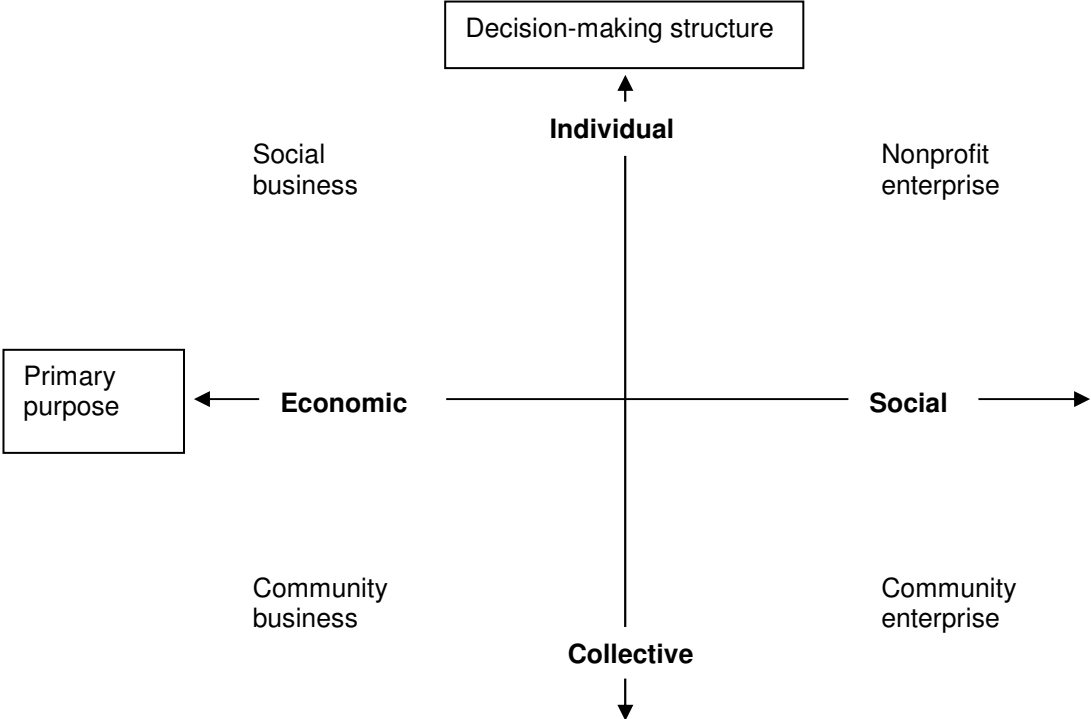
those for whom the primary motivation is meeting social goals by adopting the hierarchical and individualistic organisational structures inherent in the private sector (Smallbone and Lyon 2005).

b. The social versus the economic: People versus pounds

The second dimension draws out the notion of a tension between ‘social’ and ‘economic’ goals, characterised as ‘people versus pounds’. This is related by Arthur et al. (2004) to a debate as to whether social enterprise reflects the permeation of neo-liberal values into civil society (See Dart 2004a), or is symbolic of a more radical search for a better way of organising society (See Amin et al. 2002). At an organisational level this tension can be characterised by the need to balance the need for trading income against the social inclusion of beneficiaries (Pharoah et al. 2004). Socially orientated organisations whose income is derived from non-commercial sources such as grants or charitable donations are relatively free to prioritise their social purpose. Conversely, economically orientated social enterprises must operate within the constraints of the market. The need to break even or generate a surplus must override any social purpose (Cornforth et al. 1998).

Following the approach taken by Pharoah et al. (2004), bringing these two dimensions together gives rise to a preliminary typology, as seen in Figure 1, which distinguishes four ideal types of social enterprise. Together the ideal types can be seen as extremes marking the boundaries of the social enterprise field. In practice, most social enterprises fall within these boundaries.

Figure 1: Forms of social enterprise



2.2 Exclusion: A working definition

The term 'social exclusion' derives from France, and was originally used to refer to the ten percent of the French population excluded from society as they were not covered by social insurance (Amin et al. 2002). The concept was later widened to incorporate exclusion from the labour market by including disaffected groups of youths and isolated individuals (Burchardt et al. 2002a). Thus the concept of exclusion is no longer associated solely with the welfare state. In the UK policy context, social exclusion is vaguely defined as:

'a shorthand term for what can happen when people or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, unfair discrimination, poor housing, high crime, bad health and family breakdown.' (ODPM 2004, p4).

Thus social exclusion is more likely to occur when an individual (or area) suffers from these multiple disadvantages or characteristics of exclusion. However, this definition does not specify what social exclusion actually is, or why it occurs, merely how it can occur.

Social exclusion is generally seen as multidimensional, that is a person can be excluded along one or more of a number of dimensions (ODPM 2004; Gordon et al 2000; Levitas et al. 2007). A working definition that is able to incorporate the multiple dimensions of exclusion is provided by Burchardt et al:

'An individual is socially excluded if he or she does not participate in key activities of the society in which he or she lives.' (2002b, p30).

These key activities (or dimensions of exclusion) are outlined as:

- a. Consumption: the capacity to purchase goods and services
- b. Production: participation in socially valuable activities
- c. Political Engagement: involvement in local or national decision making
- d. Social Interaction: integration with family, friends and community.

A lack of participation in any one dimension is sufficient for social exclusion. Yet to be socially included it is necessary to participate in every dimension. Applying this in the field requires cut-off points. When undertaking secondary analysis of British Household Panel Survey data, Burchardt et al. (2002b) suggested that a point at which the state intervenes is appropriate. For example, in relation to consumption, a person relying on state benefits was considered excluded from being able to purchase goods and services that are taken for granted in the society in which he / she lives. This approach is useful for determining prevalence of exclusion within a geographic area, as long as there is reliable data available. However, the authors recognise that exclusion is relative. Hence people can be more or less excluded along each of the dimensions (Burchardt et al. 2002b).

2.3 Can social enterprise address social exclusion? Evidence from the literature

The introduction to this paper identified that the policy rationale in England for supporting social enterprise as a means to tackling exclusion was based on the claims that social enterprises were effective at: delivering services in areas characterised by market failure; providing employment opportunities for excluded groups; and creating more enterprising communities. It was also claimed that these impacts were linked by social enterprises ability to mobilise and reproduce social capital.

There is as yet little evidence to support or challenge the policy rationale. Thus it has been suggested that policy has been based on hypothetical assumptions rather than a strong evidence base (Evans 2007; Peattie and Morley 2008). A public inquiry into the delivery of public services found no evidence that third sector organisations (including social enterprises) offer distinctive approaches or benefits to users (House of Commons 2008). However, Smallbone and Lyon (2005) found that in the context of rural development, social enterprises (broadly defined as organisations that meet social aims by engaging in trading activities, from which any surplus generated is not for personal profit) in Devon provided basic services that the private sector was unwilling to supply and that the public sector was unwilling to fund in full, particularly shops and transport.

Evans (2007) noted that social enterprises appear more likely than mainstream businesses to be located in deprived areas, lending some support to the notion that social enterprises are a response to market failure. However, closer examination of the relevant survey data shows that the distribution of social enterprises is broadly comparable to that for all businesses with employees (IFF Research 2005).

In a detailed analysis of government policy, Levitas (2005) argued that the New Labour policy response to social exclusion is characterised by a flight from notions of equality and a redistributive discourse of exclusion towards a social integrationist discourse that sees inclusion as equated with paid employment. This has been accompanied by a moral underclass discourse that blames exclusion on the individual and implies a policy response of 'carrot and stick' to push excluded individuals into the workforce. Byrne (2005) argued that this policy response ignores the question of who is doing the excluding. In a similar vein, Blackburn and Ram (2006) suggested that focusing on employment as a response to exclusion is a neo-liberal policy that fails to recognise the multi-faceted nature and causes of exclusion. At best this approach serves those individuals on the margins of inclusion, but fails to address the needs of the most disadvantaged (2006). Offering support to Blackburn and Ram, Aiken (2007) noted that the UK policy focus on supply-side measures (such as training) to combat unemployment has prevented social enterprises becoming a major player in the direct provision of employment to excluded groups. However it would seem that (some) social enterprises are able to equip disadvantaged people for the mainstream labour market through training (Aiken 2006) and do this in a cost effective manner (Smallbone et al. 2001). A recent national survey found that 29% of the UK population were familiar with the concept of social enterprise. 7% of these people claimed to work for a social enterprise, suggesting around 2% of the population were employed by social enterprises (IFF Research Ltd 2007). It is not clear what proportion of these jobs were taken by excluded groups. Blackburn and Ram (2006) argued that most of the jobs created in deprived areas would be taken by those on the margins of exclusion rather than those in most need. Furthermore Evans (2007) suggested that much of the apparent growth in employment within social enterprise is a consequence of the outsourcing of public services. Hence the aggregate impact on the consumption dimension of exclusion may be negative as wages paid by social enterprises tend to be lower than in the public sector (Almond and Kendall 2001).

Blackburn and Ram (2006) also suggested that encouraging more enterprising communities would increase exclusion as enterprise leads to inequality. The assumption in much of the policy and

practitioner literature is that if a social enterprise is commercially successful the social purpose will take care of itself (Arthur et al. 2006). However section 2.1 identified that the concept of social enterprise involves negotiating the space between two opposing poles. Thus as some organisations become more business orientated, social purpose becomes less of a priority and the most excluded beneficiaries may be abandoned as the resources required to develop their social inclusion outweigh the financial benefits to the organisation (Dart 2004b; Pharoah et al. 2004). Nevertheless, Johnstone and Lionais (2004), echoing Putnam (2000) found that community businesses can revitalise '*depleted communities*' through their dependence on a strong and active network of social relations. But this would seem to rely on communities being relatively homogenous. Dakhli and De Clerq (2004) found some support for the hypothesis that areas characterised by high levels of trust and associational activity have a positive impact on innovation. However Putnam (2007) found that ethnically diverse neighbourhoods are characterised by lower levels of trust, even when controlling for associated variables such as social class and income.

Finally, the directional relationship between social enterprise and social capital is uncertain. While Coleman (1988) and Putnam (2000) both suggest that there is a positive correlation between levels of associational activity and social capital, it is difficult to separate cause from effect. Hence it is unclear as to whether encouraging the development of social enterprise in deprived communities will lead to the creation of social capital, or whether existing social capital in an area is a prerequisite for social enterprise to flourish.

The limited 'evidence', characterised by argument and assertion rather than empirical data, suggests that at best social enterprise has a limited impact on exclusion as measured in terms of service delivery, employment and economic development. In part this is a consequence of a scale mismatch between the policy expectations and what is happening on the ground. However Blackburn and Ram (2006) noted (in relation to micro enterprise initiatives in the USA) that evaluations have focused on quantitative outcomes ignoring more qualitative dimensions such as changes in self-esteem. Applying this to the UK would suggest that a narrow focus on economic outcomes such as levels of employment, enterprise and service delivery ignores the impact of some social enterprises along the lower levels of the different dimensions of exclusion. Thus developing an understanding of the impact of social enterprise on exclusion requires a more finely tuned qualitative approach.

3. Methods

The research study set out to examine the impact made by different forms of social enterprise upon different dimensions of exclusion within an inner city setting - Riverview. A case study method was appropriate to examine these multivariate conditions. A selection of social enterprise case studies, each using multiple sources of evidence, provided a deeper understanding from which to draw on for analysis. To aid the data collection process, the researcher moved into Riverview and lived there for two years until fieldwork was complete. Following on from the work of sociologists such as Whyte (1955) it was considered that immersion in the locality would further understanding of the phenomena under investigation.

Riverview, the electoral ward chosen as the setting for this research, was selected as it approximates to the notion of the classic inner city, a deprived area with a mixed ethnic population. According to Power and Houghton, Britain has a '*uniquely damaged urban environment*' characterised by large '*sink estates*' and poor quality terraced housing. Some of the inner cities face acute social problems. These have been exacerbated by middle class flight to the suburbs, to be replaced by immigrants who became marginalised in urban ghettos (2007).

A database of local third sector organisations that engaged in some form of social enterprise was constructed in order to select four social enterprise case studies, approximating as closely as possible to the four ideal types outlined earlier (See Table 2). The first two cases, a community enterprise and a non-profit enterprise, involved participant observation over a six to twelve month period. The researcher became embedded in the organisation through providing unpaid work in an implicit exchange for access. Immersion in the field enabled the construction of a detailed picture of changes over time as perceived by the key stakeholders, while paying particular attention to the interaction between the two key dimensions of social enterprise (outlined in Table 1) and their impact on excluded group members and beneficiaries. The third case study of a community business involved a series of six informal interviews, supplemented by regular email conversations, with a gatekeeper employed as a social enterprise development worker. This was followed by regular visits to the organisation to interview key stakeholders and conduct observations. The final case study – a social business – consisted of three observational visits to the organisation and three in-depth interviews arranged via a gatekeeper employed by them. This was supplemented by regular email and telephone correspondence with stakeholders including beneficiaries.

Given that the impact of social enterprise on beneficiaries is an underdeveloped area (Peattie and Morley 2008) the approach to analysis was inductive. Thus rather than testing existing theory, the approach was to develop propositions directly from the data. The emerging findings were shared with key participants who provided feedback that helped with the development of propositions. Analysis of findings from the more in-depth cases enabled the development of themes and propositions to be pursued in more depth in the later cases. Thus the research process moved from an open-ended style of case study research and towards a more structured approach.

As shown in Table 2, the case studies were selected to fit as closely as possible the ideal types represented in Table 1. The research aimed to explore the relationship between different organisational forms and exclusion. However, the preliminary typology refers to ideal types. Organisations in the field were not static and tended to move across the framework over time, and altered position depending on who was looking at them and which part of the organisation was being observed.

3.1 Selection of case study organisations

Table 2: Selection of case study organisations and their approximation to ideal types

Ideal Type	Case Study Organisation	Social - Economic		Individual - Collective		
		Primary purpose	Main income source	Decision making process	Degree of user involvement	Initiative created by
Community enterprise	Global Theatre Productions	Social – to involve Kurdish refugees in producing a play	Voluntary effort	Collective	High	Kurdish refugees facilitated by community development worker
Nonprofit enterprise	Supported Housing	Social (borderline) – to provide support to people with mental health problems	State payment for delivery of services	Individual	Moderate	National voluntary organisation from outside the area
Community business	Community Times	Economic – to generate a surplus and to develop the local community economically	Sale of advertising space to local businesses	Collective (borderline)	High	Pakistani migrants living in Riverview
Social business	Health 4 All	Economic – to generate a surplus and provide essential health services to local citizens	State payment for delivery of services	Individual	Low	Concerned citizens responding to local need

Global Theatre Productions (GTP)

GTP was an embryonic community enterprise set up by a group of refugees and asylum seekers, who wanted to produce a play based on their collective experiences. Less than 20% of the income for the project came from trading, i.e. ticket sales. Initially the group was run entirely through voluntary effort. All decisions were made collectively. The primary purpose was social, to provide young Kurds with something constructive to do and to demonstrate their experiences to a wider audience. GTP initially appeared to be a bottom-up response to need based on collective self-help. This suggested an approximation to the community enterprise ideal type. However, during the period spent observing the group they began to take on a more commercial focus and to move away from a collective decision making process as they followed a trajectory towards a social business.

Supported Housing

This nonprofit enterprise was the local arm of a national charity. The case study examined the Riverview project in isolation from the parent, as far as that is possible. It consisted of a semi-supported housing project for people with mental health problems. Income was generated by selling services: housing and support for residents. These services were not purchased directly by residents, but by the state through housing benefit and supporting people payments. However these payments were administered by the head office who gave the project manager a fixed annual budget. This effectively separated the economic and social aspects. The project manager's task could be seen as maximising the social return to residents within a fixed budget. There were no formal income generation targets at the local level. This organisational structure successfully blended the service provision model of social enterprise with a more traditional charitable model that separates fund raising and service provision.

The project adopted a hierarchical or individualistic organisational structure. The primary purpose was social – to provide services to their beneficiaries. This was a borderline decision as the project was financially self-sufficient, and did not rely on grant funding. However, as a result of the parent group's decentralised approach, managers were able to run the project based on a resident's needs, over and above any desire to generate a profit. The project most closely approximated to the ideal type of non-profit enterprise.

Community Times

The third case study examined Community Times, a newspaper that aimed to become a collective voice for a section of the local Pakistani community, linking businesses with local mosques and feeding into economic development. Community Times was the only case study to derive most of its income through trading with the private sector. Advertising space was sold to local and regional businesses and the newspaper was sold across the North of England, although primarily in Riverview.

The social purpose of Community Times was less clear than for the previous two case studies. Effectively the newspaper acted as a mouth piece for the local Pakistani business community and the primary focus of the organisation was to help develop the local economy economically. Profits were re-invested into community activity, including for example a drugs awareness day at a local school. Their constitution highlighted a collective decision making process. Thus this case study most closely approximated to the ideal type of community business.

Health 4 All

Health 4 All was one of Britain's largest social businesses. The subsidiary which became a case study, the Healthy Living Centre, was a health centre located in a neighbouring ward that offered various services to local residents. These included a doctor, dentists and community mental health team. Around half of their income was earned through trading. Three quarters of this earned income was derived from state contracts. This included, for example, supplying services such as building space to statutory bodies.

The Healthy Living Centre was presented by the parent group as a way to improve the health of the poorest neighbourhoods, through participation and community involvement. However, the organisation's primary purpose was economic, recognising the requirement to generate a surplus

before social need could be considered. The hierarchical management structure suggested a position approximating to the ideal type of social business.

4. Findings: The impact of social enterprise on exclusion

The evidence from the literature presented in section 2.3 suggested a scale mismatch between the policy expectations outlined in section 1, and what was happening on the ground. The subsequent case study research found that a narrow focus on economic outcomes such as levels of employment, enterprise and service delivery ignores the impact of some social enterprises along the lower levels of the different dimensions of exclusion. Referring back to the preliminary typology, Table 3 summarises the four case studies contribution to tackling exclusion. While examining the interplay between the two dimensions of social enterprise and their impact along the dimensions of exclusion, five propositions were derived from the data.

Table 3: The impact of different forms of social enterprise on different dimensions of exclusion

Dimension of exclusion		Community enterprise	Nonprofit enterprise	Community business	Social business
		Global Theatre Productions	Supported Housing	Community Times	Healthy Living Centre
a. Consumption	i. Developing Enterprise	Low	None	High	Low
	ii. Employment of excluded people	Low	None	Medium	High
	iii. Service delivery	None	High	None	High
b. Production		High	Medium	High	Low
c. Political engagement		High	Low	High	Low
d. Social Interaction	i. Bonding	High	High	Medium	Low
	ii. Bridging	High (for those involved in a managerial role)	Low	High (for those involved in a managerial role)	Low

Proposition One: An individual can be excluded from the key activities of the wider society in which they live, but become socially included within a group setting.

Returning to the working definition of exclusion outlined in section 1.2, and focusing on the impact of the case study organisations on beneficiaries movement along the lower end of the dimensions of exclusion (from more excluded to less excluded), a new picture of inclusion emerges. For example, Farsal, a member of GTP relied on state benefits like most other members of the group. Thus he was considered excluded along the consumption dimension by the standards of the country in which he lived. However, within the group setting of the community enterprise he was no more excluded than other members. Although not formally employed he was involved in a social enterprise in a productive capacity. As an asylum seeker he was not entitled to vote at the general election. However, within the

group he was involved in decision-making and could be said to be politically engaged at a local level. This involvement in the group also widened his social network, helping him to become less socially isolated. While still excluded in relation to Burchardt et al.'s. (2002b) dimensions and cut-off points, it could be argued that involvement in the community enterprise had helped Farsal become more included on at least three of the four dimensions: participation, social interaction and political engagement. Exclusion can thus be said to be relative rather than absolute. Relying on absolute cut off points such as employment status to measure exclusion ignores the less tangible impacts made by social enterprise along the lower levels of the dimensions, particularly within a group setting.

Proposition Two: Social enterprises whose primary purpose is social can provide a space for excluded groups to develop close bonds with those in a similar situation.

To some extent this picture of social inclusion within a group setting was replicated in the case study of the Supported Housing. This nonprofit enterprise provided a space for residents to develop strong bonds based on solidarity arising from their shared sense of exclusion. One resident, Rick, had bi-polar disorder and had lived with his parents until the recent death of his mother. Although he had lived in Riverview all his life he had no close friends outside of the project, and had been excluded by sections of the local community. He would not leave the project alone after dark as he had been victimised by local gangs who bullied and stole from him. However, within the safe space of the project he was able to develop close bonds with people who had similar experience of being excluded due to their mental health problems.

Although Supported Housing was able to offer residents a space to develop close bonds with people in a similar situation, and hence become included along the dimension of social interaction, the lack of a collective decision making process meant that the organisation had little impact on political engagement amongst beneficiaries. There was some impact along the production dimension of exclusion. Rick took on responsibility for maintaining the garden at the project. While this may not have been seen as socially valuable by the standards of wider society, Rick's occupational therapist explained that it gave him a reason to get up in the morning.

Thus becoming part of a group helped excluded people develop bonds with people sharing similar characteristics of exclusion. This tended to impact upon the social interaction dimension of exclusion. Two of the four case study organisations helped facilitate this form of bonding social capital. Both GTP and Supported Housing were characterised by members and residents developing strong bonds based on solidarity arising from their shared ethnicity or mental health status. This impact did not appear to occur among beneficiaries of the social business, Healthy Living Centre. Perhaps counter-intuitively, the community business, Community Times also did not exhibit this characteristic, despite appearing to have been established by people sharing a common bond – ethnicity. Thus only those social enterprises with a primarily social orientation were able to provide a space for excluded individuals to bond with others in a similar situation. This is explained by examining the opposite pole of the social - economic dimension which revealed a tension between developing this form of social inclusion among beneficiaries and delivering more economic outcomes.

Proposition Three: Social enterprises whose primary purpose is economic are better placed to create paid employment.

Although organisations with a more economic orientation did not develop a similar sense of belonging amongst their service users, they were better able to deliver economic outcomes. The social business, Healthy Living Centre, met a target of ensuring that half the workforce lived on the social housing estate in which they were located, although most of those in higher paid managerial positions came from outside the area. The community business, Community Times, provided paid employment to those managing the organisation, and played a role in developing enterprise within Riverview through bringing together the local (Pakistani) businesses. However, it would appear that there is a direct trade off between social and economic outcomes that derives from the tension between social and economic objectives. Although it is difficult to make substantive claims based on four case study organisations, examining one social enterprise's movement across the framework over time lends support to these findings.

During the time spent observing the community enterprise, GTP, it went from having no income and relying on donations of rehearsal space to an annual turnover of around £60,000. Ahmed, the co-ordinator of GTP, had been responsible for raising the majority of this money through grants and ticket sales. He wanted to employ a professional dancer to help choreograph the performance, and did so without consulting other group members. Jasmine, the professional dancer brought into the project, was a British Asian living locally. The young Kurdish members of GTP resented the more organised approach Jasmine brought to rehearsals which detracted from the time they spent bonding as a group. Matters came to a head once the young Kurds discovered that Jasmine was being paid for her input, and two group members left in protest. The group had adopted a more economic and professional focus, paying some members for their contribution, and began to generate more money from ticket sales. As a consequence there was less time available for social interaction and two of the original (most excluded) members who were involved in the formation of GTP were excluded by the new trajectory that GTP was following.

Proposition Four: Social enterprises with a hierarchical decision making process are better equipped to deliver services.

While the adverse impact on the social inclusion role of GTP was primarily a consequence of movement along the social - economic dimension, it was difficult to separate this from the individual – collective dimension. The group had long since moved away from a collective decision making process. To some extent this was a consequence of a lack of interest in organisational aspects for most of the group members. This movement towards a more hierarchical decision making structure, made it easier for Ahmed to direct and produce a play at the expense of democratic decision making processes.

Both case study organisations that adopted a hierarchical or individualistic decision making process were involved in the delivery of services to excluded groups. It may be that lack of democratic control is a necessary condition for effective service delivery. This finding is tentative but partially supported by my inability to uncover any social enterprises delivering services in Riverview that adopted a collective decision making process, apart from a co-operative housing association.

The social business, Healthy Living Centre, provided services in a neighbourhood where the public and private sectors had previously failed to do so. Prior to the establishment of this social business, the local neighbourhood had no doctor or dentist. This lends some support to the policy assumption that social enterprises can deliver services in areas characterised by market (and state) failure.

There was also evidence to suggest that some social enterprises may deliver innovative services and raise the overall standard of services received by excluded groups. The nonprofit enterprise, Supported Housing, was recognised by two health professionals I spoke to as raising the standards of support to people with mental health problems in Riverview. They explained that this applied not only to residents of the project, but also to private and public sector providers. The health professionals had recognised the superior services provided by Supported Housing and preferred to send clients to the project where possible. One claimed that this had a 'knock on' effect as competitors sought to raise the standard of accommodation and support provided.

Proposition Five: Social enterprises involving excluded people in an organisational capacity are able to help them build bridges which can unlock their exclusion.

Finally, some social enterprises were able to help some people escape exclusion altogether. Two previously excluded people involved in the case study organisations were followed as they became included at a societal level. Their inclusion was achieved through involvement within social enterprises in a managerial capacity. Managing an organisation helped them develop new skills and enhanced social networks. A consequence of developing what Woolcock (2001) terms 'linking social capital' with more powerful institutions was that both became members of networks not normally accessible to them, and were able to access economic resources. For Ahmed at the community enterprise, GTP, these new social networks provided him with a route to paid employment with a support organisation he had been involved with through GTP. The case of Iqbal at Community Times demonstrates some similarities.

Iqbal had moved to Riverview from Karachi around twenty years ago. He claimed to have set up Community Times as he was unable to find conventional employment. Since then the monthly community newspaper had grown to a circulation of 8000 copies and employed ten paid staff and two trainees. The board of the organisation was formed of representatives from local Pakistani businesses, mosques and community groups. This board chose how to distribute profits, and theoretically had a major say in how the organisation was managed. Although nominally the newspaper adopted a collective decision making process, Iqbal's presence as the founder member appeared to give him effective overall control.

Unlike most Pakistani migrants arriving in Riverview, Iqbal was educated to degree level and came from an urban environment. He explained to me that this meant at times he felt excluded by both his fellow Pakistanis and by the English host community. Over time he had built the newspaper by reaching out to different communities. Iqbal seemed keen to highlight his place in a network of local businesses and put forward the impression of himself as linking the economic, social and cultural arms of the Pakistani community. The newspaper can be seen as bringing these three arms together through advertising, news and commentary on political affairs (both local and global) and highlighting social events such as local Pakistani independence day celebrations. Iqbal's initial status as an

outsider had led him to also develop links with people and organisations outside of this network. On the walls of his office there were numerous photographs of himself with local politicians and celebrities. Through his friendship with a local councillor, Iqbal had been introduced to the local social enterprise support network and been able to access funding to develop employment training opportunities for local youths. Through his socially valuable role in developing the community business Iqbal had come to earn a relatively high salary by the standards of the UK, and would be considered included along both the production and consumption dimensions of exclusion. He had strong links to local politicians and political parties in addition to a large network of friends and acquaintances. Thus he would also be considered included along the dimensions of political engagement and social interaction. In a similar way to Ahmed at GTP, Iqbal had escaped exclusion through developing bridges and links with more powerful people and institutions. It was apparent from both cases that these bridges became more numerous and linked to more powerful institutions as the organisations developed a more economic focus and traded in new markets.

Both those that escaped exclusion through social enterprise were on the margins of the (ethnic) groups they represented, and had been university educated in their country of origin. This lends support to Blackburn and Ram's suggestion that those employed within social enterprises tend to be those on the margins of exclusion (2006). Involvement in the organisational aspect of social enterprise provided the key to unlocking their exclusion. Both social enterprises (GTP and Community Times) that involved excluded people in an organisational capacity initially adopted a collective decision making process. This research suggests that as social enterprises enter new markets they open up new sources of bridging and linking social capital. In addition to being used to benefit the organisation, bridging and linking social capital also accrues directly to those individuals making the new connections. Thus social enterprises that involve excluded people in an organisational capacity are better able to facilitate their becoming included outside of a group setting.

5. Conclusions

This paper set out to address the question: In what ways can social enterprise combat social exclusion? The policy and research literature focused on more economic outcomes such as the creation of employment, enterprise and delivery of services. Pursuing an in-depth case study approach demonstrated that the impact along the lower levels of the dimensions of exclusion was more important than the research literature would suggest.

It became apparent that a person could become included within a group setting but remain socially excluded in relation to the country in which she / he lives. Thus the definition of social exclusion depends upon the community of reference. The different forms of social enterprise impacted on different dimensions of exclusion in different ways. Returning to the preliminary typology (and accepting its limitations) there is evidence to suggest that more economic orientated social enterprises are able to provide employment within an area. More socially orientated enterprises can provide a space for excluded individuals to bond together, leading to social inclusion within a group. Social enterprises with more hierarchical decision-making processes appeared well placed to deliver services to excluded groups. Social enterprises adopting more collective decision-making processes and

involving excluded people in a managerial capacity were able to facilitate these excluded individuals developing bridging and linking social capital which can lead to social inclusion at a societal level.

At a policy and practice level this introduces dilemmas and opportunities. At the level of the organisation, managers must constantly balance economic and social goals (Chell 2007; Russell and Scott 2007). Pursuing a primarily economic focus will facilitate economic goals such as the direct provision of employment. However, this may occur at the expense of developing a space that allows excluded people to overcome social isolation, at least within the group setting.

Similarly organisations need to prioritise the extent to which beneficiary groups have a say in the decision making process, and are involved in an organisational capacity. Service delivery may be facilitated through adopting a more hierarchical or individualistic organisational structure. However, abandoning collective decision making in favour of getting the job done may prevent excluded groups from participating themselves and becoming more politically engaged. This research suggests that user participation at a managerial level enables the benefits of bridging and linking social capital to accrue directly to excluded people.

At a policy level there has been much discussion around the need to scale up social enterprise, both in terms of size of the sector, and by creating larger social enterprises (Leadbeater 2007). The minister responsible for social enterprise in the UK recently announced a target of creating an additional 25,000 jobs within social enterprises delivering public services in the UK (Byrne 2009). The aggregate impact this will have on exclusion would appear to depend upon whether these services (and jobs) are new, or merely represent the transfer of public service delivery from the public sector. This paper argues that services can be delivered more effectively by those social enterprises with a hierarchical decision making process, and that job creation is better suited to those social enterprises with a more economic focus. However, this paper cautions that a narrow employment and service delivery focus on tackling social exclusion through social enterprise risks moving away from the distinctive nature of social enterprise characterised by Lloyd as the: *'potential to empower and integrate people'* (2004).

Finally these propositions should be subject to further testing, particularly as the exploratory nature of the research means that the research design is open to criticism on a number of fronts. Firstly, the criteria used to select the case studies and position them on the preliminary typology were subjective. Future work using this typology would require the development of more objective criteria. Second, the four organisations operated in different fields. Thus it could be argued that this research did not compare like with like. Additionally the comparative element within this research was limited to different forms of social enterprise. Future research should compare the impact of different forms of social enterprise upon exclusion with other organisational types from the public and private sectors all operating in the same field.

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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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