

Discussion Paper

Social Enterprise and its Impacts

1 Introduction...

This Discussion Paper presents a new way of thinking about social enterprise.

We shall try and show that social enterprise provides an alternative and fairer way of exchanging goods and services and that social enterprise has an impact on people (social), the planet (environment) and the society structures in which it operates (culture).

Social enterprise is not just a business with some social objectives, but rather a way in which people can work together in order to create more equal, fairer and sustainable communities.

2 The case for understanding economic activity as a means to an end...

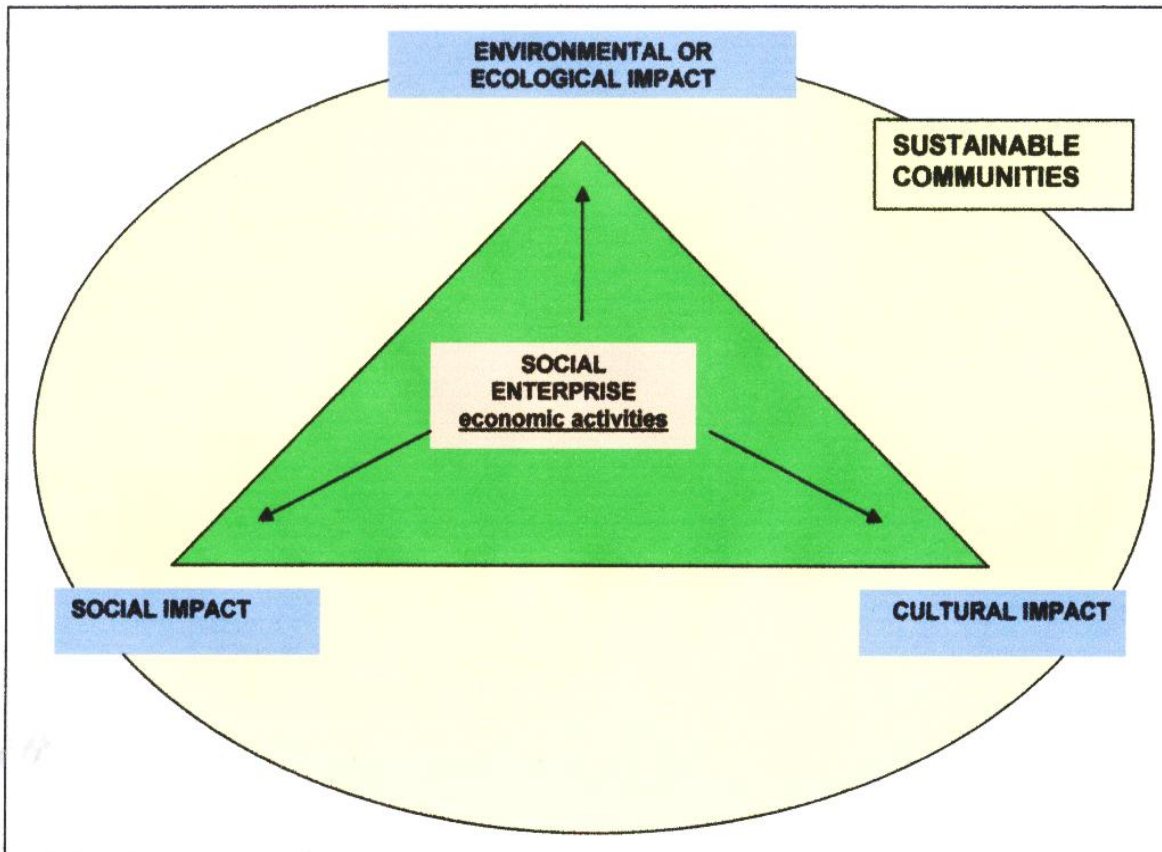
Economic growth is often seen as the goal for businesses and nation states. Ultimately economic growth is unsustainable given the limited resources on the planet - but prosperity without growth is possible (ref). Arguably, performance and progress should be measured in terms of the benefits to people, the environment and the culture in which society exists.

The term 'economy' is often misunderstood and is seen as a way to make or accumulate money. Although money plays an important role as a 'means of exchange', the economy is mainly about producing and re-producing necessary (or otherwise) goods and services. To achieve that, resources have to be allocated effectively. We believe that economic activity is not an end in itself, but a 'set of means' to achieve the primary impacts - social, environmental and cultural impacts.

Traditionally, it has been widely regarded that social enterprises have social, environmental and *economic* impacts. We believe that social enterprise should be working towards sustainable development as an attempt to avoid unlimited exploitation of the available resources. Therefore, the economic impacts should be understood as the means to an end.

3 Social, environmental and cultural impacts...

In the following diagram economic activities are in the centre as a set of means to achieve social, environmental and cultural impacts.



3.1 Environmental or ecological impacts:

All organisations and people have an impact on the environment. A social enterprise has to ensure that its impact does not have an adverse or negative affect on the environment. It is only by minimising these adverse affects and maximising positive impacts that we can ensure future sustainability.

3.2 Social impacts:

A social enterprise has to ensure that it impacts on people and their livelihoods in a positive way ensuring prosperity and well-being. We define prosperity as being more than money and distinct from wealth for its own sake. A society can prosper as the sum of all its parts and the not only the prosperity of a few.

3.3 Cultural impacts:

Culture is about the way we do things, the subtle rules that inform the way we are with each other, what we take for granted, what we question, our expectations of how things should be. All social enterprises operate in a societal context. A social enterprise has to assess its impact on the wider society in which it operates - its contribution to a culture which promotes fairness, equality and the common good.

4 Social enterprise value base...

We believe that there is a connection between social, environmental and culture impacts and the importance of a social enterprise's value base - the way social enterprises do business. A social enterprise should be explicit about its values and how it is living up to them. This recognition of distinct shared ethical values makes a social enterprise different from other forms of enterprise.

5 What this means...

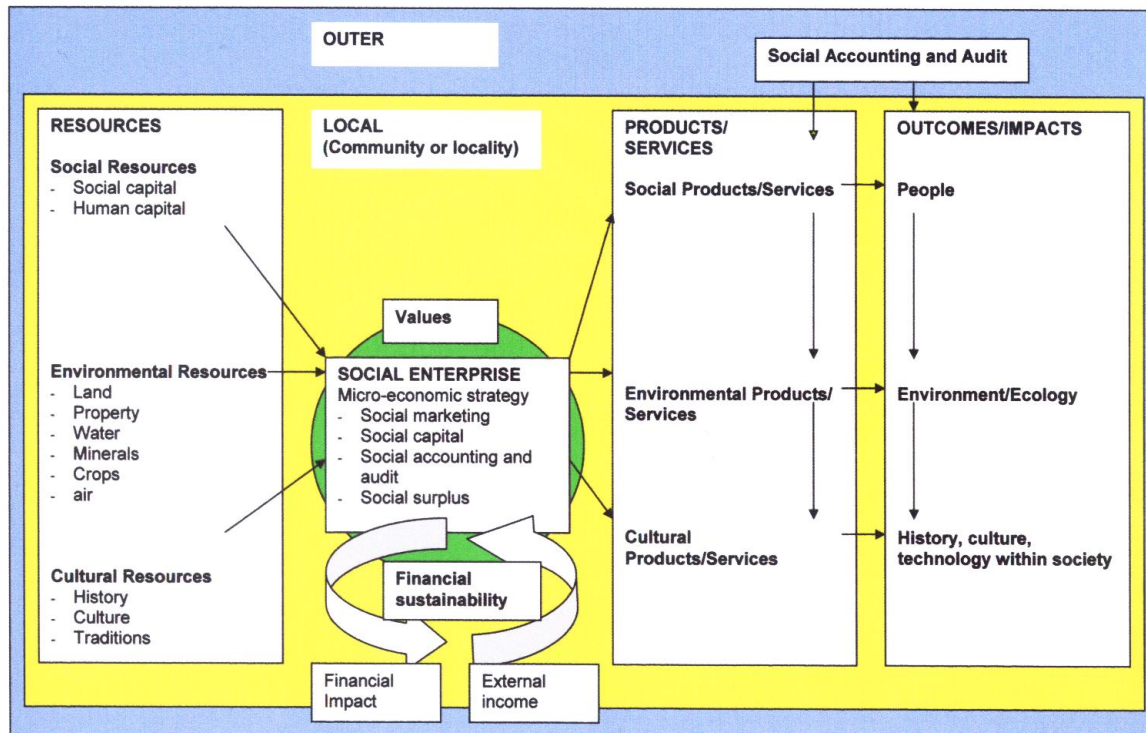
If the triangle above is accepted as a paradigm for social enterprise, then a number of things fall into place.

- Social enterprise will not have to assume that adding to the economy is an end in itself. For example, it may provide jobs and employment not just so people can spend more in the economy but, rather, to offer the long term unemployed (for example) new opportunities thus addressing the disparities between the better off and the less well off.
- Social enterprises can live up to a set of deep-rooted values that they want to influence the way we live and work together as a society.
- It allows for a wider understanding of economic activities and for some social enterprises the adoption of ways to exchange goods and services that do not necessarily contribute to the financial economy eg. LETS schemes, volunteer labour, box schemes, etc.
- In accepting that social enterprise can have an impact on culture we are re-introducing the concept that we are not individual islands. Rather we live and work within a society and have an influence on that society and the relationships within it.

5 The operational model for social enterprise...

Social enterprise has a micro-economic strategy involving social marketing, social capital, social accounting and audit, and social surplus (see diagram below).

SOCIAL ENTERPRISE



Social enterprise can use external income and has a financial impact on its community. It has to be financially sustainable or it will no longer be able to exist.

It has clear and explicit values that underpin all its actions.

In its locality it uses social, environmental and cultural resources and creates social, environmental and cultural products or services thus having an impact on people, the environment or ecology and on the culture of society.

A social enterprise can have a positive or negative outcomes and impacts.

It reports on its products/services and impacts using social accounting and audit.

6 Re-defining social enterprise...

Following the above argument, there should be a clear and distinct definition of social enterprise. This paper proposes that social enterprises possess the following four characteristics:

- 1 social enterprises are formally established, autonomous, value-based enterprises to achieve social, environmental and cultural objectives
- 2 social enterprises are set up, run and controlled by initiatives to serve unmet needs
- 3 the economic performance of social enterprises is the means to achieving social, environmental and cultural objectives and surplus will be re-invested to achieve the overall objectives
- 4 social enterprise's organisational structures should be based on participative, co-operative or collective principles

Alan Kay
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