

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

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## Abstract

*Much attention has been paid globally to defining social enterprise as an organisational unit and explaining its recent emergence. However, beyond the notion of trading for a social purpose, there is little consensus as to what social enterprise is, or why it is like this. In this paper it is argued that social enterprise means different things to different people across different contexts and at different points in time. These meanings are culturally, socially, historically and politically variable. Using the example of the United Kingdom, where social enterprise has been heavily promoted and supported as site for policy intervention, this paper explores how the meanings of social enterprise have evolved over time. This enhances understanding of a fluid and contested concept constructed by different actors promoting different discourses connected to different organisational forms.*

**Keywords:** Big Society; New Labour; Social Enterprise; Third Way;

## Introduction

Since the late 1990s the concept of social enterprise has achieved policy recognition in many different countries. In the United States (US) an Office of Social Innovation and

Civic Participation has been set up within the White House. In the United Kingdom (UK) the government created a social enterprise unit within the Department of Trade and Industry (DTI), which later became part of the Office of the Third Sector (OTS), and since May 2010, the Office for Civil Society. New legal forms designed specifically for social enterprises have been created in Belgium, Italy, the US and the UK. These developments have been mirrored within academia where social enterprise has been explored as a means to tackle some of society's most entrenched social problems (Blackburn & Ram, 2006); an important revenue stream for nonprofits (Dees, 1998); a new means of delivering welfare services (Haugh & Kitson, 2007); a consequence of a move from government grants to contracts (Peattie & Morley, 2008); and as a potential alternative to capitalism (Amin, 2009; Pearce, 2003).

Much early academic literature focused on defining this *new* organisational type, and a range of academic theories were adapted to try to explain their *recent* emergence. There is however some acceptance that social enterprise is not necessarily a new organisational form, but has evolved from earlier forms of non-profit, co-operative and mainstream business (Defourny and Nyssens, 2006). While many of the organisational forms associated with social enterprise have been in existence for centuries, the language employed is clearly "new", and would appear to have emerged around 1990 in the US and mainland Europe (Defourny and Nyssens, 2010). A more finely grained sociological approach helps explain the terms different meanings in different parts of the world, which are often linked by the notion of trading for a social purpose (Peattie and Morley, 2008). It is perhaps most helpful to accept that social enterprise means different things to different people across different contexts and at different points in time. Its meanings are culturally, economically, socially, historically and politically variable (Kerlin, 2009).

The United Kingdom (UK) makes an interesting case to explore the emergence of social enterprise discourses. It probably has the most developed institutional support structure

for social enterprise in the world (Nicholls, 2010). The policy enthusiasm for social enterprise can be dated to the election of a New Labour government in 1997 keen to plot what has been described as a *third way* beyond traditional statist social democracy and neo-liberalism (Giddens, 1998). To some extent social enterprises, which appeared to marry economic and social goals, were an organisational exemplar of the third way (Grenier, 2009; Haugh and Kitson, 2007). Close links between early alliances of social enterprise practitioners, and senior politicians in the New Labour government, helped establish the terminology on the policy landscape (Brown, 2003). By 1999 social enterprise was portrayed as a policy tool to help combat area based social exclusion (Blackburn and Ram, 2006; Teasdale, 2010a). Over the next decade the purported merits of social enterprise expanded dramatically and it was portrayed as contributing to a wide range of government agendas (OTS, 2009). However despite a decade of government investment into social enterprise infrastructure and research, there is still no clear understanding as to what a social enterprise is or does, and how many there are in the UK (Lyon et al., 2010). To some extent this is to be expected. As this paper demonstrates, social enterprise is a contested concept constructed by different actors around competing discourses. As with the academic literature, these discourses are loosely connected only by the notion of trading for a social purpose.

Like early studies of social enterprise, this paper also sets out to explore what is social enterprise, and to explain its recent emergence. However, the aim is not to explain the emergence of new organisational forms, but rather, to understand how competing discourses have shaped the social enterprise construct in the UK between 1997 and 2010. This is achieved by drawing upon the academic literature to outline and conceptualise different discourses pertaining to different social enterprise organisational forms. The paper then considers the academic literature, policy documents, and the notes by key policy actors of the period. These are pieced together to trace the chronological construction of social enterprise

in the UK. This enhances understanding of social enterprise as a fluid construct which is continually re-negotiated by different actors competing for policy attention, and trying to push their own definitions to suit their own purposes. Over time (and indeed across contexts), different actors can be seen to capture the core of social enterprise while others move to the periphery. The paper draws upon material from 1997-2010 – the period of New Labour government in the UK. However, the final section of this paper explores how a political construct associated with the new Labour project might fare under a new political regime.

## **Social enterprise**

As is common in an emerging research field, early work has focused on definitions and explanations for the emergence of social enterprise. Much of the existing research has been undertaken within the disciplines of business and management studies. More recently some commentators writing from a sociological standpoint have paid attention to social enterprise and social entrepreneurship as a form of discourse. From this perspective, social enterprise is not a new phenomenon, but rather the repackaging of existing phenomena under the hegemonic discourse of neo-liberalism (Dey, 2006; Howorth and Parkinson, 2007) or of the third way (Amin, 2005). This section begins to make sense of the different definitions employed, and briefly discusses some of the explanations for the (supposed) recent emergence of social enterprise. It is argued that the different (academic) discourses pertaining to social enterprises are linked to different organisational forms. To help the reader make sense of these different discourses and organisational forms a two dimensional framework is outlined.

The label social enterprise has been applied to a range of phenomena. It has been used to refer to earned income strategies by nonprofits (Dees 1998, Dart 2004); democratically controlled organisations with an explicit aim to benefit the community where profit distribution to external investors is limited (Defourny and Nyssens, 2006); profit orientated

businesses operating in public welfare fields (Kanter & Purrington, 2008), or having a social conscience (Harding, 2010); and community enterprises founded by local people working to combat a shared problem (Pearce, 2003). A wide ranging review of the social enterprise research literature found that the only clearly defining characteristics of these various definitions were the primacy of social aims and the centrality of trading (Peattie and Morley, 2008).

There is an ongoing debate between academics in Western Europe and the US<sup>1</sup> as to who used the term first. It would appear that scholars on both sides of the Atlantic began using the term in the late 1980s (Defourny & Nyssens, 2006). However, whereas in the US *enterprise* was initially used as a verb (Dees, 1998), in mainland Europe the *enterprise* referred to a noun – the organisational unit (Borzaga & Defourny, 2001; Nyssens, 2006). In both definitions the *social* was used as an adjective. But in mainland Europe the concept derives from a more collective tradition, whereby cooperatives are the dominant organizational form (Defourny & Nyssens, 2006). Hence *social* initially referred to a collective form. For some commentators, a necessary condition for the *ideal type* of social enterprise in Europe remains a commitment to democratic ownership (Defourny & Nyssens, 2006). Despite a long tradition of co-operative organisation in the US, the social enterprise literature has not connected with this. In the US, *social* has tended to refer to external purpose rather than internal dynamics. Thus in the US social enterprise is used to refer to market based approaches to tackling social problems (Kerlin 2006; Kickul et al., forthcoming), often initiated by the individualistic social entrepreneur. Hence the two approaches can be distinguished by commentators' attention paid to collectivisation and democratic ownership or to individualistic social entrepreneurs getting the job done using hierarchical organisational structures.

A further distinction can be made between those US scholars using the term to refer to revenue raising activities undertaken by nonprofit organisations (Dees, 1998), and those referring to for profit organisations operating in and around the ‘social sector’ – providing public or social goods (Kanter & Purrington, 1998). European scholars can also be distinguished by those focusing on for profit businesses (Harding, 2010) and those focusing on community enterprises whose earned income is just one component of a range of sources (Amin, 2009; Evans, 2007). Thus on both sides of the Atlantic it is possible to distinguish between those social enterprises (and commentators) prioritising social purpose, and those whose primary commitment is to generating profits (Teasdale, 2010a).

A useful way of conceptualising these different organisational forms and academic discourses involves bringing these two dimensions together (Pharoah et al., 2004; Teasdale, 2010b) to create a framework (See Figure 1). Of course the four overlapping categories are ideal types, at least when referring to organisations. In practice each dimension can be seen to apply to both the internal organisational structure, and to the external purpose. It is perhaps rare for organisations’ internal practices to be aligned with their (stated) external objectives. Table 1 links the different organisational form to practitioner discourses, and to UK umbrella bodies promoting these forms and discourses.

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### ***Explanations for the emergence of social enterprise***

Some supply side academic theories have been adapted to explain the emergence of social enterprise. However closer analysis reveals that the different theories are often used to explain different phenomena. Thus theories of state and market failure have been used to explain the emergence of *new* forms of social enterprise as a response to the inability of states to meet the needs of citizens in a globalised world, and the inequitable distribution of goods

in free markets (Spear, 2001). Resource dependence theory is typically used to explain 'nonprofits' increased reliance on earned income (Dees, 1998), often attributed to a *need* to counter cutbacks in state financial support and philanthropic giving (Eikenberry, 2009). Thus turning to earned income is a rational solution at a time when government funding and philanthropic giving is supposedly falling. Institutional theories have been used to explain the marketisation of civil society amid the moral legitimacy of business like practices (Dart, 2004). Thus social enterprise is seen as morally legitimate as a consequence of society's wider fixation with business ideology. However, as Kerlin and Pollak (2010) note, there is little empirical evidence to support the assumption underpinning each of these theories - that social enterprises are becoming more prevalent. Kerlin (2010) adapted social origins theory to argue that differences in scale and form of social enterprise activity are a consequence of socio economic context and the unique histories of each different region. However this approach does not attempt to explain (or recognise) micro differences within countries. Amin et al. (2002) demonstrate that prevalence and type of social enterprise vary within areas of the UK in relation to local political circumstances, class interests and socio economic factors. It might be that the UK is a special case. Other authors have also related social enterprise development in the UK to political factors (Haugh and Kitson 2007; Peattie and Morley, 2008).

While there is little evidence to support the assumption that the numbers of social enterprise are increasing, it is clear that use of social enterprise discourses are becoming increasingly prevalent not only among academics and policy makers (Nicholls and Young, 2008; Hill et al., 2010), but also by practitioners within the third or voluntary and community sectors (Parkinson and Howorth, 2008). As the field of social enterprise research has widened, a number of people have approached the subject from a more sociological standpoint. Here the focus has been upon social enterprise (and entrepreneurship) as a new

language. Two schools of thought can be identified. First, some authors portray the language of social enterprise as a neo-liberal discourse promulgated by business schools that uncritically (or deliberately) accepts taken for granted assumptions around 1) the inability of states to deliver welfare services (See Dey, 2006), and 2) that social and economic goals can be successfully combined in capitalist economies (Blackburn and Ram, 2006). Second, authors particularly from the UK, have associated the language of social enterprise with a third way or communitarian rhetoric that attempts to plot a middle ground beyond traditional statist social democracy and neo-liberalism (Grenier, 2009; Haugh & Kitson, 2007). The UK then provides a particularly interesting case by which to understand the emergence of social enterprise discourses as its development has been a central tenet of the recent New Labour government. It is appropriate then to turn to the UK to trace the construction of social enterprise.

## **The social construction of social enterprise: The case of the United Kingdom.**

This section charts a chronological path of the development of social enterprise policy and discourse in the UK. Of course this involves some necessary oversimplification to comply with the demands of limited space. Three critical points are identified: the first mention of social enterprise in the policy literature in 1999, the creation of a social enterprise unit within the Department of Trade and Industry in 2001, and the later subsuming of this unit within the Cabinet Office of the Third Sector in 2006. Each critical point demonstrates the expansion of the social enterprise construct to incorporate new organisational types. The recent exit of New Labour from government in 2010 marks a 'natural' endpoint to this section.

## ***Preconditions***

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

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

The theme of local regeneration runs through the book. Community Development Trusts were proposed as a way for local communities to take control of local assets and also to co-ordinate the activities of a range of social economy organisations (Commission for Social Justice, 1994: 328-331), including worker co-ops, housing co-operatives and credit unions (Commission for Social Justice, 1994: 215). LETS organisations (informal barter organisations) were highlighted as a potential fallback option if structural unemployment could not be reduced (339). Non profit distributing Intermediate Labour Market Organisations such as the Wise Group, which aimed to move disadvantaged people into

employment through on the job training, were highlighted as a response to long term unemployment. Employee ownership models as utilised by the John Lewis Partnership were highlighted as a positive example of how relations between firms and employees might be rebalanced (214). Additionally (comparatively less) attention was paid to the role of voluntary organisations in making services more responsive to the needs of consumers in a mixed economy of welfare provision (358-360). Thus the preconditions were in place that enabled a small number of practitioner organisations who were able to use language that fitted the New Labour agenda to push social enterprise into the policy arena (Brown 2003, Haugh and Kitson 2007, Ridley-Duff 2008).

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

According to Brown (2003), the UK social enterprise movement was sparked by a merger of two co-operative development agencies in London in 1999. The name for the new institution was Social Enterprise London (SEL) (Ridley Duff, 2008). Brown (2003) suggests that the use of the term 'social enterprise' was pragmatic. That is, it was designed to capture public and political interest in the work of co-operative development agencies without alienating people through the language of common ownership, while keeping on board those members still strongly aligned with co-operative principles. Although the term social enterprise was used in the US at this time to refer to earned income derived by nonprofits (Dees, 1998), this was not a direct influence on SEL. However one of the key players within SEL had recently returned to the UK from Mondragon in Northern Spain where he had spent time building links with the eponymous federation of worker co-operatives.

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

*“Social Enterprises are businesses that do more than make money; they have social as well as economic aims and form the heart of what is now coming to be known as the “Social*

*Economy". Aims include the creation of employment, stable jobs, access to work for disadvantaged groups, the provision of locally based services and training and personal development opportunities" (SEL,1999 quoted in Brown, 2003)*

It would appear then that Social Enterprise London at this time had a strong focus on employment opportunities and democratic ownership, probably influenced by the worker co-operative elements within SEL. The same conference report offered examples of social enterprises as co-operatives, community businesses, credit unions, social firms and Intermediate Labour Market projects (Brown, 2003). Thus social enterprises, as portrayed by SEL, were promoted as able to contribute towards the policy agenda of the recently elected New Labour government.

A number of high profile practitioners were successful in persuading the New Labour government to facilitate social enterprise development. Indeed, SEL had links to the highest echelons of New Labour on their governing board (Brown, 2003). Within 18 months of SEL's formation the term 'social enterprise' was used for the first time by government. The Neighbourhood Renewal Unit report 'Enterprise and Exclusion' (HM Treasury, 1999) borrowed heavily from SEL's own material, in defining social enterprises as follows:

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

The range of organisational types highlighted in the report was wider than that provided by SEL, and included more of the organisational forms highlighted by the commission for social justice. Examples of social enterprises included "*large insurance mutuals and retail co-operatives, smaller co-operatives, employee owned businesses, intermediate labour market projects, social firms (eg for production by people with disabilities), or social housing.*"(HM Treasury, 1999: 105) A community development discourse pertaining to community

enterprises (See Table 1) can be seen as led in part by the Development Trusts Association and Community Development Foundation. Community enterprises claimed to keep wealth in local communities and to establish ownership over local assets. The primary distinction between co-operative and community enterprise discourses centres upon the degree to which the social enterprise is financially sustainable through trading. It has long been recognised that most community enterprises could never hope to make a profit solely from trading, but must rely on other income sources and participation of the local community (Twelvetrees, 1998). Assimilation of community enterprises into the social enterprise movement partly reflected the ability of a small group of practitioners to utilise the language of the third way to achieve their aims (Ridley Duff et al, 2008). It was a marriage of convenience. For the small group of practitioners in and around SEL, social enterprise was not about local regeneration but rather a way of designing new (mutual) structures for public services and private businesses which would permit “*radically altered ways of behaving whose values might be inherent to the processes of the business itself*” (Westall, 2009). To help achieve this they forged links with one of the think tanks most closely associated with New Labour (See Westall, 2001), and later had some influence in areas of education, health and transport.

In essence then, 1999 symbolised the pragmatic marriage of more economically focused co-operative businesses with a range of organisational types for whom trading was only one of many income sources. The construct of social enterprise had quickly expanded outwards from the co-operative movement to incorporate community enterprises (See Figure 2). In the process the *core* of social enterprise can be conceptualised as subtly shifting away from profitable co-operative businesses towards development trusts deriving income from a range of sources, and having a more outward social focus. This reflects a subtle shift in the meaning of the *social*, from economic democracy towards what Amin describes as “*a regenerative tonic*” for “*hard pressed areas*” (2005: 614). How this marriage would cope

with the entrance of new partners with very different ideological preferences remained to be seen.

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

The aforementioned Neighbourhood Renewal Unit report led to the then Department for Trade and Industry (DTI) taking responsibility for social enterprise in 2001 (Grenier, 2009), and providing support to social enterprises through Business Link. A range of social enterprise working groups were set up to facilitate this process. To date little has been reported about the role of competing actors in pushing their constituency interests in order to capture the *core* of social enterprise for their own. This section draws upon some participants' notes from meetings, and discussions with key participants. In order to preserve the anonymity of respondents, sources are not revealed in this text.

Representatives of the different organisational types were invited to sit on the working groups set up to inform the forthcoming DTI Social Enterprise Unit strategy. Returning to the framework outlined earlier in this paper (figure 1), these people represented the co-operative movement and community enterprises who together made up the early constituents of the social enterprise movement. Also represented for the first time were social businesses who differed from the existing constituents in that democratic ownership and collective purpose was not seen as a necessary organisational attribute.

The different personalities involved clashed regularly. In part this was seen by some participants as attributable to the different interests they were promoting. Those from the co-operative movement were keen to preserve the ideological purity of economic democracy. Community enterprise representatives were aware that the organisations they represented could never expect to be wholly sustainable through trading and stressed the importance of local regeneration initiatives. Social business representatives had tapped into the New Labour discourse of *what works* as opposed to the more process led discourses / activities of

community enterprises and co-operatives. This social business discourse was led by representatives of social businesses such as the Furniture Resource Centre, and later taken up by groups such as Business in the Community, who promoted a discourse of social enterprises as mainstream businesses whose social or environmental purpose was central to their operation (See Table 1). A recent article in *Third Sector* highlights a value based clash between individuals representing different constituents, both of whom were members of the working groups. The social business representative criticised the “*movements*” focus on democratic control and non-distribution of profits as excluding private sector entrepreneurs who also create social value. In response the co-operative representative noted that it is not enough to persuade existing businesses to conduct themselves in an ethical way, instead it is necessary to develop business models that serve the community (Ainsworth, 2009).

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

seen by some commentators as prioritising the social business discourse over and above those for whom process was as important as outcome.

### ***2001-2005 Business solutions to social problems (The neo-liberal years)***

The early work of the social enterprise unit within the DTI focused upon creating a definition. This was not a legalistic definition, and was purportedly kept deliberately vague so as to permit the inclusion of a wide a range of forms as possible (DTI, 2002). Work towards this definition was informed by the social enterprise Research and Mapping working group. The early working definition would have excluded co-operatives and some social businesses as it did not allow for the inclusion of organisations with “*some element of private benefit*” (Summary of the outcomes of the Social Enterprise Unit’s Working Groups). Following a period of intense lobbying by the co-operative movement, Brown (2003) notes that the definition of social enterprise published in *Social enterprise a strategy for success* (and used until the election of a Conservative / Liberal Democratic coalition government in 2010) was expanded to:

“*A social enterprise is a business with primarily social objectives, whose surpluses are **principally** reinvested for that purpose in the business or in the community, rather than being driven by the need to **maximise** profit for shareholders and owners*” (DTI, 2002: 8).

The insertion of the word *principally* was seen by Brown (2003) as allowing the inclusion of worker co-operatives whose members have a financial stake in the enterprise. Additionally the working definition had implicitly suggested that social enterprises did not deliver profit to shareholders / owners (Summary of the outcomes of the Social Enterprise Unit’s Working Groups). The final version suggested only that social enterprises were not driven by profit maximisation. Also significantly, the final version of the government’s commitment to the development of social enterprises included as one of the characteristics supposedly exhibited

by “*successful social enterprises*” as “*democratic and participative management*” (Brown 2003).

As well as permitting the inclusion of co-operatives as social enterprises, the inclusive definition provided by the DTI also allowed for the inclusion of for-profit businesses with social objectives. This perhaps reflected a dominant discourse within the DTI, and pushed heavily by social business representatives, that social and economic objectives were not mutually exclusive. Grenier notes that social enterprise was characterised by the Social Enterprise Unit as “*business solutions to social problems*” (2009:191). A characteristic exhibited by *successful* social enterprises according to *Social enterprise a strategy for success* but absent from the draft strategy (Brown, 2003) were: “*financially viable, gaining their income from selling goods and services*” (DTI, 2002: 16). This implied that social enterprises relied primarily on trading for their income. As noted earlier, many community enterprises and development trusts derived income from a wide range of sources, and were financially viable only to the extent that they could attract grants and donations. In part this shifting emphasis reflected a practitioner led social business discourse that social enterprises were in most ways like any other business.

This move away from social enterprise as a vehicle for regeneration was probably deliberate. The draft working definition was seen by some members of the working group as implicitly limiting social enterprises to regeneration and public service delivery (Summary of the outcomes of the Social Enterprise Unit’s Working Groups). It would seem that the DTI favoured a broader approach. The final version highlighted that social enterprises “*operate in all parts of the economy*” (DTI, 2002: 7). They also adopted a wide range of legal forms including “*companies limited by guarantee, industrial and provident societies, and companies limited by shares; some organisations ... are registered charities*”.

It is clear that the period 2001 - 2005 saw a broadening of the social enterprise construct so as to fully incorporate social businesses. Some academic commentaries covering this period saw social enterprise as a neo liberal response to problems caused by neo liberal policies (Affleck & Mellor, 2006; Blackburn & Ram, 2006). This necessarily diluted the influence of the co-operative movement, and community enterprises. It is useful to conceptualise this period as also marking a shifting of the core of social enterprise from community enterprise and co-operatives, and towards the social business quadrant of the framework (See figure 2). This is exemplified by the second attempt to map social enterprises in the UK using the Annual Small Business Service surveys, which attempted to determine what proportion of mainstream businesses were social enterprises. Unlike the previous study, there was no legal constraint on the distribution of profits to external shareholders. Nor were social enterprises limited to organisations demonstrating social ownership or democratic control (Lyon et al. 2010). Instead social enterprises could take any legal form. This shifting *core* was also evident in the creation of a new legal form for social enterprises in 2005/06, the Community interest Company (CIC) which had no element of democratic control necessary (Smith & Teasdale, forthcoming). However, CICs did have an asset lock and required some degree of social ownership (Nicholls, 2010). Although social business discourses were dominant during the period, other actors were resentful of the policy attention social enterprise was achieving, and were keen to demonstrate that charities and other nonprofit organisations had a long tradition of trading for a social purpose.

### ***2005-2010 Strategic unity? Moving in with the third sector***

The Charities Aid Foundation (CAF) had demonstrated an early interest in the potential for social enterprise to offer alternative income streams to their members by commissioning research examining the potential utility of social enterprise in the voluntary and community sector (See Pharoah et al. 2004). In this respect social enterprise referred to

earned income by nonprofits and borrows from the US school of thought pioneered by Dees (1998). The National Council for Voluntary Organisations (NCVO) have produced an almanac (almost) annually since 1996. By 2008 they calculated that around two thirds of civil society income was derived through social enterprise activity.

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

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

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

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

Thus the earned income discourses had further widened the social enterprise construct. This has seen commentators from this period noting that the institutionalisation of social enterprise in the UK may be bound up in the privatisation of public services (Haugh and Kitson, 2007),

with social enterprises becoming “*a creature of public funding*” (Peattie and Morley, 2008). Once more the *core* of social enterprise can be seen as shifting, this time away from social businesses and towards an earned income discourse (See Figure 2). This is exemplified by the most recent state sponsored attempt to map the sector, the National Survey of Third Sector Organisations, carried out in 2008 and drawn from a population of non-profit distributing third sector organisations. The survey also yielded the interesting finding that almost half of third sector organisations identified as social enterprises, although only around 5% were classified officially as such (Lyon et al., 2010). This demonstrates a remarkable permeation of social enterprise discourses in the nine years since the term was first institutionalised in the United Kingdom.

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

### ***Discussion and Conclusion***

Social enterprise means different things to different people in different contexts and at different points in time. It is a label that has been applied differentially across time and context to worker co-operatives and employee owned firms; not for profit local regeneration initiatives; private sector organisations who pay less than half their profits as dividends and

self identify as social enterprises; the charities earned income streams; and the privatisation (or voluntarisation) of public services. Its meanings are culturally, socially, historically and politically variable. Peattie and Morley, in a wide ranging review of the social enterprise literature, identify that the only distinguishing characteristics of social enterprise are trading to achieve income, and the primacy of social purpose (2008). This paper has demonstrated why this might be seen as the case in the UK.

Social enterprise has been constructed by a variety of competing interests drawing upon different discourses and representing different organisational constituents. Figure 2 plots the expansion of the social enterprise construct and the shifting cores of social enterprise between 1999 and 2010. The New Labour administration may have been initially influenced by the cooperative movement in supporting the development of social enterprise. A hasty marriage between co-operative and community enterprise discourses helped social enterprise position itself close to the heart of the New Labour project in 1999. A second stage saw the influence of a social business discourse upon the construct. This became firmly embedded following the establishment of the Social Enterprise Unit within the DTI. In stage three the influence of earned income and voluntary organisations as a vehicle for public service delivery further broadened the construct. Each critical moment also represented a shifting of the social enterprise core, from co-operative towards community enterprise, towards social business and most recently the incorporation of responsibility for social enterprise within the Cabinet Office of the Third Sector saw the core of social enterprise shift towards the voluntary sector. However, no single actor as of yet has managed to capture the core for themselves. Instead the core represents the dominant discourse of each period of time, as determined by the New Labour government. As has been noted, the government chose to keep the social enterprise construct loosely defined so as to permit the inclusion of as wide a range of forms as possible (DTI, 2002).

Of course one advantage of loosely defined policy constructs is that they can be used to portray a cohesive policy agenda around a selection of loosely connected policies. The New Labour Government actively promoted the support and development of different organisational types, over time and across different contexts. As the construct has expanded, the perceived benefits of social enterprise appear to have increased exponentially. Indeed, by 2009 the Office of the Third Sector claimed that social enterprises demonstrated:

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

Thus the widening of the construct has allowed the New Labour government to claim to be addressing various social problems using social enterprise. So what is the future likely to hold for a construct indelibly associated with the New Labour government? Herein lays a certain paradox. The new coalition government has been quick to distance themselves from the language of New Labour. The Office of the Third Sector has been re-christened the Office for Civil Society, and has made an arbitrary distinction between social enterprises and co-operatives and mutuals (<http://www.cabinetoffice.gov.uk/voluntary-sector.aspx>).

However, as this paper has demonstrated, social enterprise is a label rather than a specific organisational form. Many of the organisational types amalgamated under the social

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

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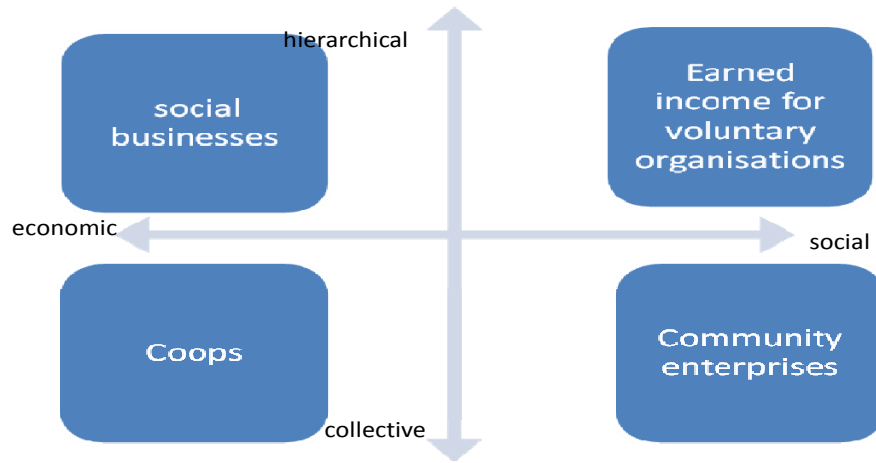
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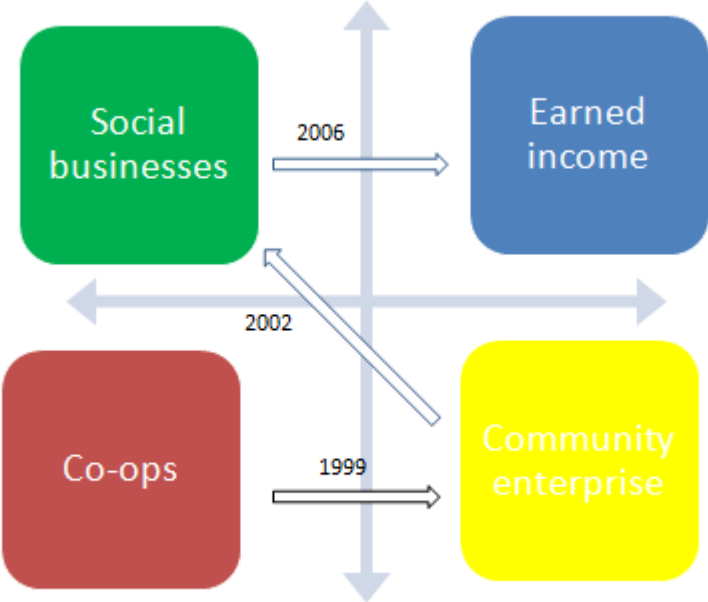
**Table1: Discourses, competing interests and organisational form**

| <b>Discourse</b>   | <b>Umbrella body</b>                         | <b>Organisational Form</b>  |
|--|--|---|
| <p><b>Earned income:</b> social enterprise as an activity (sale of goods and services) that has always been carried out by voluntary organisations.<sup>2</sup></p> <p>The state should retreat from delivering services (but remain as funder). The third sector should expand to fill the gap.<sup>3</sup></p>   | <p><b>NCVO</b></p>                           | <p>Oxfam, the international aid and poverty relief charity, derives most of their income through grants and private giving. However a growing proportion is generated through the sale of second hand and fair trade goods.<sup>4</sup></p>   |
|  | <p><b>ACEVO</b></p>                          | <p>The charity Turning Point derives over 90% of their income through contracts to deliver drug and alcohol services on behalf of the state.<sup>5</sup></p>  |
| <p><b>Social business:</b> Social enterprises are businesses which apply market-based strategies to achieve a social or environmental purpose. Many commercial businesses have social objectives, but social enterprises are distinct as their social or environmental purpose remains central to their operation<sup>6</sup>No limits are placed on distribution of surpluses to external investors, and no asset lock is required.</p> | <p><b>Business in the Community</b></p>      | <p>Carbon Retirement Limited was created in 1998. It is a for profit business which allows businesses and individuals to offset their carbon footprint.<sup>7</sup></p>   |
| <p><b>Community enterprise.</b> Development trusts are community enterprises working to create wealth in communities and keep it there. They trade on a 'not-for-personal-profit' basis, re-investing surplus back into their community and effecting social, economic and environmental, or 'triple bottom line', outcomes<sup>8</sup></p>  | <p><b>Development Trusts Association</b></p> | <p><b>Sunlight Development Trust</b> is a community owned and managed charitable organisation that works with partners across all sectors. We combine a mix of services aimed at everyone within our community; nobody is excluded. Our overriding aim is to improve health inequity and well-being by providing an improved range of social, medical and community activities.<sup>9</sup></p> |
| <p><b>Co-operatives.</b> Co-operatives are a different way of doing business. They are different because they are jointly owned and democratically controlled.and it is the members who are the beneficiaries of the activities of the business.<sup>10</sup></p>  | <p><b>Co-operatives UK</b></p>               | <p>A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise</p>   |
| <p><b>'Pure' social enterprise</b> Social enterprises are businesses trading for social and environmental purposes. At its simplest, it is a way of doing business that seeks to benefit communities, consumers, employees and the environment. Limits are placed on distribution of surpluses to external investors.</p>  | <p><b>Social Enterprise Coalition</b></p>    | <p>Fifteen is a restaurant set up by the celebrity chef Jamie Oliver to double as a training programme for disadvantaged young people. The restaurant is the trading arm of a registered charity.<sup>11</sup></p>  |

**Figure 1: Conceptualising social enterprise organisational forms and associated discourses**



**Figure 2: The expansion of meanings attached to social enterprise**



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<sup>1</sup> Much of the social enterprise literature ignores the global south. However within development studies there has been a parallel attention paid to collective ownership of assets and ways in which people in developing countries can trade their way out of poverty rather than relying on charitable donations.

<sup>2</sup> <http://www.ncvo-vol.org.uk/almanac>

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

<sup>4</sup> [www.oxfam.org.uk](http://www.oxfam.org.uk)

<sup>5</sup> [www.turning-point.co.uk](http://www.turning-point.co.uk)

<sup>6</sup> [http://www.bitc.org.uk/london/programmes/se\\_pilot.html](http://www.bitc.org.uk/london/programmes/se_pilot.html)

<sup>7</sup> [www.carbonretirement.com](http://www.carbonretirement.com)

<sup>8</sup> [www.dta.org.uk](http://www.dta.org.uk)

<sup>9</sup> <http://www.sunlighttrust.org.uk/>

<sup>10</sup> <http://www.cooperatives-uk.coop/>

<sup>11</sup> <http://www.fifteen.net/>