The Role of the Social Economy, Social Enterprise and Social Entrepreneurship in Sustainable Regional Development

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1. INTRODUCTION

According to Molloy et al (1999) the “Social Economy is the fastest growing sector in Europe”, considerably outstripping the private sector in terms of job creation into the bargain (quoted in Hudson 2005). It has been estimated to cover nearly a tenth of all enterprises and employment in the European Union, representing nine million full-time jobs, and slightly less (8.5 %) in the United Kingdom; or 1.6 million jobs (Arthur et al 2004: 2; see also Smallbone et al 2001). At the UK regional scale paid employment has also increased with employment in the Scottish social economy, for example, rising by 40 % between 1995 and 2003 so that it now constitutes 4 % of Scottish gross domestic product (GDP) and employs around 100,000 people (McGregor et al 2003; Scottish Executive 2003; Seam 2005). However, the social economy, using a broad measure consisting of people engaged in community or social oriented activity, is also unevenly spread across the UK. It is highest in London, by a fair margin, at 8.5 % of the population and lowest in the North-east of England at 5.4 %. Scotland, at 7 %, has an above average level of engagement in the social economy according to this data, with the UK average at 6.6 % (Harding and Cowing 2004: 14).

Within the wider social economy the extent of social enterprises is significantly smaller, with the DTI (2002) estimating that perhaps 10 – 20 % of social economy organisations could be considered as social enterprises; i.e. they acquire a significant proportion of their income from trading activities (Arthur et al 2004). An Ecotec (2003) report for the Department of Trade and Industry (DTI) revealed that there were 5000 social enterprises in the UK in 2003, although a more recent report suggests that there are now around 15,000 social enterprises – in 2005 – employing ½ million people and with a combined turnover of £18 billion per year (IFF RESEARCH 2005: 1-2). Whether the tripling of social enterprises in two years implies a redefinition of existing organisations to fit in with the new policy agenda, or that there was a sudden explosion in social enterprises is hard to discern. What is evident again, however, is that the spread of social enterprise activity across the UK is highly uneven. For example, in Scotland there were 1,100 identified social enterprises employing 30,000 people with a turnover of £1.25 billion of
which 83 % was generated through trading (The Big Issue 2005: 29). Once again though, London contained the greatest number with 22 % of the UK total, a level significantly higher than the proportion of total business enterprises (14 %). For Scotland these figures were similar at 7 % each, whilst for regions like East and West Midlands, Yorkshire and Wales there was a far higher proportion of private businesses than social enterprises (IFF Research 2005: 11).

Despite the obvious importance of the social economy and social enterprises to the UK and its regions, there is considerable confusion over both the definition and identification of such organisations and their impact on regional development and economic performance (Adams et al 2003). Seelos and Mair (2005) have argued that research on social entrepreneurship had been scarce up until around 10 years ago and that since then academic interest has been preoccupied with definitions and terminology. Part of the reason for this focus is that there is considerable slippage between the terms used to discuss the social economy, such as non-profit, not-for-profit, and voluntary sector, community and social enterprise, and social enterprise and social entrepreneurship. Consequently, Helen Haugh (2005: 10) argues that, at present, “research in social entrepreneurship in the UK is hindered by the lack of standard and universally acceptable definitions”. This is something that Alex Nicholls (2006) suggests is particularly important to solve considering that the whole field – social economy, social enterprise and social entrepreneurship – has become such a popular field of academic inquiry and especially policy intervention. In this critical survey we consider a number of these issues through a focus on questions around sustainability and sustainable development because both the social economy (in its widest form) and sustainable development have been linked in policy discourse and action.

The importance of the whole social sector – as opposed to the private or state sectors – can be seen as a result of the ‘hollowing out’ of government provision of services and goods to their citizens (Budd 2003; Paton 2003), brought on by adherence to neoliberal policy agendas. However, there is also an important link to the growing focus on sustainability and sustainable local development in the UK in particular with, for
example, the current British government’s social enterprise policies being oriented towards promoting social enterprises as a “diverse and enterprising way of tackling social and environmental issues” (Small Business Service 2005a). A Social Enterprise Unit was established in late 2001, two years after the sustainable development strategy *A better quality of life* (DETR 1999) was produced, whilst the social enterprise strategy was published in 2002 (DTI 2002). The latter strategy outlines a vision in which social enterprise will contribute to government policy across a range of issues focused on social inclusion, local regeneration and community empowerment. As part of this policy emphasis in the UK, there has been a high degree of interest in relationship between social capital and the successful regeneration of deprived and disadvantaged communities (HM Treasury 1999; Devine-Wright *et al* 2001). It has been argued that social capital can be promoted through the social economy, social enterprise and social entrepreneurship (Leadbeater 1997; Thompson *et al* 2000), which, in turn, cements sustainable regional development (Devine-Wright *et al* 2001; Rydin and Holman 2004). After examining sustainable development, its origins and current practices, we have sought to provide a clear definition of the social economy, social enterprise and social entrepreneurship, drawing upon a range of research across the social sciences. The definitions we develop in these discussions reflect our perspective of existing organisations, institutions and individuals and associated academic concepts; consequently it will probably prove contentious for some. For example, we distinguish between the organisational basis of the social economy, the activity of social enterprise and motivational aspects of social entrepreneurship in this critical review. In the final section we have considered how all three definitions can then be used to understand the development of social capital in relation to sustainable development.

### 2. SUSTAINABLE DEVELOPMENT: ECOLOGICAL, SOCIAL AND ECONOMIC

There has been a growing policy concern with sustainability and sustainable development at the international and national level for a number of years now, not only in reference to economic issues, but also covering a broader emphasis on ecological and social
sustainability (see Wallace 2005). An early indication of this concern at the international level was in the 1980 World Conservation Strategy and the Brundtland Commission which was established in 1983 by the United Nations and led to the 1987 *Brundtland Report* (Hopwood *et al.* 2005).¹ This report dealt with the issue of sustainable development, which it defined as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (quoted in Hopwood *et al.* 2005: 39). Shortly afterwards, in 1992, the UN held its first Earth Summit in Rio de Janeiro, Brazil, leading to the establishment of a UN Commission on Sustainable Development.² Such international interest continued over the next decade with the inclusion of environmental sustainability as one of the UN Millennium Development Goals and a second UN summit, called the World Summit on Sustainable Development, held in 2002 in Johannesburg, South Africa.³ Even the World Economic Forum (WEF) has backed the development of an Environmental Sustainability Index, although this measure has also been criticised (Morse 2003), as have most indices at one time or another.

At the national scale, certain governments have also started to develop policy initiatives around sustainability and sustainable development. This is clearly evident in the UK where the current British government has established a number of policy targets (e.g. Public Service Agreement or PSA) designed to promote sustainable development across a range of government departments, as well as across devolved governments and regional agencies such as the Regional Development Agencies (RDA). For example, one PSA Target (no.7) is “[t]o strengthen regional economies through sustainable improvements in the economic performance of all English regions and [to] close the gap in growth rates between the regions” and another (no.4) is to “de-couple economic growth and environmental degradation” (DTI 2004: 27, 31). Furthermore, in the government’s 2005 *Sustainable Development Strategy* – an updating of their earlier one from 1999 – they state that the policy aim is “to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations” (HM Government 2005: 3).⁴ This suggests a strategy that is broader than the national scale, addressing international issues as well as local and regional ones. At

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¹ Hopwood *et al.* (2005).
² Shorter *et al.* (2005).
³ Shorter *et al.* (2005).
⁴ Shorter *et al.* (2005).
the national level, the UK government’s Sustainable Development Unit (SDU) has four priority areas:

1. Sustainable Consumption and Production
2. Climate Change and Energy
3. Natural Resource Protection and Environmental Enhancement
4. Sustainable Communities.

The last of these is particularly interesting in relation to the social economy because it outlines the SDU aim as the creation of:

“…sustainable communities - places where people want to live and work, now and in the future. From global to local we aim to improve the lives of people in deprived communities and socially excluded groups who experience poor quality of life, including poor local environmental quality and poor access to services such as education, healthcare and transport”.

Such interest in ‘social’ sustainability – covering social inclusion and justice, as well as community empowerment (see HM Government 2005: 4-5; HM Government et al 2005: 7-9) – closely relates to the increasing emphasis government has placed on the social economy, social enterprise and social entrepreneurship across the UK.

However, despite the growing international and national interest in sustainable development a number of issues have been raised around its definition and policy application which means that it remains a contested concept as well as contested policy driver (see Giddings et al 2002). So a crucial question that has to be asked is how sustainability can be conceptualised across ecological, social and economic policies in relation to regional development? The range of policy issues these address covers ecological concerns about diversity and environmental degradation through economic growth and inequality to concerns with social cohesion and exclusion.
The first to address is that the three way split in the sustainability concept between ecological, social and economic issues may simply prove that they are incompatible with one another. For example, Morse (2003: 194) has shown how countries with a high Human Development Index (HDI) also have a high ‘ecological footprint’ suggesting that economic, social and ecological concerns may not always be compatible. Furthermore, Hopwood et al (2005) highlight the ‘anthropocentric’ nature of the concept, whilst Giddings et al (2002) have questioned the notion that these three elements are autonomous and can be traded off against one another. In contrast they and others suggest that ecological concerns take precedence over both economic and social issues, and social issues take precedence over purely economic issues (see also Chatterton 2002; Hopwood et al 2005). Disagreement with this view perhaps inevitably depends on whether the reader agrees with neoclassical economics or whether they ascribe to the views espoused in bio-economics; i.e. that economic theories need to (economically) account for the ecological effects of resource extraction and waste (see Gowdy 1987).

Second, Peter Marcuse (1998: 106) has criticised sustainability for confusing goals with constraints in that sustainability should be seen as a constraint on development rather than an end in itself because otherwise we could accept “the preservation of the status quo”. Although this view is debatable, in that there is no reason that the distribution of resources could not change even if it did not grow, there is some merit in considering the effects of sustainability on different groups and being aware of its possible negative impacts. For example, the focus on particular types of activity, like paid employment, may obfuscate the important role that unpaid plays in the global economy, especially that done by women (Langley and Mellor 2002; see also Chanan 1999). This would also relate to informal work as well as ‘grey’ and ‘black’ markets.

Finally, it is important to distinguish between different versions of sustainability, some stronger than others. Thus Chatterton (2002) identifies both ‘weak’ and ‘strong’ versions of sustainability, whilst Hopwood et al (2005: 41) map out a number of different views on sustainable development distinguishing between ‘status quo’, ‘reform’ and ‘transformation’ perspectives, where the status quo view most closely resembles a ‘weak’
notion of sustainability, whilst reform and transformation represent much stronger versions. In another perspective, Gill Seyfang (2004), in her analysis of the UK sustainable consumption strategy, draws on the work of Mary Douglas to outline four different worldviews of nature and consumption; fatalists, hierarchists, individualists, and egalitarians. Despite these different interpretations, the main ones to consider are the ‘weak’ and ‘strong’ versions highlighted by Chatterton (2002) and Hopwood et al (2005). The former corresponds to the policy concerns of the British government evident in the DETR’s 1999 Sustainable Development Strategy that “for the UK to move towards more sustainable development: We need more growth not less” (quoted in Chatterton 2002: 554) or that “abandoning economic growth is not a sustainable development option” (quoted in Seyfang 2004: 330). However, the UK government acknowledges that economic growth can degrade the environment, which means that it has to juggle the contradictions of sustainability as enabling people to meet their physical needs, suggesting a direct link between economic, social and ecological impacts, and yet encouraging the continuing resource expenditure entailed by specific forms (i.e. neoliberal) of economic growth (see Gowdy 1987; Giddings et al 2002). These forms are reflected in the growing concern with business and technological solutions to sustainability issues (Hopwood et al 2005), such as the pursuit of ‘ethical’ consumption where again this ignores non-growth aspects of sustainable development, like unpaid work (Seyfang 2004).

3. THE SOCIAL ECONOMY, SOCIAL ENTERPRISE AND SOCIAL ENTREPRENEURSHIP

So, what is the relationship between sustainability or sustainable development and the social economy, including social enterprise and social entrepreneurship? The literature on the social economy, particularly the recent expansion of interest in social enterprise and social entrepreneurship, has emphasised the importance of the ‘double’ or ‘triple bottom line’ of economic, social and, sometimes, ecological goals (Boschee and McClurg 2003; Social Enterprise Coalition 2003; Wallace 2005; Jones and Keogh 2006). However, according to Wallace (2005) social enterprise and social entrepreneurship policy...
discourse in the UK is largely dominated by concerns with economic sustainability, despite the problematic assumptions that this entails; i.e. self-sufficiency and the emphasis on commercial trading over social or ecological concerns (Amin et al. 2003). This perhaps represents a concern with the sustainability of the social economy itself, arising because of the erosion of state, charitable and foundation support, which can be contrasted with the wider question of sustainable development (Johnson 2000; Eikenberry and Kluver 2004). In the UK context, particularly focused on a local or regional scale, the issue of self-sufficiency has become increasingly important as the threat of losing EU funding looms in 2007 (Crossan et al. 2004; Flockhart 2005). Also highlighted at this regional scale is the importance of developing ‘social capital’, usually loosely defined, and social cohesion as resources for local community development and empowerment (Amin et al. 2002; Scottish Executive 2003; Amin 2005; Mathiason 2005; Wallace 2005). However, these initial considerations around sustainable development can only address a small number of the issues in the growing academic and policy interest around the wider social economy. Before such specific issues can be addressed directly it is necessary to provide an outline the range of concepts used in discussions and analyses.

The Social Economy

The definition of the social economy is complicated by the variety of organisational forms it has assumed across a number of countries. At a very basic level, the social economy can be considered as economic activity performed by organisations that are neither for-profit or government run, representing a ‘third sector’ between these two (Anheier and Ben-Ner 1997; Amin et al. 2003; Arthur et al. 2003; Williams et al. 2003; Hudson 2005; Seam 2005). According to Amin et al. (2003), the term social economy dates from the early nineteenth century, if not before, with its increasing usage in the English-speaking world being a relatively recent phenomena, rarely featuring in the literature until the 1990s; instead it had been defined as the ‘third’, ‘voluntary’ and / or ‘not-for-profit’ sector(s) (NEF 2001; Amin et al. 2002; Dart 2004; Hudson 2005). Moulaert and Ailenei (2005) also argue that the social economy has nineteenth century origins, although there were earlier organisations with charitable or voluntary status, since it was during the early nineteenth century that social inequality became a growing
concern. Furthermore, they argue that there were country-specific forms with France developing an ‘associative’ form derived from notions of political liberty, whilst English variants were more closely oriented around communities (Moulaert and Ailenei 2005; see also Lindsay and Hems 2004). In some ways, Moulaert and Ailenei align the historical expansion and contraction of the social economy with recurrent capitalist crises and popular, spontaneous reactions to the threat and effects of liberalism, as Karl Polanyi (1944[2001]) recounts in *The Great Transformation*, and modern neoliberalism (see Blyth 2002). It has been suggested that Polanyi’s (1944[2001]; 1957) conceptualisation of economic activity as based on either reciprocity, redistribution or market exchange maps onto the three-way distinction made between the social economy, government or state provision, and the private sector respectively (see Laville and Nyssens 2001; Williams *et al* 2003).

The first thing that appears to be important for defining the social economy is distinguishing between the different forms of organisation ranging from co-operatives through to social enterprises (see below). The social economy consists of an array of different organisations, which often blur the lines between distinct sectors or represent numerous hybrid forms (Arthur *et al* 2003; Scottish Executive 2003). As briefly mentioned already, the range of organisations can be split not only between voluntary and not-for-profit sectors, but could also include non-governmental organisations, non-profits, producer and consumer cooperatives, charities, and community businesses (EC 2000; Arthur *et al* 2003; Bornstein 2005; Moulaert and Ailenei 2005). The Social Economy Unit at the European Commission originally used a fairly narrow definition incorporating cooperatives, mutual societies, associations and foundations, to which it later added social enterprises, but others have offered broader definitions to cover these organisation types amongst others.

A brief definition of the various types – particularly the differences between non-profit, not-for-profit and voluntary sectors – provides a useful contrast with the later discussion of social enterprise. The first, non-profits, can be defined as organisations that are required to re-invest any profits in the organisation and its activities (i.e. charities),
whereas not-for-profits may distribute profits between members or stakeholders (i.e. cooperatives) (Moulaert and Ailenei 2005; see also Arthur et al 2003). It is also possible to distinguish between non-profits and not-for-profits by arguing that the former is meant to serve the public (i.e. national) or social (i.e. local) interest whilst the latter serves the common interests of its members although they can also serve the public and social interest, but are not required to do so (see Lindsay and Hems 2004). Furthermore, there is a legal distinction in the USA between non-profit and not-for-profit, where the former represents an organisation and the latter an activity, so that non-profit organisations can engage in for-profit activity, although it will be taxed (Jones and Keogh 2006). The voluntary sector, which could include charitable organisations and therefore represent a subset of the non-profit sector, is marked by a distinction between non-governmental organisations (NGOs) and community organisations (Moulaert and Ailenei 2005), both of which constitute some form of voluntary organisation and activity that promotes civic society and social cohesion. Finally then, more recent trends in the social economy emphasised the importance of ‘entrepreneurial’ or ‘enterprising’ approaches to fundraising and organising embodied in the emergence of social enterprise as a organisational concept and the encouragement of social entrepreneurship as an activity, including the quasi-philanthropy of corporate social responsibility (Cone et al 2003; Eikenberry and Kluver 2004; Seam 2005). Before we discuss these parts of the social economy, however, we want to outline a number of important characteristics inherent in the ‘third’ sector generally.

The first characteristic of the social economy, although it is not wholly uncontested, is the focus on employment and employability (Chanan 1999), particularly for socially disadvantaged groups (i.e. those with mental health problems). A number of authors have emphasised a range of other characteristics implicit in the social economy, such as Amin et al (2002: 1) who argue that it consists of “building social capacity”, “responding to under-met need” and “creating new forms of work”. They have also argued that there is, at present, a misplaced academic and policy emphasis on the social economy as an “economic circuit in its own right” that is embedded in “the ‘local’, the ‘community’ or the ‘neighbourhood’”, especially in relation to the alleviation of social exclusion (Amin
et al 2003: 31; see also Amin 2005; Hudson 2005). This perspective is supported by Williams et al (2003) who also argue that the social economy is rather based on mutual, not-for-profit principles organised in private (i.e. non-public), formal organisations that engage in economic activity. Consequently, the focus on employment and employability may be problematic because it ties the organisation to a specific location that may inhibit its development by restricting the number and range of people available for employment, volunteering and leadership (Amin 2005; Hudson 2005).

A broad representation of the social economy’s characteristics is supported by the EC’s Social Economy Unit which has classified social economy organisations as (a) not-for-profit, (b) democratic, (c) flexible and innovative, and (d) voluntary, although, again, these features are far from obvious as the discussion of non-profit versus not-for-profit illustrated above. Arthur et al (2003) provide another broad definition consisting of local and ‘employee’ ownership, local and employee control, mutual values, and local finance. In their work, Moulaert and Ailenei suggest that the social economy has a number of characteristics that possibly preclude the development of a consistent definition. However, they include a number of features as important including the addressing of unmet needs, covering material and social principles, at a local level with an “explicit reference to the ethical values of solidarity and reciprocity” (2005: 2048). A specific definition of the social economy could therefore include a social objective pursued through democratic organisational forms in which economic activity does not lead to profit “leakage” — i.e. leave the organisation (Lindsay and Hems 2004: 276) — and the means (i.e. economic activity) are considered to be as important as the end (i.e. objective) (Eikenberry and Kluver 2004). Thus it would not be acceptable to pursue a goal of increasing employment in a deprived area through the promotion of ‘sweatshop’ production. This last point is important to make because the quality of jobs in the social economy are not necessarily as high as other sectors (see Harding and Cowing 2004: 27). Overall then the constitutive features of social economy organisations can be split between form and content as outlined in Table 1.
### TABLE 1: ORGANISATIONAL FEATURES OF THE SOCIAL ECONOMY

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<thead>
<tr>
<th>ORGANISATIONAL FORM</th>
<th>ORGANISATIONAL CONTENT</th>
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<tbody>
<tr>
<td>Not-for-profit</td>
<td>Social objective (i.e. unmet needs)</td>
</tr>
<tr>
<td>Democratic</td>
<td>Voluntary</td>
</tr>
<tr>
<td>Mixed financing</td>
<td>Sustainable</td>
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<tr>
<td>Independent</td>
<td>Mutual</td>
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*Social Enterprise*

Social enterprise is a recent concept that encapsulates a specific form of social economy organisation constituted by its business orientation and innovative approach to social issues that has received a high degree of visibility and government support in the UK (Budd 2003; Arthur et al 2004). Recent discussions of the social economy often contain a conceptual slippage between the broad concerns of the various organisational forms, from charities, voluntary associations, cooperatives, and others, that constitute the social economy and the specific, relatively new organisational form of the social enterprise (e.g. HM Treasury 1999; Scottish Executive 2003; Hudson 2005). There is also considerable slippage between social enterprise and social entrepreneurship (considered below) with some authors using the terms interchangeably to refer to a set of specific organisational practices (e.g. Harding 2004; see also Nicholls 2006). To avoid this slippage, it is useful to consider social enterprise as a part of the social economy, although representing a “new dynamic within the third sector” (Laville and Nyssens 2001: 624). This means that social enterprise is an organisation and concept derived from the broader social economy, but also that it has a number of different characteristics from other forms of social economy organisation.

It is perhaps unsurprising that there is a high degree of confusion over these concepts considering that the identification of social enterprise in research has been of organisations like industrial and provident societies (IPS) – one of the earliest social economy forms started in the mid 19th century – alongside charities, housing associations,
workers cooperatives and, most recently, community interest companies (CICs) (see ECOTEC 2003).xii The fact that this breadth of organisation was drawn from a 2003 ECOTEC report for the DTI outlining Guidance on Mapping Social Enterprise can perhaps help to explain the continuing ambiguity around the concept because it will influence later studies. In this report, ECOTEC define the social economy as the ‘trading’ arm of the ‘third’ sector and social enterprise as “that part of the social economy which is primarily engaged in trading” (ECOTEC 2003: 22). Shortly afterwards in the report they provide a list of potential social enterprise sectors including building societies, community businesses, companies limited by guarantee, fair trade companies, social firms amongst a number of other organisations (ECOTEC 2003: 24; see also Morrin et al 2004).

It is evident that the ECOTEC definition is fairly amorphous and all-encompassing, which could limit the usefulness of social enterprise as a distinct concept within the wider social economy discourse. However, the UK government definition of a social enterprise, produced by the DTI, is somewhat clearer and therefore more useful, although it is still fairly broad:

“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 OECD (1999: 8) provides another broad definition of social enterprise as organisations with “different legal forms in different countries, which are organised in an entrepreneurial spirit and which pursue both social and economic goals”. In particular the OECD definition concentrates on the impact of social enterprises on social exclusion, unemployment and social cohesion, derived from the early 1990s definition of the King Baudouin Foundation. However, the OECD (1999: 10) recognises that social enterprises now cover a wider remit and suggest that their basic elements are an “entrepreneurial strategy”, “social purpose” and “self-financing”. The EC Social Economy Unit definition
is reasonably similar, highlighting the importance of both the ‘social purpose’ and ‘entrepreneurial spirit’, alongside the reinvestment of surpluses and private legal forms.\textsuperscript{xiii}

The Social Enterprise Coalition also emphasises a number of similar features such as an “enterprise orientation”, by which they mean the market provision of goods and services, “social aims”, and “social ownership”.\textsuperscript{xiv}

The main characteristic emphasised throughout the literature that distinguishes social enterprise from the broader social economy is that social enterprises derive a significant proportion of their income from trading activities – between 25 and 50 percent – rather than grant funding (DTI 2002; IFF Research 2005; The Observer 2005). Such ‘self-financing’ was highlighted by the OECD (1999) whilst the New Economics Foundation (NEF 2001) outline finance sources available to social enterprises that are not available to other social economy organisations like charities. Furthermore, it has been suggested that social enterprises represent a particular point in the life cycle of social economy organisations; i.e. the point at which they achieve financial sustainability (Johnson 2000; Arthur \textit{et al} 2004; Eikenberry and Kluver 2004).

Once again the conceptual definition contains both form and content characteristics, although it is the latter that is more important here possibly suggesting a means to distinguish between social economy organisations and social enterprises; i.e. for social enterprise form matters less than the content (Nicholls 2006). For example, social enterprise was originally used as an organisational definition in Scottish policy discourse, but is now used to refer to an activity instead meaning that social enterprise can be defined as a series of specific activities comprising features that distinguishes it from other social economy types.

Firstly, social enterprises are \textit{businesses}, and not ‘third sector’ organisations, that pursue trading and entrepreneurial activities (DTI 2002; Dart 2004; Haugh and Tracey 2004; Haugh 2005). Therefore social enterprises are organisations which acquire their funding from trading and sales, rather than grants or donations (Crossan \textit{et al} 2004), and as such they are largely independent of both the public and private sectors, although only in terms
of funding sources since social enterprises may still rely on public procurement contracts or market exchanges with private companies (DTI 2003). Second, social enterprises have social objectives, although the definition of this is itself complicated by the different weight given to organisational forms or content, as well as the emphasis placed on market models of trading activity (Dart 2004). For example, workers cooperatives might be excluded from the UK government definition of social enterprise because their ‘social’ goal is social ownership, which has been implicitly side-lined by government policies oriented towards stakeholder ownership (Arthur et al 2004). Others argue that government policy such as the new community interest company legal form is actually driven by enabling access to finance rather than promoting stakeholder models of governance (Lindsay and Hems 2004: 283). However, it may be more useful to argue that social enterprises pursue social activities, rather than represent certain social forms (i.e. cooperatives, democratically-run organisations), with the aim of producing collective benefits (Laville and Nyssens 2001). Third, social enterprises both derive benefit from and contribute to the development of social capital in particular locations (HM Treasury 1999; Laville and Nyssens 2001; Scottish Executive 2003; Brennan and Ackers 2004; Haugh 2005; Wallace 2005). Social enterprises are seen as both producing the conditions for entrepreneurship, social or otherwise, and being constituted by social capital (Smallbone et al 2001; Haugh 2005). This contradictory stance can be reconciled by considering the activity of the social enterprise – i.e. production of social capital – as opposed to its form. Only certain types of social economy organisation produce social capital accordingly and social enterprises are one of them.

This overview is meant to distinguish between definitions used in the current social enterprise policy agenda and those that can be more generally applied to the wider social economy. As such it is meant to represent a rather limited view of social enterprise in order to provide the means to analyse this form of social economy organisation more critically, rather than include a broad swathe of different types in its remit. Many definitions in the literature will therefore contradict the main features emphasised in this overview (see Arthur et al 2004; Crossan et al 2004).
**Social Entrepreneurship**

Whereas the recent interest in the social economy has focused on organisational forms and the attention given to social enterprises has emphasised specific types of activity, as we highlight above, the recent and continuing popularity of social entrepreneurship (see Leadbeater 1997; Thompson *et al* 2000; Bornstein 2005; Jones and Keogh 2006) arguably relates to the issue of individual motivation. Such a tripartite conceptualisation of these three topics provides the means to incorporate them in an inclusive typology, as others have sought to do for at least some of the concepts (e.g. Pearce 2003), except in this case by addressing a distinction between structure and agency. For example, Mair and Marti (2005, 2006) and Dees (2001) provide a number of conceptualisations of social entrepreneurship that cut across different typologies. These directly tackle the issue of whether individuals or organisations can engage in social entrepreneurship, which, once again, has led to conceptual slippage, although this time between social enterprise and social entrepreneurship (Grenier 2002; Peredo and McLean 2006), because of the imprecision around definitions (Hockerts 2006). We want to define social entrepreneurship at the individual level and deal with relevant issues here, mainly because we have already argued that the organisational and activity bases of the third sector can be represented by the social economy and social enterprise respectively. However, we also think it is important to define social entrepreneurship in a more limited fashion because of the pitfalls of typologies that use either outcomes or processes as the defining feature of social entrepreneurialism.

In terms of outcomes, the discussion of social entrepreneurship can become a self-defining concept through the naturalisation of certain characteristics as entrepreneurial because they have achieved specific goals (i.e. ‘success’), whether through a person’s own capabilities, organisational effort or external intervention (or any of the opposite). One example of this tendency is represented by Peter Brinckerhoff’s (2000: 1) claim that social entrepreneurs are “people who take risk on behalf of the people their organization serves” and that “[s]ocial entrepreneurship is one of the essential characteristics of successful not-for-profits”. In this concept risk and success are two-sides of the same terminology, in that without risk there would be no success and without success there
would be no need for risk-taking. As such this may simply reflect the introduction of a market-driven agenda into the third sector in pursuit of self-sufficiency as a consequence of declining public and private funds (Hockerts 2006). Alternatively, it might be useful to avoid such definitions that adhere to outcome-based descriptions like the idea that social entrepreneurship refers to the establishment of social enterprises (e.g. Haugh 2005; Mair and Marti 2006).

The discussion of social entrepreneurship conceived as process concentrates on ‘social value creation’ through the “innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs” (Mair and Marti 2006: 37). Further to this definition, Hockerts (2006: 7-13) outlines three sources of social entrepreneurialism covering activism, self-help and philanthropy, all of which represent a number of possible benefits and weaknesses for the creation of social value. However, the first association between innovation and social entrepreneurship can be seen as a linguistic colonisation of social issues by market or economic concerns (see Fine 2001), which then implies that there is nothing unique about social entrepreneurship except the application of private sector practices on third sector activities (Grenier 2002). Furthermore, there is a concern with the ‘destructive’ processes of innovation that Joseph Schumpeter first mentioned, which does not sit well with the policy objectives for social entrepreneurship of community or capacity building; i.e. innovation leads to the continual ‘creative destruction’ of communities for their replacement by new innovations (see Zafirovski 1999). In some ways this view of entrepreneurship (social or otherwise, see Leadbeater 1997 for example) is highly limited because it presumes that it relies upon innovation, which means that either the terms are synonymous (and therefore worthless for defining each other) or that entrepreneurship always entails the breakdown of existing structures, relationships etc. The latter makes the definition of social entrepreneurship as a process problematic, a point we will also highlight later in the discussion of social capital.

One of the simplest definitions of social entrepreneurship at an individual level is given by Boschee and McClurg (2003: 4) who state that it is “any person, in any sector, who
uses earned income strategies to pursue a social objective”. This is both an uncomplicated and yet highly compromised definition, especially because it asserts that only income-earning strategies are indicative of entrepreneurialism generally and social entrepreneurialism in particular when wedded to a social goal. As Johnson (2000: 12) points out, this definition also implicitly accedes to the expectations and objectives of a wider capitalist economy, rather than providing the means to pursue alternative economies such as the ‘co-operative commonwealth’, and is therefore largely a reformist, as opposed to radical, approach (Jones and Keogh 2006: 18). Despite these limitations to such a concept of social entrepreneurship, however, Boschee and McClurg (2003) do provide a clear definition in an often cloudy debate. A number of other authors, for example, have argued for an understanding of social entrepreneurship that accounts for a range of characteristics from leadership to vision to risk-taking, all of which threaten to over-complicate the issue (Leadbeater 1997; Thompson et al 2000; Dees 2001; Mort et al 2003; Mair and Marti 2005, 2006; Peredo and McLean 2006). However, the simple association between income-earning and entrepreneurialism requires that we deepen the discussion or ignore a whole swathe of people involved in a range of activities from corporate philanthropists or corporate social responsibility (CSR) (Trebeck 2005), through to ‘antipreneurs’ from the anti-globalisation movement.xvi There is perhaps also a need to acknowledge that entrepreneurship generally, and social entrepreneurship specifically, can be seen as a group attribute as well as personal one (Zafirovski 1999).

In discussing social entrepreneurship at an individual level, we can identify a number of important characteristics. In his now famous definition, Gregory Dees (2001: 2) draws upon earlier work in economics, management and business studies (e.g. Say, Schumpeter, Drucker, Stevenson) to describe entrepreneurs as people who “mobilize the resources of others to achieve their entrepreneurial objectives”. Consequently, social entrepreneurs can be defined as someone who acts as a “change agent in the social sector” through the (a) adoption of a mission; (b) pursuit of new opportunities to achieve that mission; (c) continual “innovation, adaptation and learning”; (d) avoidance of limits on current resources; and (e) concern with accountability to clients and community (Ibid.: 4). In a similar vein, David Borstein (2005: 1) writes about social entrepreneurs as “people with
new ideas to address major problems who are relentless in the pursuit of their visions”, or more simply “transformative forces”. It seems that ‘vision’ is a crucial aspect of social entrepreneurship, if not for entrepreneurship more generally (see also MORT et al 2003). In discussing the latter, for example, Kaushik Rajan (2006) argues that the entrepreneurial vision consists of two main features, imagination and prescription. These aspects entail an interdisciplinary attitude involving the combination of seemingly incompatible goals, alongside a willingness to chart new paths and promoting this vision through evangelism and adherence to a set of guiding principles. In some ways this is reminiscent of the idea of the ‘public entrepreneur’ – someone who seeks to resolve a particular problem (Waddock et al 1991) – or the ‘social’ or ‘civic’ entrepreneur (Hockerts 2006), which means that such a definition requires further clarification.

3. SUSTAINABLE DEVELOPMENT THROUGH THE DEVELOPMENT OF SOCIAL CAPITAL IN THE ‘SOCIAL ECONOMY’

Although there are a number of senses in which the social economy, social enterprises and social entrepreneurship can contribute to sustainable development or sustainability, we only want to consider one element here. Therefore, as already mentioned, in a rather restricted sense, sustainability could simply refer to the continuation of a particular organisation through the shift from ‘unsustainable’ forms of income (e.g. grants) to ‘sustainable’ forms (e.g. trading) (see Pearce 2003; Flockhart 2005). However, implicit in this view is a political assumption that certain forms of economic or social activity are inherently sustainable (i.e. markets-driven economic growth) which runs counter to other arguments around sustainability, especially in reference to environmental degradation (Chatterton 2002). In contrast, it might be more suitable to consider sustainability in terms of the double, triple or quadruple bottom line and a blending of economic, social, ecological and community concerns (Reid and Griffith 2006). However, the issues that need to be dealt with in any such discussion are multiple and too diverse to really do justice to here, so instead we concentrate on the possibility of sustainable development through the production and promotion of social capital through the social economy (and
A definition of social capital would take another critical survey in itself since it is a concept over which there is also enormous disagreement. There are already a number of thorough and critical literature reviews and literature surveys that we can draw on especially those by Woolcock (1998), Fine (2001), O.N.S. (2001), Johnston and Percy-Smith (2003), Quibria (2003), and Westlund and Bolton (2003), forestalling the need for yet another one here. The first thing to note is that social capital, despite its meta-theoretical claims, is a diverse concept that cuts across disciplines and consequently understandings. According to Michael Woolcock (1998) it was first identified by Jane Jacobs and Pierre Bourdieu and later developed James Coleman, Ronald Burt and Robert Putnam. It has several different definitions that contradict and contrast with each other; for example, it has been conceived as individualist (Bourdieu) and community (Putnam) based, as well as functional (Coleman) and consequentialist (see Quibria 2003). As these diverse representations might suggest, the concept of social capital has been strongly criticised (see Fine 2001 for example), although this has not stopped its growing popularity as a recent edition of Regional Studies (39.8) shows. The second thing to note is that the different types of social capital, briefly defined as bridges (i.e. norms), bridging (i.e. networks), bridged (i.e. gaps) and bridge-builder (i.e. holders), do not apply across the board to the social economy, social enterprise and social entrepreneurship, as the discussion below and Table 2 seeks to illustrate.
TABLE 2: SOCIAL CAPITAL AND THE ‘SOCIAL ECONOMY’

<table>
<thead>
<tr>
<th>SOCIAL CAPITAL</th>
<th>Social Economy</th>
<th>Social Enterprise</th>
<th>Social Entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing structure (bridge)</td>
<td>X</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Production process (bridging)</td>
<td>X</td>
<td>X</td>
<td>-</td>
</tr>
<tr>
<td>Diversity process (bridged)</td>
<td>-</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Facilitating holder (bridge-builder)</td>
<td>-</td>
<td>-</td>
<td>X</td>
</tr>
</tbody>
</table>

Social Capital And Social Economy

To start with, within policy discourse the provision of products and services to excluded groups is only one aspect of the social economy, the other is the provision of work and through such the relationships developed in organisations empowering people to build up their ‘social capital’ (Amin et al 2002). One form of social capital – the ‘bridge’ between people – is constituted by the organisational and institutional relationships and networks of the social economy embedded in particular places, all of which provide the bonding structure for existing communities that bind them together (Pearce 2003). Consequently, Moulaert and Ailenei (2005: 2050) suggest that a “definition of the term [social economy] must account for the many forms of social relations that exist and their embeddedness in specific social, cultural, historical and institutional backgrounds”. Policy agendas therefore often focus on building up both tangible and intangible community assets through local regeneration and empowerment (Thompson et al 2000). However, there are concerns that this type of social capital can inhibit change, in that the promotion of stronger bonds detracts from developing new relationships, whilst also limit access to resources for individuals who are peripheral group members because they are young or new entrants (Mair and Marti 2006).
Because the social economy concerns organisational and institutional bonding that represents forms of social capital constituted by norms, values and conventions, it can also been seen as encouraging community or social empowerment through the development of mutualism amongst and between different communities and groups that creates networks between these groups thereby leading to ‘active participation’ and ‘stakeholder society’ (Amin et al 2002). These linkages between different groups help to breakdown the boundaries between social actors that can lead to some of the problems mentioned in the last paragraph. The emphasis on mutual, democratic, and voluntary organisation can stimulate the development of these network connections and foster linkages that avoid local or organisational boundedness (Rydin and Holman 2004). This is a central issue because discussions on the social economy and social capital can often ignore the existence and effects of inequality, despite the central conceptual failure to account for the provision of opportunities for some (whether services, products or otherwise) and the withholding of such opportunities from others, whether as a consequence of social, political, economic or environmental factors. The question of too much social capital or social inclusion is therefore not addressed (Quibria 2003; Baron 2004). Consequently, the social economy may only enable certain groups, communities or actors to connect and interact with one another, whilst inhibiting others from forming such connections and developing social capital.

*Social Capital and Social Enterprise*

Although the social economy may represent bonding relationships, it does not fully account for the production of new bridges, or the evolving process of forging new relationships and networks that engage different groups, organisations and institutions. Social enterprise can play a crucial role in the local development of social capital through the bridging of such actors, although the lack of an existing organisational or institutional basis of relationships may prove detrimental to the production process; i.e. by limiting the social as well as economic resources available for activities (Hudson 2005). Social enterprises, as activities directed at trading for social purposes, provide the means through which the process of bridging different organisations, communities or groups can be undertaken. They are characterised by a need to operate across a number of different
economic, social and political spheres, incorporating the economic concerns of trading for their income with the pursuit of a social purpose implicit in their agenda, all pursued under the assumption of certain political underpinnings such as democratic accountability to a specific constituency or community (Pearce 2003). The activities of social enterprises therefore necessitate that they embed themselves in a number of relationships for their very success. An unfortunate consequence of this pluralism is that the strong bonding ties (i.e. mutualism) characteristic of the social economy as a whole are necessarily weakened thereby reducing the link with a particular community or place (Eikenberry and Kluver 2004).

The emphasis in social enterprises on trading has led to a market emphasis in their activity which encourages the development of new forms of organisation and cognition, adapting features from the commercial and social sectors in a new approach that incorporates concerns from each in its activity. The diversity bridged by this focus enables the pursuit of certain goals through means that are not related, but can still prove beneficial. Thus two diverse approaches or activities encounter each other, can see how an alternative way of acting which may influence their own actions. However, one major concern here, in relation to the social economy, is that social means may be replaced by economic ones, whether or not the ends pursued are social or economic, for reasons that relate more to ideological assumptions than usefulness (Fine 2001). Therefore the possibility that emancipatory or empowering activities are pursued to ensure regeneration and development are lessened, being replaced by market-based approaches that preclude certain activities (i.e. public ownership). One example of this is the new British legal organisation of the Community Interest Company, which shows how a lack of government interest in challenging or changing ownership forms precludes the adoption of social or cooperative ownership (Arthur et al 2004).

**Social Capital and Social Entrepreneurship**

Using the broad definition of social entrepreneurship outlined above and oriented around the ‘individual’ we can identify the important bridging role performed by social entrepreneurship, whether as a person or group, as a characteristic which enables such
individuals to bring together various social actors drawn from across the three sectors (Purdue 2001; Grenier 2002). Thus a particularly crucial aspect of social entrepreneurship is the ability to at once collaborate with a diverse and often disparate range of people, groups and organisations, whilst also promoting and developing networks of such divergent interests in the pursuit of a specific social goal or social value (Johnson 2000; Peredo and McLean 2006). This could prove to be a problematic characteristic because it may preclude challenges to existing interests, necessitating that social entrepreneurship adheres to a ‘reformist’, as opposed to ‘radical’, social agenda (Jones and Keogh 2006). It also entirely rests on the social entrepreneur as the holder of a specific form of social capital (i.e. bridge-builder), which means there is no challenge, and sometimes even an implicit complicity, with market systems at the expense of the social economy.

The bridge-building role becomes even more important when considering issues of sustainability, because it implies that social entrepreneurship entails the capability to juggle the double, triple or quadruple bottom line and, as a consequence, placing greater emphasis on economic sustainability than the combination of social and ecological issues. Consequently, the issue of accountability is crucial for social entrepreneurship because it is only through considerations of ‘stakeholding’ and other forms of ‘citizenship’ (see Tracey et al 2005) that social entrepreneurship, in all its forms from CSR through to antipreneurs, gains any legitimacy (Mort et al 2003; Dart 2004; Nicholls 2006; see also Reid and Griffith 2006 on the institutionalisation of specific organisational types). It is these issues of community empowerment and accountability that have to be considered, specifically focusing on issues around embeddedness and social capital (Mair and Marti 2006), in sustainable regional development especially where there are disparities in power engendered by individual social entrepreneurs ability to define the ‘good’ and ‘bad’ characteristics of society (Quibria 2003; Baron 2004).

4. CONCLUSION

What we have tried to show is how the social economy, social enterprise and social entrepreneurship can be conceptualised as connected yet distinct categories for describing
and explaining a significant proportion of the economy (although even here we have not addressed the major input made by households or informal exchange). We have outlined how the social economy, in a specific sense that excludes household and informal economies, represents a set of organisational characteristics covering not-for-profit, democratic, independent and mixed financing forms alongside social purpose, voluntary, sustainable and mutual values. As such it is dependent upon combining both the means and ends in organisational structures. As one possibility of a social economy organisation, social enterprises represent a particular form of activity, namely earning income through trading in pursuit of a social objective. Although this is a more restrictive definition than others may use, it is meant to distinguish between the particular social enterprise form – a relatively new one – and other types of social economy organisation that pursue different activities (i.e. workers co-operatives). The final category of social entrepreneurship is, once again, broadly applied and therefore we wanted to produce a clearer definition. We have focused on the individual level and especially the importance of combining motivation and vision in order to bring together a diverse and often divergent set of interests in the pursuit of the entrepreneur’s goal.

These definitions mean that the relationship between the three categories and their position regarding the market and state sectors is ambiguous with a blurring of the boundaries between the three sectors. The ‘hollowing out’ of the state and retreat from the provision of welfare has meant that social enterprises can be used to pursue state agendas and policies (Paton 2003), like foundation hospitals, although the social objective precludes an outright participation in the market sector. In turn, social entrepreneurs or entrepreneurship can emerge in and operate across both the state and market sectors where the provision of public services may depend on individually motivated people or where the development of corporate social responsibility (CSR) has arisen because of individuals within a company (The Observer 2005; Trebeck 2005). It is therefore not possible to clearly delineate social enterprise and social entrepreneurship as distinctive features only of the social economy, they can also be features of the market and state sectors (see Figure 1).
Whereas it is difficult to clearly distinguish between the three categories of the social economy, social enterprise and social entrepreneurship, the role these three categories play in the development of social capital and sustainable development is easier to highlight. This role has been highlighted by British and European policy-makers with, for example, the Department of Trade and Industry social economy policy vision (e.g. DTI 2002) placing social enterprise at a crucial juncture between the community and the achievement of social goals. Social enterprise plays a central role here because the communities in which they are meant to have the greatest impact tend to entail several barriers to participation in exchange, whether state (i.e. redistributive) or market based because;
(i) they lack material resources
(ii) they lack wide or strong networks
(iii) they lack relevant skills, and
(iv) they have to work within specific institutional boundaries (i.e. tax credit or benefit systems) (see Williams et al 2003: 156).

The second of these – the lack of social networks – has led to the emphasis on social capital, which has been highlighted, in both academic and policy literature, as the main means through which government policy can empower communities and strengthen citizenship and civic participation (Chanan 1999; Smallbone et al 2001; Scottish Executive 2003; Arthur et al 2004).

However, what this policy visions leaves us with, at least in the UK where citizenship, community engagement and social exclusion have been increasing constituted in terms of employment participation (Commission on Social Justice 1994; Amin et al 2002; Williams et al 2003), is a policy which focuses on “[b]uilding human and social capital … to strengthen local communities which is essential if there is to be successful regeneration” (HM Treasury 1999: 107). A key aspect of this policy intervention is “empowering individuals and communities, encouraging the development of work habits and increasing employment diversity” according to the Social Enterprise Unit (DTI 2002: 21). This ignores a major problem in deprived communities, namely that employment actually leads to community residents moving away from their locality, rather than staying and building up further social capital (Callison 2003). Perhaps a more useful focus would therefore be on another part of the DTI (2002) policy agenda which focuses on sustainability through local wealth creation and the local recycling of money and resources through employment in local services and organisations so that both financial and social capital are generated. Without addressing the material basis of regional development, whether for deprived localities or not, a policy agenda concerned only with social capital will fail.
REFERENCES


NOTES:

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http://www.arc.admin.ch/imperia/md/content/are/nachhaltigeentwicklung/brundtland_bericht.pdf
(accessed May 2006).


REID and GRIFFITH (2006: 2) even talk about a ‘quadruple’ bottom line consisting of economic, social, ecological and community empowerment goals.


Moulaert and Ailenei (2005) suggest that the English-speaking literature has largely ignored the role of not-for-profit organisations like producer or consumer cooperatives, which represent more continental European organisational types. Furthermore, Amin et al (2002: 10-11) have distinguished between four different types of European social economy; Anglo-Saxon, Mediterranean, Nordic and Rhineland, contrasting a number of different nationally-specific organisations that have developed contingent upon the institutional environment (see ANHEIER and BEN-NER 1997).

It is interesting to point out that the modern corporation started as a form of ‘social economy’ organisation that gradually evolved into the current model of a profit-driven, market-based organisation (see NACE 2003; BAKAN 2004).

The community interest companies (CIC) is a new legal form created by the Labour government and introduced in July 2005, specifically to encourage the formation of social enterprises (DTI 2003; MORRIN et al 2004).

Leadbeater (1997: 1) talks of the need for “a long wave of social innovation” in Britain referring to Schumpeterian theories on long-waves of technological innovation.