SOCIAL ENTERPRISE IN PRACTICE

Developmental Stories from the Voluntary and Community Sectors

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Acknowledgments

ABOUT THE AUTHORS

Lynne Russell is an independent researcher, previously a Senior Research Associate at Manchester University.
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- (with P. Wilding), Mixed Fortunes: The Funding of the Voluntary Sector, Joseph Rowntree Foundation/Manchester University, 1995.
- Very Active Citizens? The impact of contracts on volunteers, JRF/Manchester University, 1997.
- Uphill Struggles: An Evaluation of a Rural Deprivation Forum in the Peak District, Hope, Peak District Rural Deprivation Forum, 1999.
- (with P. Alcock & R. Macmillan), Moving Pictures: Realities of Voluntary Action, Bristol, Policy Press, 2000.
- Researching Voluntary and Community Action: The potential of qualitative case-studies, York, JRF, 2005.
- They were also co-authors/researchers on the precursor to the present report i.e.(with C.Pharoah & A. Fisher), Social Enterprise in the Balance: Challenges for the Voluntary Sector, West Malling, Charities Aid Foundation, 2004

Most of their work has involved qualitative case-studies of voluntary organisations, which have often been undertaken over several years. More synoptic work is represented by `Moving Pictures` - a critical examination of eight key policy concepts, and the 2005 publication which was commissioned by JRF to review a wide range of case study material.

PREFACE

The voluntary sector in the UK continues to reveal its capacity to adapt to social and economic change. As it does so, a constant and key theme has been the potential and desire of some voluntary organisations to take on more of a commercial role. At the heart of this change lies the emergence of `Social Enterprises`. Their importance is underlined by their growth and by the degree of support forthcoming from government.

This report presents the experience of five prominent social enterprises with strong connections to voluntary and community action. It is a continuation of previous research, commissioned by the Charities Aid Foundation and published in 2004 as `Social Enterprise in the Balance`.

Research is one of the mechanisms that the sector has at its disposal to make sure that amidst the change, the right decisions are made. At CAF we believe that good research should be moulded around well-reasoned objectives, and that it should have both the breadth and depth to get to the heart of the matter.

CAF is delighted to have sponsored this latest research because it looks at a subject which is vitally important to modern Britain, and does so in a uniquely sensible way. The authors carefully selected a handful of apparently successful social enterprises and researched them intermittently for almost five years. We refer to this as `longitudinal qualitative research`. Anybody who wants to appreciate the power of such an approach need only reflect on how much more they learn about a product after years of using it, or the true character of a friend after years of knowing them.

I am confident that this research will convey to the reader that even successful social enterprises experience `ups and downs` on their different journeys. The findings highlight how challenging it is to manage an organisation towards social inclusion and trading. However, I hope that one key outcome will be a greater awareness, amongst all those charged with the development of social enterprise, of what it means to be both `social` and `enterprising`at the same time. In turn, such awareness can only lead to the growth of a stronger social enterprise presence in the future.

Richard Harrison (Director of Research, Charities Aid Foundation)

EXECUTIVE SUMMARY: SOCIAL ENTERPRISE IN PRACTICE

Developmental Stories from the Voluntary and Community Sectors

Chapter 1 Introduction

In this report, five case study agencies provide nine accounts of events and episodes which illustrate some of the main developmental issues facing social enterprises. These are wide ranging and include the inherent tensions between social and economic objectives, entrepreneurial skills, strategic planning, business incubation, organisational instability and evaluative dilemmas. While the dominant tendency in social enterprise training emphasises a business-oriented approach, we conclude that realistic development strategies need to be much more explicit about those uncertainties and contradictions which are characteristic of entrepreneurial life in the voluntary and community sector.

Chapter 2 Defining Social Enterprise: Does it Really Matter?

Definitions of social enterprise are not merely of academic interest. Consideration of how one agency defines its mission and activities, in relation to social enterprise, reveals behaviour capable of being described as contradictory, flexible and pragmatic. Our conclusion is that many (most?) organisations involved in the development of that spectrum of activities labelled social enterprise are never completely in charge of the directions taken by their agency. Apparently inconsistent definitions and use of 'social enterprise' may be more a reflection of the changing influence of external institutions than internal values, strategies and procedures.

Chapter 3 Building Blocks for Social Enterprise: New Visions and Values

The pursuit of economic as well as social goals by any voluntary or community organisation requires a change in mindset at all levels, and may give rise to strategic and inter-personal conflicts. This is vividly illustrated by one case-study agency, where a programme of 'Vision and Values' training has helped to mitigate these problems. The tensions have proven more persistent, however, than might have been anticipated. We conclude that such training may be necessary on a recurrent basis, and that its form and content should include a mix of formal and informal, collective and individual elements.

Chapter 4 Building Blocks for Social Enterprise: Entrepreneurial Skills

The development of social enterprise demands an enhanced capacity for the kinds of innovation already evident in the voluntary and community sectors – the capacity to find solutions, identify and negotiate funding, form alliances and partnerships and balance the interests of different stakeholders. Social entrepreneurs must also be able, however, to develop new products or services, and identify new markets; and they must become risk takers to a greater extent than ever before. Two contrasting stories from within the same agency illustrate the necessary skills and their uneven distribution. Such skills deficits are not easily addressed through formal training mechanisms; the case study demonstrates the benefit of internal peer support and external mentoring, together with flexible and supportive internal management structures.

Chapter 5 Strategic Planning and External Unpredictability

The social business discussed in this chapter is an example of an agency with an explicit commitment to strategic planning, having published a detailed five year development trajectory. Inevitably, unforeseen events can interrupt the pathway to achieving strategic objectives. In this case study, achieving financial sustainability was interrupted by the impact of social objectives on economic returns, by dilemmas associated with balancing

asset protection and risk taking, and by unpredictable externalities and market dynamics. We conclude that while such tensions and unpredictability are unavoidable, there may be mechanisms which might help social enterprises to at least steer their way through them.

Chapter 6 Business Incubation and the Challenges of Developing a Sustainable Social Enterprise

Not all social enterprises will see financial sustainability as a necessary or feasible objective; many, however, will depend on generating some measure of economic return from their activities. In this case study a new initiative within an established social business failed to become sustainable after an extended incubation period, and continued to be heavily subsidised by the wider organisation at a cost which was not merely financial. Its survival depended on drawing resources away from other activities – even from the delivery of services to the local community. The internal organisational tensions to which this gave rise were exacerbated by the perception that the social outputs of the new project were not great. We conclude that it is important, not only that there is a thorough appraisal of new initiatives, but that there is clarity and consensus within the organisation about the desired balance between economic and social returns, the financial and opportunity costs involved and the length of time before the organisation would draw a line under an unsustainable activity. Wider organisational 'ownership' of new strategies and objectives will be important for internal cohesion.

Chapter 7 Organisational Instability: Internal and External Influences

Many social enterprises experience what feels like continual change, often associated with organisational instability where, for example, the human and financial resources available to an agency are not in balance or because of the interplay between internal dynamics and external influences. This chapter describes the particular internal tensions between sub-project autonomy and centralised control, as well as the ways in which these sources of instability fluctuate over time. It also provides a window into the search by social enterprises for external finance, accreditation and influence. Managing these different sources of instability requires different skill mixes. We conclude that the management of such tensions and instability includes an element of financial content, but this must be contextualised within an appreciation of the divergent values and influences at work.

Chapter 8 Evaluative Challenges

Evaluation of whatever is agreed to constitute 'success' and 'failure' is shaped by the assumptions and perspectives of those involved. The chapter comprises two case studies. The first highlights the importance of internal monitoring and evaluation, but also illustrates how an evaluative 'film strip' reveals longer term perspectives on success or failure which are very different from how an earlier 'snap shot' of outcomes might be viewed.

The story from a second agency suggests the need for evaluators to consider a full range of stakeholder perspectives and to be sensitive to local contexts; to take into account, for example, the values of the individual agency and the constraints on what is achievable in that particular context.

Chapter 9 Preparing for Social Enterprise: Some Lessons from an Academy for Social Entrepreneurs

The key lessons from a pilot scheme offering social enterprise apprenticeships are, first, that individuals will exhibit different levels of entrepreneurial readiness and commitment to learning, and, secondly, that it will be important to complement the more formal, pre-packaged content of training with more experiential approaches. We conclude that trainers and facilitators will need appropriate group skills as much as inventories of curriculum knowledge.

Chapter 10 Social Enterprise in Practice: Towards a Training Curriculum

The tensions between social and economic priorities in the development of social enterprise have become increasingly recognised. Although this recognition has not yet been sufficiently integrated within different approaches to training and support, some business schools have begun to identify the need to give greater emphasis to:

a) process – learning about the dynamics of social enterprise involves learning about change and discontinuity, often through intense 'critical learning events';

b) purpose – social enterprise need not simply reproduce the structures and content of the corporate for-profit institutions. It can serve as a springboard for social inclusion and cooperation and not just an alternative form of trading.

We hope that these accounts can encourage a greater attention to both emphases in social enterprise training.

Our concluding chapter also highlights just a few of the notable successes of the case study organisations. Despite the difficulties inherent in developing social enterprise, others working in the voluntary and community sectors will perhaps find these examples encouraging.

1 INTRODUCTION TO SOCIAL ENTERPRISE IN PRACTICE

1.1 Introduction

'Social Enterprise in Practice' is the second report of a study undertaken in response to a number of government policy initiatives which included expectations that the voluntary and community sectors would, and should, develop social enterprise activities. One of the central issues addressed by the research was the extent to which current ways of providing different forms of training and support to social enterprises were appropriate for voluntary and community organisations. The conclusions of the first report[1] published in 2004 noted that:

- Training interventions are the most common developmental approach; these tend to be business-led and shaped more by the capacities of existing suppliers than the competencies, needs and contexts of individual organisations.
- Critical and reflective case study material could be generated by existing social enterprise organisations in order to illustrate a variety of strategic and operational challenges.

This second report attempts to address both these concerns and is directed at a wide range of stakeholders involved in the development of social enterprise in the voluntary and community sectors - including those at the 'sharp end', the managers, trainers and trustees involved with individual organisations; those one step removed, involved in infrastructure bodies such as the various development trusts; and finally those politicians and policy makers involved in promoting social enterprise. In this report, five case-study agencies provide accounts of events and episodes which illustrate key development issues. These include the frequent conflict between business goals and social goals, the extent to which such conflicts can be managed or resolved, as well as a number of evaluative and training dilemmas. Words such as 'conflict', 'dilemma', 'manage' and 'resolve' are used deliberately. We are convinced from our interview work (now stretching over four years with almost the same cohort of agencies and people) that

descriptions of the development of social enterprise without reference to what we believe to be inherent conflicts and dilemmas are ultimately self-delusory and unhelpful. We hope the experiences of our case study agencies will provide valuable insights and a training resource for those working in this field. This chapter will:

- introduce the reader to dominant tendencies in social enterprise education and training;
- introduce the research methodology and describe the five agencies whose stories form the centrepiece of this book.

1.2 Supporting Social Enterprise : Contemporary Tendencies

A survey of web sites undertaken as part of this study (Appendix 1) suggests that there are three (overlapping) types of organisation which provide social enterprise training and support:

- Further and Higher Education Institutions – from MBA courses at Oxford University to undergraduate BA courses at Liverpool John Moores and the University of East London, for example.
- Government 'Training the Trainers' initiatives directed from the Department for Trade and Industry through the Small Business Service and Business Link.
- For-profit and non-profit distributing training agencies – from individual local consultants to national and regional providers such as 'Cats Pyjamas' (the training programme of a furniture workshop and re-cycling social enterprise which has its main base in Liverpool).

Many of the examples appear to be similar in content, with a focus on issues relating to organisational structure, marketing and financial management (see Anglia Polytechnic University, Women in Social Enterprise, Social Enterprise London, How 2 Eye Project). Explanations for this content convergence could include:

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1 C. Pharoah, D. Scott & A. Fisher, Social Enterprise in the Balance: Challenges for the Voluntary Sector, West Malling, Charities Aid Foundation, 2004

- reliance on pre-existing courses, given that the explicit use of the term 'social enterprise' is relatively recent;
- acceptance of what appears to 'work';
- the underdevelopment of alternative perspectives which might include
  a. 'social' elements alongside marketing and finance, and
  b. critical perspectives which might question, for example, otherwise uncritical assumptions about the alleged sustainability and/or desirability of social enterprise responses to welfare needs.

The popularity of a business-led curriculum is best illustrated by the framework of social enterprise national occupational standards produced by Social Enterprise Partnership (SEP) in conjunction with the Small Firms Enterprise and Development Initiative (SFEDI) (See www.sepgb.co.uk and www.sfedi.co.uk). Here, the main sub-headings relate to small business development and support. Any units specific to social enterprise appear to have been added on to the dominant economic emphases. (See Appendix 2 for a summary of the three units specific to social enterprise.)

The approaches taken by some organisations, however, were less contained by a business/commercial focus and did reflect the particular pitfalls and limitations of social enterprise. Their materials aim to encourage:
- 'honest debate about the potential and limits of the social enterprise model' (www.the-cats-pyjamas.com);
- the chance to 'avoid making the mistakes we've made' (www.the-cats-pyjamaswalesandwest.co.uk);
- action learning as 'people learn best about entrepreneurship by taking entrepreneurial action themselves' (www.sse.org.uk).

So whilst the dominant tendency is towards a strongly economic interpretation of social enterprise (and its related support and training), there are at least some sites which are more explicitly self-

critical and concerned with social dimensions, including, for example, the Cooperative Assistance Network (www.can.coop) with their focus on developing participative strategies. 'Social Enterprise in Practice' will attempt to reinforce these social and critical aspects, drawing on the operational experiences of field-based managers of social enterprises within the voluntary and community sectors. Our belief that such experiences need to feature more prominently in support and training systems is supported, not only by our analysis of a sample of web sites, but also by recent reports which conclude that much business support is provided by agencies and individuals with little deep experience or understanding of

"…the culture, principles and organisational norms of social enterprises." (Cooperatives UK and Partners, 2004, 32)[2]

1.3   Developmental Stories

Some story tellers take us into fantasy worlds and allow us to suspend our preoccupations with everyday reality. JK Rowling's 'Harry Potter' series must be one of the best known contemporary examples. Surprisingly, the most popular author in British libraries is Jacqueline Wilson, someone who until recently was much less well known and recognisable – at least to adults. She is described as writing about

"…real children with real problems who are living lives that are instantly recognisable to her readers." (TES Teacher, 5.5. 2005)[3]

Karen Armstrong, a writer on theological and philosophical themes, surmises about Jacqueline Wilsons's stories

"…that children know instinctively what is best for them, and find that their worst fears become more manageable when they are made more explicit." (Armstrong, 2004)[4]

The stories we will present here about social enterprise are not fantasy excursions, nor are they intended to be full of 'worst fears'. We have attempted to portray 'real problems' in ways which we hope will be recognisable. However, in doing so,

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2   Cooperatives UK & Partners, Social Enterprises with a Market Focus: Support for Enterprising Communities Pilot Project, Manchester, Cooperatives UK, 2004

3   Times Educational Supplement, Teacher: Educational Poster: Jacqueline Wilson, 5.5.05

4   K. Armstrong, Look on the Dark Side of Life, Guardian, 21.2.04

we may have painted a picture which some readers will feel is unduly gloomy. In reality, the very same agencies which have allowed us to recount their difficulties and dilemmas have also achieved considerable successes, a few of which are noted in the final chapter of this report. The justification for our approach is that, in contrast with the predominance of normative, uncritical accounts, it is important to acknowledge that the development of social enterprise is problematic; that glossing over the inherent issues is unhelpful to practitioners and policy makers alike.

The underlying educational principles upon which our work is based are neatly summarised in a recent paper on entrepreneurial learning (L. Pittaway, 2004)[5]. The author stresses action-orientation and reflection, particularly around the experiences of events and episodes which may well have been characterised by crises. Whilst routine, formulaic learning has a place in any curriculum, it is argued that it is

> *"…the creation of an uncertain and ambiguous context which forces students to step outside taken for granted assumptions about the educational process…. . In adding ambiguity and uncertainty to an educational process one replicates the circumstances in which an 'entrepreneur' founds a business."* (op cit, 4)

The stories and questions which form the majority of this book cannot in themselves create contexts and replicate circumstances, but we hope they can help others – whether trainers, managers, field staff or volunteers – to more nearly do this.

1.4 Social Enterprise in Practice: Methodology and Case Study Agencies

The approach during both phases of this study has been to provide a uniquely detailed account of the development of social enterprise in a small sample of organisations. In particular, the research sought to move away from the emphasis on snapshots of good practice to be found in much of the available material. Instead, Phase 1 looked intensively at organisational development and growth over a two year period. In this second phase, the present

authors re-visited the four main case study sites of the original research. Having undertaken qualitative interviews in these organisations at intervals over a four year period, the researchers have been able to provide accounts which are unusual in their depth and longitudinal focus, and this is reflected in many of the narratives in the following chapters. However, a fifth organisation, 'Apprentice Enterprise', was also included in this second phase because a central emphasis of this report concerns training and 'Apprentice Enterprise' represented one of the largest investments in social enterprise development in the country.

Given the nature of our research approach, the sample of case-study agencies is inevitably small. Any analysis based on just a handful of examples begs questions about their representativeness and in turn about what is meant by a 'social enterprise'. We have concluded that 'there is no single enterprise type, but rather a range of hybrid organisations…' (Pharoah et al, 2004, 16). The organisations which provided the stories that follow were relatively well-established social enterprises within the voluntary and community sectors, and spanned a spectrum of definitions - from the much-quoted 'trading for a social purpose' from the Department of Trade and Industry to the definition of organisations which -

> *"…do not see their core aim as providing a specific service but rather, the formation of long term relationships with their client group."* (Shaw et al, 2002, 11)[6]

Thus, whilst all the case study agencies were committed to the social inclusion of particular groups, and were utilising social enterprise to that end, some (such as 'Lightship') were more nearly traditional charities. Their relationship to social enterprise was uneven, partial and pragmatic. Others (such as 'Small Potatoes'), however, had developed a more prominent social enterprise ethos, a stronger commitment to the generation of income through trading and marketing services, and had identified financial sustainability as a strategic goal, in order to respond to the needs of excluded groups. The case study agencies also span a spectrum in terms of their legal form, income, mix of funding and the range of their activities. While the sample is not a statistically representative one, its diversity

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5   L. Pittaway, Simulating Entrepreneurial Learning: Assessing the Utility of Experiential Learning Designs, Lancaster, Lancaster University Management School, 2004

6   E. Shaw, J. Shaw and M. Wilson, Unsung Entrepreneurs: Entrepreneurship for Social Gain, Durham, Durham University Business School, 2002

ensures that the experiences reported here, and the themes identified, are not unique to one dimension of the social enterprise sector.

In the following brief descriptions of the case study agencies, all their titles are pseudonyms and some details have been changed to reinforce anonymity. Senior managers and key workers were interviewed and tape recorded within a pre-arranged framework. During the drafting stages of the book, all interviewees have had an opportunity to change their text and related commentary material. All agencies received a small financial sum in recognition of their contributions.

'Lightship'

Lightship is located in a former church, just off the high street of a relatively poor, and ethnically diverse, inner-city neighbourhood. Over the past 22 years it has worked with newly-arrived and established immigrant groups and refugees, providing advice, advocacy, campaigning and support both to local groups and to those scattered across the wider city. More recently it has established preparatory courses for foreign nurses and worked with local Primary Care Trusts. Lightship is a company limited by guarantee and a registered charity. It has an income of over £1.25 million and a staff of about 20 who coordinate a mix of in-house sub-projects while also encouraging some communities to form their own organisations within Lightship.

'Small Potatoes'

Small Potatoes' central administration is housed in a spacious, refurbished, three-storey building, symbolic of its growth and success as a social enterprise. Located in a regeneration area close to the centre of a large city, it now finds itself increasingly surrounded by fashionable apartments, bars and shops. The current organisation is the result of a merger between two organisations, each established ten years previously:

a. 'Chips', a social business offering work opportunities, training and support to over 200 ex-offenders, homeless people and people with a history of mental health problems, and

b. 'Local Responses', a voluntary and community organisation based in another area of the inner city which grew from running a community centre to being involved in a wide range of activities, including the delivery of local health care facilities and the provision of child care and training.

Following the merger, Small Potatoes had a turnover of £5 million (of which a charitable trust accounted for about 20%) and employed around 140 staff. It is therefore the largest social enterprise in our sample and covers the widest geographic area – having offices in other cities in the region.

'Enterprise Action'

Enterprise Action was established in 1993 in response to the collapse of the local steel industry. In 1989 the main steel firm employed 15,000; by 1993 this had nearly halved. Within the organisation, more than a dozen semi-autonomous sub-projects in different locations were coordinated by a management group of eight, with up to 30 field staff. The latter co-ordinated small to medium-sized activities relating to special needs, homelessness and environmental issues, and also ran a furniture workshop which, in addition to generating revenue income, provided employment and training opportunities to people with learning disabilities, secondary school pupils and young adults on Probation Orders. The main administration recently re-located to a refurbished Victorian building containing business units, meeting rooms and a café. It was expected that the revenue streams from these different uses would both cover maintenance costs and contribute to Enterprise Action's core administration budget. Recent accounts showed a total annual turnover of over £1million.

'Arts People'

Arts People was founded in 1994 to provide accessible, low cost workshop and performance space for artists and to use the arts to foster social inclusion. It has been identified as a social enterprise because in addition to working with prisoners, homeless people and other socially marginalized groups, it raises revenue from rental income and by running a club and café bar. Currently about ten office/development staff, plus up to 20 part-timers in the night club/bar generate a turnover of over £0.5 million. Recent accounts indicate that trading activities provide nearly 75% of Arts People's income.

During our research, Arts People was compelled to relocate by its landlord; its original premises (for which it paid only a peppercorn rent) had become a valuable development site. Activities were moved to a split site, slightly further from the centre of the same major city. The process of negotiating funding for the acquisition and renovation of new premises

brought to light fundamental financial weaknesses and necessitated radical changes.

'Apprentice Enterprise'
The 'Social Enterprise Academy – South West' (SEA-SW) was funded by the South West Learning and Skills Council and European Social Fund monies, to establish:
a. a mentoring programme
b. workforce development, and
c. an apprentice scheme to support social entrepreneurs in setting up new businesses.
Over £0.6 million was made available to SEA-SW, of which one third reached the apprenticeship scheme. The latter was sub-contracted to a small consultancy organisation ('Enterprise Workshop') which ran two successive programmes, initially with about a dozen students in each. These two programmes, which we have called 'Apprentice Enterprise', form the basis of our study.

An evaluation of the three strands of the SEA-SW programme by external consultants was critical of both the mentoring and workforce development units. 'Apprentice Enterprise' , however, was judged '…very popular and there is a strong case for continuing the work'. (SEA-SW Final Evaluation, July 2005, p1) Nevertheless, all three pilot strands were discontinued by the Learning and Skills Council later in 2005.

1.5   The Structure of this Book

From our detailed interviews with the case study agencies, we have constructed nine accounts which illustrate a range of developmental issues relevant to emergent social enterprises in, and on the edges of, the voluntary and community sectors. In chapters 2 - 9, a brief introduction is followed by the central story lines, with a concluding section which highlights key questions or discussion points. The sequence is as follows:

Chapter 2   Defining Social Enterprise: Does it Really Matter?
The first story concerns 'Lightship' and the extent to which the principle and practice of whatever is meant by 'social enterprise' are promoted within the organisation. While workers assert their distance from social enterprise, in practice they reveal pragmatic and contradictory behaviour.

Chapter 3   Building Blocks for Social Enterprise: New Visions and Values
As a result of the merger which created 'Small Potatoes', two distinct organisational operations and cultures (one based on trading goods, the other receiving much of its income from public sector contracts) had to be integrated into the new social business. The story illustrates the difficult transition which might be experienced by any voluntary and community organisation developing as a social enterprise, and describes the training response implemented by 'Small Potatoes' to mitigate the tensions.

Chapter 4   Building Blocks for Social Enterprise: Entrepreneurial Skills
The faltering progress of one of the social enterprises within the 'Small Potatoes' group illustrates that not all organisations, or their managers, are equally endowed with entrepreneurial skills - the capacity for innovation and risk taking. This was a problem shared by other case study agencies and this chapter concludes by outlining how 'Small Potatoes' has endeavoured to address the skills gap.

Chapter 5   Strategic Planning and External Unpredictability
'Small Potatoes' spends considerable time on strategic planning. While there are internal advantages to this approach, subsequent external disruptions and uncertainties (leading to a decline in income and undermining proposed new developments) demonstrate its limitations and the importance of continuing evaluation and review.

Chapter 6   Business Incubation and the Challenges of Developing a Sustainable Social Enterprise
'Concrete & Clay' is a social enterprise within the 'Small Potatoes' group. While it had some limited commercial success in the five years since it was established, it continued to be financially dependent on the parent group. The difficulty it experienced in trying to meet both its economic and social goals raises wider questions about the potential for financial sustainability for social enterprises with these dual objectives. It reinforces the need for rigorous business appraisals which are sensitive to both sets of objectives and which explicitly identify the opportunity costs involved.

Chapter 7   Organisational Instability : Internal and External Influences

Within 'Enterprise Action', sub-projects operated in different relationships to the central administration. Over time, management had shifted from promoting sub-project autonomy to greater degrees of central coordination. Explanations for this change included administrative efficiency and an increased awareness of the need to harmonise uneven cash flows across the sub-projects; it had been concluded that the strong could only subsidise the weak within a relatively centralised framework.

External relationships centred on constant attempts to grow new markets and obtain regular income from them. Any one sub-project or area of activity (e.g. a furniture project) might negotiate with local schools, the Probation Service, Social Services, Health and/or the Learning and Skills Council. Aside from the high time demands of this fragmented activity, there were also variations in the terms and conditions of different service contracts.

Managing the stress generated by attempts to coordinate both internal and external demands is not easy with limited managerial infrastructure. One of the developmental challenges to emerge relates to the nature of leadership skills. The chapter suggests that the ability to manage social interactions may well be as important as financial competence.

Chapter 8   Evaluative Challenges

This chapter considers evaluative dilemmas, and is illustrated by two of the case study agencies. The first example is provided by 'Arts People'. Having been forced to relocate, its survival depended on acquiring new premises. The processes involved in securing the necessary funding revealed that the apparent success of this project (both in delivering its social objectives and in generating income from its trading activities) masked a near business failure. Radical changes became necessary which were resisted initially by those who saw them as eroding the organisation's mission and philosophy. At our last visit, however, such negative perceptions appeared to have evolved into a pragmatic realism, which can now 'see' how useful the changes have been. The case study demonstrates not only the potential benefits of monitoring and evaluation, but also the importance of a longer-term view.

The second example discusses the 'Cooking Pot', a sub-project of 'Lightship'. The apparent 'failure' of this café run by refugee women prompts questions not only of a technical kind (for example, what are the appropriate criteria for evaluation), but also of a more fundamental nature; whether, for example, it is possible that values promoting greater autonomy for the women may, in certain circumstances, hinder commercial progress.

Chapter 9   Preparing for Social Enterprise: Some Lessons from an Academy for Social Entrepreneurs

Evaluation of a programme which offered six month start-up courses to would-be social entrepreneurs provides a number of linked stories concerning:

a.   programme design – how to operationalise the initial plan in relation to student recruitment, retention and development.

b.   pedagogic principles and practices – given the mix of students, with different motivations and starting-points, a key challenge was to provide a balance between a common core and tailored materials. Even with motivated recruits, each receiving £5000 scholarships, there were frequent interruptions of both structure and content.

Chapter 10   Social Enterprise in Practice: Towards a Training Curriculum

The final chapter suggests that any accounts of social enterprise behaviour, which seek to be true to their substantive content, need to confront a series of contradictions head-on rather than present relatively unproblematic versions of developmental experiences. The central challenge in using stories in a creative way for support, education and training, is to retain a focus on both the social and economic elements, and to accept that these are likely to be responsible for recurrent tensions and conflicts. We believe that helping workers and volunteers both to recognise the inevitability of some of these tensions and contradictions and to work through them would be the best legacy of our book.

2 DEFINING SOCIAL ENTERPRISE: DOES IT REALLY MATTER?

2.1 Introduction

' …Social Enterprise. I think it's a load of nonsense.' (Director of Lightship)

Our first story comes from the Lightship project and concerns the ways in which the principle and practice of whatever is meant by 'social enterprise' are defined and promoted within the organisation.

Lightship provides advice, support, education, training and community development opportunities for new and more established refugee groups. For example three strands of advice work with different fractions of the Somali community (women only, the whole community, health specific issues), together with outreach or drop-in sessions with new residents, occupy nearly half their staff time. The second most important area of work is termed 'Workforce Development', a major portion of which involves courses for refugee nurses and midwives, and English as a second language.

The greatest current potential for non-grant income appears to be located in its NHS-related courses; at least two health authorities and a section of the NHS nationally pay Lightship for the delivery of courses to refugees and for some professional development sessions with NHS staff. But even within these activities, insufficient resources exist for related preparation and liaison work.

In relation to definitional issues, Lightship is perceived by its director, staff and trustees as a social welfare agency, rather than one attempting, in some areas of its work at least, to embrace an enterprise (commercial) orientation. Yet even whilst the Director appears to reject the term 'social enterprise', he has been negotiating his organisation towards a package of commercial/trading activities. Although this may appear to be contradictory behaviour, it is also capable of being defined as 'flexible' or 'pragmatic'. Indeed the decision to re-brand the job title of a senior manager as 'Education and Enterprise' (our emphasis) might be appropriately labelled as 'opportunistic'; like so many agencies hunting for money, they judged it timely to adopt a fashionable term.

However, part of the problem encountered by Lightship in seeking to expand its income generation base may, in practice, relate to issues of organisational identity and resistance to being seen as a social enterprise. It may well be that if Lightship wishes to promote the marketability of its nurses' courses more strongly, and if it wishes to advance its substantial regeneration package, then it will need to move beyond the position of seeing the term 'social enterprise' as just another label or altered job-title. 'What's in a name?' may be a more serious question than first thought.

2.2 Resistance and Pragmatism

"The term 'social enterprise' is just rhetoric, which is ideology – a method of categorisation, which, if you fall into it, you fall into a big trap. Once you define 'cooperative' or Fair Trade' or whatever, you've then created the organisation in the image of the definition. …….To be honest, there is an element of fashion in some of this.. But, we've got to customise our organisation to the contexts we're working in. …The management task is not to make a cooperative work or a Fair Trade business – the task is to be conscious of your context, of what needs changing and the best way of doing it."
(Director of Lightship)

Different people within the voluntary and community sector will approach the concept of social enterprise from divergent standpoints. Indeed, even individuals, such as the Director of Lightship (quoted above), exhibit apparently conflicting responses – on the one hand being resistant to re-branding his organisation, but on the other hand being prepared to embrace

different strategies, which might include the development of social enterprise, as a vehicle for achieving social change. He accepted (with qualifications) the need to respond to the wider political and economic context, where government agencies and charitable trusts were increasingly linking their sponsorship of work with refugees to terms such as 'social enterprise'. There were still felt to be traps inherent in this – for example, the potential to become over-dependent on a source of funding which might be enthusiastically and uncritically promoting a concept of social enterprise with which he disagreed.

What Lightship's Director implies is that definitions don't just sit in dictionaries, ready to be 'stuck on' to any particular organisation or activity; they gain influence to the extent that they are associated with, and confirmed by, important or powerful institutions such as the Home Office. So, when he says that social enterprise is 'just rhetoric', he could be using 'rhetoric' in at least one of two ways. Firstly, that it is virtually empty of true meaning, a superficial slogan used by politicians, policy makers and practitioners anxious to appear busy and effective. On the other hand, it could refer to language which is persuasive partly because of the way it is delivered – the football manager or military general, in the heat of different kinds of battles, want to encourage their men and women to pull together towards certain objectives. This is a less negative use of the term. But, hard on the heels of rhetoric came the notion of 'ideology'. In this reference, the Director does adopt a particular interpretation, for ideologies are 'families of ideas', reflecting interests in society such as political parties, economic institutions or religious bodies. It may be the case, for example, that social enterprise is seen as being popular with some of these interests because of the current decline in certain areas of British industry

> "…and the need for the state to use local enterprise as both a distraction from, and response to, the significance of broader inequalities (societal and global), and as a re-branding (and re-deployment) of resources rather than the creation of additional ones." (Pharoah et al, 2004, 11. See also Amin et al, 2002)[7]

It is of course possible to see the government's promotion of social enterprise as a distraction, and

yet still work hard to make individual organisational units as effective as possible within this frame of reference where it is felt to be appropriate. The latter is an important qualification. As the Director observed in relation to the wider voluntary and community sectors, if social enterprise initiatives were an effective response to the problems facing voluntary agencies such as Lightship "…wouldn't they be springing up all over the place?"

In practice, and perhaps contrary to the sentiments discussed above, Lightship is now in the process of progressing ambitious long-term plans which will harness major commercial activity to underwrite its social objectives. Their existing building (a converted church) is inadequate, both structurally and in terms of its location. If they could redevelop the whole site, which includes frontage on a main shopping street, then

> "It's the Bromley-by Bow thing – you create a village and it creates an internal market; residential properties, some commercial offices, a day nursery, a café on the street, more accessible social activities… a whole social base, whereas at the moment it's very fragmented."

Lightship is therefore involved in complex negotiations with a range of potential partners and agencies. The local authority are interested in relocating their library to the site, a charitable trust has agreed funding for development consultancy, while the Church authorities who own the building and the adjacent site are discussing changes of use. Talks began in 2004. Outline planning permission was unlikely for several years. Finance of at least £7 million would be needed, and so about 80 flats or the equivalent-value commercial use would have to be integrated into any final scheme.

For the moment then, although it seems that Lightship is not wedded to a full blown model of social enterprise where there is a strong commitment to income generation and sustainability across the organisation, the Director might concede the existence of 'pockets' of social enterprise, where income generation is a secondary dimension of its activities and is intended to (partially) underwrite specific social goals. Whether the organisation's perception of its relationship with social enterprise shifts over time may depend on the extent to which

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7   A. Amin, A. Cameron & R. Hudson, Placing the Social Economy, London, Routledge, 2002

its plans are realised and on the nature of the compromises involved; and, like others of our case study agencies, it may prove to be the case that achieving this redevelopment at all will depend on an altered perception of the necessary balance between social and financial objectives.

2.3 Social Enterprise: A Destination or a Journey?

"The work we've done with interpreters and nurses doesn't really fall into the category of social enterprise…because we haven't yet, successfully, in my opinion, got employers to be fully engaged with the process. If we were truly a social enterprise we'd have contracts, we'd be employers of these groups and we'd be providing the product – the trained workers – for them to buy. In effect, in some ways that's been our intention; we're trying to do that, we're still trying – within the NHS and within public services in general. But I would say we've been unsuccessful in that." (Education and Enterprise Manager, Lightship)

The above comment by the Education and Enterprise Manager reveals another ambivalence about according their work a social enterprise label because they have not yet succeeded in creating or tapping into a market for their product. Developing an innovative and competitive product which yields an economic as well as a social return is indeed a key element of social enterprise. In this organisation there have been a number of obstacles. From the manager's perspective, the key obstacles are material ones, both in terms of external NHS planning processes -

"We're now in a situation where this particular course for nurses has run eleven times. We've had 132 nurses through our programme. We have a completion rate of 98% with people from all over the world. We've had money directly from the Department of Health, but what we haven't got into is the mainstream planning of their workforce development. ……we get national recognition to a certain extent but then you've got to transfer that into 'write us into your plan, so we are your preferred provider.' "

- and internal organisational capacity. The Lightship nurses project is described by staff as 'cutting edge' and a 'star project because it was a money-spinner', but it lacks investment money, and therefore has not

been able to develop either a comprehensive business plan or a finished package of exemplary teaching and learning materials from which to negotiate.

Closer scrutiny, however, suggests that the key obstacles may not simply be material, but ones derived from a mix of values and ideology. Although the organisation has experienced a shift in funding patterns in recent years – from almost complete grant aid to a mix which increasingly includes contracts and regeneration work - 'there's still that consciousness of working in a grant culture' and perhaps a parallel reluctance to embrace a more entrepreneurial one. Thus Lightship, in the eyes of its Education and Enterprise Manager, does not yet deserve to be labelled a (mature) 'social enterprise'. Nevertheless it appears to have embarked on a journey in that direction, as exemplified by the following struggle to define a balance between social and economic returns:

"Next week I've got to go to a university because they want to run a pre-adaptation course. We've got a contract (which we bid for) with the Department of Health, which requires us to oversee implementation of a national strategy for nurses. In that strategy we are to work with regional centres and support them in their development; one of the developments everybody wants is this course. Now, I've got the syllabus sitting here in my computer. I could just give it to people for more nurses to learn in this way, but on the other hand I want to be paid for it. I sweated tears over this course – a long development time and lots of people." (Education and Enterprise Manager)

2.4 Developmental Issues

Are there real contradictions within this organisation as to whether or not it is a social enterprise, or just a series of responses to a dynamic and complex operating environment? It is certainly the case that the project operates at a number of levels at the same time in terms both of values and practices. In addition, as for many organisations, there is never a simple fit between what the core mission suggests should happen and everyday behaviour.

"You do as best you can and that's not a defeatist statement, it's the reality of managing a lot of big agendas."

Nevertheless, the Director did believe that it was possible to steer a course, rather than simply being pushed along by other powerful ideas and organisations.

"…the culture that's associated with Social Enterprise – the suits – isn't what we're about. I wouldn't have done these kinds of things five years ago, not because I didn't know how to do it, but the organisation wasn't ready for it. You've got to keep your core values and then draw upon the language and techniques of social enterprise."

A key element of the work of this organisation, however, is embraced by the term 'community development', meaning:

i. a focus on collectivity (group or community) rather than on individuals, even whilst much direct work is necessarily with individuals;

ii. a recognition that development is as much about the dynamics of processes (e.g. of learning knowledge, skills and understanding) as it is about particular end products (e.g. the qualificatory levels achieved).

A challenge for this organisation will therefore be to ensure that, while generating income from the sale of courses to the NHS for example, it still retains a focus on collective, process-led objectives. This tension is reflected in the Education and Enterprise Manager's reluctance to define a potentially lucrative area of work as a social enterprise:

"It doesn't need the social enterprise label; it's just people looking for a job. Why we would choose to do this is that it shifts the nature of the local NHS workforce, and that in turn changes the understanding (within the NHS) of the refugee experience…..So, what we are doing is community development."

Key questions for discussion which emerge from Lightship's stance in relation to social enterprise might include the following:

- Is the term 'Social Enterprise' important, in the sense of defining what people, organisations and governments do, or claim to do?

- The Education and Enterprise Manager seemed to operate with an 'all or nothing' definition; her evaluation of the nature of her project depended on the fact that the purchasers of her training course weren't 'fully engaged'. Would it be more useful to talk of different phases or stages towards becoming a 'mature' social enterprise?

- The Director associated social enterprise with rhetoric and ideology at one moment, and then revealed his plans for a £7 million scheme. Was he being inconsistent or flexible in his definitions?

- What values are implied by 'community development' and how compatible are they with different definitions of social enterprise?

- At the end of the day, is it realistic of the Director to think he can keep his core values, even as he draws upon the language and techniques of social enterprise?

3 BUILDING BLOCKS FOR SOCIAL ENTERPRISE: NEW VISIONS AND VALUES

3.1 Introduction

What are the training needs of a voluntary or community organisation seeking to develop as a social enterprise? There is an assumption implicit in this question that there may be skills which are unique to the social enterprise sector. This is not reflected in some of our respondents' replies. They initially described the skills needed as being more general, more to do with the technical demands of running a business – and those which came to the fore related to sourcing new forms of external funding, to financial management and to developing investment strategies.

> "The training issues which have arisen have been particularly around financial management, budget management; issues about being much more competitive – about getting everyone across the group to think much more about unit costs. … How does social enterprise differ? I don't think it does differ (from other enterprise activity) – the same principles apply." (Executive Director, Small Potatoes)

> "I think if you were just running a charity which worked with a particular client group you would need to understand the needs of that client group and the statutory context, the funding environment and the policy context. Running a social enterprise like this, you also have to understand how to run a business and make money and the financial side of that in relation to investment. It's really just broader." (Chief Executive, Small Potatoes)

Reality, however, was also acknowledged as being a little more complex than these quotes at first suggest. Even financial management and investment decisions, for example, will be based on a wider spectrum of considerations than would be the case for a purely commercial enterprise; social enterprises will look to achieve both economic and social outputs.

> "Unlike the situation where we have external funding where there are different regimes as to what you can and cannot do with that funding, if we generate revenue income we can do what we like with it. So we have to make a decision as to whether we are going to invest it in services so we can provide the services we want or whether we are going to re-invest that income in the businesses." (Executive Director, Small Potatoes)

Nevertheless, in theory at least, any technical skills gaps should be transitory – assuming that appropriate business and financial management training can be resourced and sourced, and we have already discussed (section 1.2) the extent to which existing training is dominated by a business-led curriculum. This chapter and the next will focus instead on challenges which are not to do with these more technical areas, but on other issues which also impact significantly on organisational capacity and have potential training and support implications. These challenges may prove to be more persistent, and the training solutions more elusive. They are to do with:

- managing the internal (and inter-personal) tensions which arise within an organisation pursuing both social and economic objectives;
- changing the mindset throughout the organisation – integrating economic objectives into the organisation's ethos, aims and working practices, and signing up workers at all levels, both paid and unpaid, to the new agenda;
- developing entrepreneurialism at a senior management level, encouraging the capacity for innovation and risk taking (the subject of Chapter 4.)

This discussion will draw on the experience of 'Small Potatoes', a new social enterprise created in 2001 from a merger between two established organisations – one a successful social business and the other a voluntary organisation providing a range of services and training opportunities within its local community. The merger brought two different operational cultures together, and precipitated a number of issues in relation to the visions and values of the organisation which are equally likely to arise in organisations moving more gradually towards social enterprise.

3.2 Managing the Tensions between Social and Economic Objectives

"Over a number of months, the Director of Services and the Sales Director worked on the disciplinary procedures for traders. They were the protagonists who represented the 'social' versus the 'business' and they kept clashing. So I wanted them to come up with a solution. They have a brilliant working relationship now. They do keep clashing, but it's good; it's very constructive." (Chief Executive)

The first report of this research documented the several ways in which the simultaneous pursuit of both social and economic objectives creates tensions within a social enterprise (Pharoah et al, 2004, pp29-36). Here we will look at just one example in more detail to illustrate the different priorities, different perspectives and different cultures which must learn to co-exist. The story focuses on 'Chips', an established social business from which Small Potatoes derives the bulk of its trading income by supplying wholesale fruit and vegetables to franchised traders. Traders also receive a range of training and support services from Small Potatoes' other projects, the aim of the business being to assist individuals who have a range of social problems (housing, health, education and training) into mainstream employment at the end of a two year programme of work with them.

Early in 2002, in response to behaviour by some traders which was not only unacceptable in its own terms but also threatened the sales income of other traders and (critically) the revenue the company derives from its wholesale activities, the Sales Director proposed amendments to the disciplinary code which would result in the suspension of these traders, and in the worst cases the withdrawal of their franchise. While this strategy would have delivered the desired business outcome, it would have represented a dilution or displacement of the social mission, excluding from employment some of the very people whose needs had originally inspired the creation of the company.

At its simplest level the argument which ensued between senior managers illustrates the dichotomy between the objectives of those primarily concerned with social outputs and those concerned with sales and income generation. However, when the story is told from two different points of view, other important dimensions of the conflict are revealed:

- The first voice is the Sales Director. She explains more fully her rationale for a tighter disciplinary regime – which is not simply 'sales driven' for the sake of the business, but is also concerned with the need 'to protect this (that is, the employment opportunities the business is providing) for the majority of traders'; She also reveals her own frustration with the fact that (unlike people working in the sales team) those in the service arm of the company do not have a 'dual perspective' – they do not understand the problems associated with working in a business context with a group of clients with challenging social needs.

- The second voice is the Director of Services. He reveals that in addition to the substantive issue, there were also interpersonal conflicts between himself and the Sales Director, and unhelpful assumptions which arose as a result of their different working backgrounds and their different roles within the organisation. He describes how they came to be able to work together, despite the 'unsquarable circle' presented by their different operational priorities and values.

3.3 Reflections on a Conflict of Values and Objectives: The Managers' Accounts

Sales Director

"As far as I was concerned this should never have been an issue. We always had a code of conduct which traders sign before they are given a franchise. But ten years ago they were more likely to have mental health and alcohol related problems rather than drug related problems. … This has made a marked difference to the way some traders behave. I did not feel that we had a code of conduct which reflected these changes. In addition there had been horrible problems – not just in terms of traders being charged with serious crimes but also in terms of peoples' experience just walking down the street. Why should people put up with traders swearing at them …? … A survey also showed it was affecting sales.

So to combat these problems I wanted to change the code of conduct to mirror an internal disciplinary system. I implemented the new procedures following a meeting with the Chief Executives of the company and the Trust. These changes were kicking in when the Services Director starts to say he does not agree with it. …

So my honest response to him – I don't know if I ever actually worded it like this but in my head I was thinking - 'You haven't got a clue what it takes to manage a bunch of traders who are having to work on the street.' …… I sometimes think our services' staff do not have a dual perspective. And in essence that is where it (the conflict) starts from.

So the tension was created by the fact that I said I was going to be hard on the people who misbehave because I want to protect this for the majority of traders, for the public and for the business. What he was coming back with was 'You can't treat people like that.' I was saying 'Yes we can. The fact is that there is one way of dealing with people on the street; there is another way of dealing with them when they are in our offices.' … So we do have a lot of traders who are suspended, but these people are causing the public a problem.

The minute I look at these people in terms just of their needs (homelessness, mental health, whatever), I will quit. As far as I am concerned I am looking at them as what they say they want to be. They say they want a franchise to be able to trade, I say OK and I'll speak to them in that way. I am not qualified to be a case worker …but I know I've got a good relationship with traders and I am very proud of that."

Director of Services

"I think there is that tension (between social and economic objectives) within social businesses and those same tensions will arise in whatever social business you look at.

Due to the nature of the client group that we are working with, and particularly in the case of street traders, we are working with some of the most vulnerable, needy, chaotic people with the most challenging behaviour, and that does

conflict with what the sales team are trying to achieve. I can understand the dichotomy and conflict. There are two opposing agendas which are trying to work together. It leaves us constantly with issues between the sales department and the services department.

…At Exec Team meetings, the Sales Director and I were absolutely poles apart, we were speaking a completely different language, we could not see eye to eye on anything. We had some difficult sessions when she really lost it with me. It wasn't just about the issues … I was struggling to work with what I saw as different cultures and value systems. We did find ways of breaking through, by talking more about our personal histories and what motivated us to do the kind of work we do. I think for the first time she realized that I was not some 'fluffy social worker' type with no business head at all. …

I think I also understand her better now, what motivates her, where she's coming from, why she works the way she does. Because of my own personal and political values, it doesn't mean that I am going to give those business values any more credence than I would have done before. I understand what business is about; I don't think it's a complex thing. But I understand better what motivates her personally and how better to work with her. I don't think it is a squarable circle because we do have different agendas. But now we can work through and negotiate and understand where we are each coming from and we can be more open than before. We are prepared to reach a compromise because we have reached a position where we respect each other for what we each bring … and we want to work positively together.'

To begin to understand the last remarks, it is perhaps useful to know something of the 'protagonists' different backgrounds. While the Director of Services has a background in youth work and community development (both professionally and as a volunteer), the Sales Director had previously been Regional Store Manager for a national chain of high street shops. It was clear from conversations with her that the reference point for her approach to her job is at least in part her experience while in commercial retail. However the essence of this story is not simply the outcome of personal histories or inter-

personal differences, but relates fundamentally to the problems of reconciling different values and the different dimensions of a new vision.

3.4 Embedding the New Vision and Values: A Training Approach

> **2001**
> *"Question:*
> *Won't the focus now be on making money rather than on developing individuals?*
> *Answer:*
> *No……. We will be using business to empower individuals who have often been overlooked by mainstream employers and service providers."*
> (From Small Potatoes' pre-merger Staff Information Pack)

> **2005**
> "Some people are really struggling to operate in the new environment … and some in services have put up barriers and not bought into the vision."
> (Executive Director)

We have seen in this chapter and the previous one that, as a voluntary and community agency metamorphoses into a social enterprise, the challenge will be to change the mindset throughout the organisation – integrating economic objectives into its ethos, aims and working practices, and signing up workers at all levels, both paid and unpaid, to the new agenda. The quote above from 2005 reveals that this may prove to be a lengthy process. In this section we look at how Small Potatoes has tried to address the problem.

The previous section dealt with a particularly visible example of two individuals coming to terms with the new challenges of working in a social enterprise. In that instance, a policy development which reflected and reconciled the organisation's social and economic objectives was eventually achieved by the two executive directors at the heart of the argument having to work closely together on a compromise strategy. In addition, however, both were encouraged by the chief executive to shadow one another for two days in order to develop a better understanding of each other and their respective roles. This approach appears to have been

successful, but would perhaps be difficult to implement more widely in a large organisation. Other strategies will be important in embedding the new approach and mitigating at least some of the tensions and misunderstandings which may arise.

Within Small Potatoes, for example the emphasis has been on the development of its 'Vision and Values' training. It was particularly important that all staff took part in this training immediately following the merger to ensure that everyone across the organisation fully understood the aims and objectives of the new social business and the linkages between its different components.

> *"What we did originally was that Vision and Values training was delivered by all the Executive Directors to senior managers. We subsequently paired up Exec Directors with managers and then they delivered this training to other staff. If you attend a Vision and Values training day, you are introduced to the beliefs of the organisation; then the objectives; and then these are broken down into the five year targets. Then there are practical exercises in terms of each worker's responsibilities – so they can map out how their own work contributes, identify any gaps and establish what would make it possible for them to contribute to the group targets. It's awareness raising – getting them to make the links – but it's also a tool for them in the future when they're planning and setting their individual targets to be able to identify where and how the latter relate to the Group's five year objectives."*
> (Executive Director)

Vision and Values training in itself is not innovative -

> *"Most good private sector companies will be training staff in relation to their corporate values, even if their aims are just to make shareholder profits. So I don't think we do anything particularly different."* (Chief Executive)

- but it will be important in an emerging social enterprise, particularly during the period of transition. However, despite the importance attached by Small Potatoes to the development and delivery of appropriate Vision and Values training, it was not immediately successful in creating either clarity or cohesion within the organisation, as revealed in a paper to the Executive Board two years later:

" Further work needs doing on the Vision and Values training, as there has been some feedback through service departments that they do not understand the roles of businesses and charities in the whole group."

The evidence from Small Potatoes suggests that those who had been, and still were, working in traditional service delivery areas had experienced the steepest learning curve. Furthermore, any problems there might have been in assimilating the new direction of the organisation were exacerbated by a sense of marginalisation amongst these workers, as time and energy were seen to be increasingly focused on developing business activity:

"… the emphasis and focus had shifted…In reality we never lost a sense of how important services are, but we really needed to look across the group as a whole, to look at it as a business – and then there were specific areas we needed to target and develop to enable them to become sustainable. So energies were channelled elsewhere and there was a real feeling of separateness within the group. (Executive Director)

This emerging schism widened when the impacts of resource constraints and the financial costs of incubating new businesses quickly began to be felt in service departments:

"The question which comes from our service managers all the time is we are prioritizing our incubating businesses, … at the same time money is therefore not available for some services for local communities, which previously we have invested more in. … This is the bit that I do struggle to talk about and …and it's something that I would potentially fall out with others on the Executive Team about." (Director of Services)

As a result of continuing fragmentation (described in Board papers as 'pockets of insular working') within the organisation, Vision and Values training remains a priority and has been revamped to include a refresher programme.

In addition to training which encourages assimilation and understanding of the broad concept

– namely that the organisation has become a social business with economic, as well as, social targets - another challenge still to be resolved through training mechanisms is to ensure that budget holders and managers translate the vision into practice. It is a question of becoming more concerned than in the past about surpluses, profits and unit costs; of

"Changing peoples' mind set – shifting away from the voluntary sector begging bowl – the attitude that the money would always be there – to being much more business-like. This then opens up a whole new hornets' nest – we need to guarantee quality but there has to be much more emphasis on sustainability, the need to be competitive. So we have to get people to think of themselves less as a service provider and more as working in a business offering a range of products." (Executive Director)

This is an approach which many managers have struggled with, as exemplified by the observation in a report to the Executive team some two years after the merger:

"We have noticed that we feel relieved if we do not make a loss, but are not appalled that we have not made a good profit. How do we change our attitude?"

Partly in response to this problem, the company introduced a new training programme in 2005 targeted specifically at managers to address their additional developmental needs. Financial management will be included in the new programme, together with a vision and values refresher. Participants attend training sessions on key topics but are also matched with senior members of staff who will act as mentors, working with them in more depth to enable them to apply what they have learnt. The use of mentors has been incorporated in order to do this sensitively; in a group context, managers often have difficulty revealing their weaknesses. It is also hoped that participants will establish their own peer support group.

As with the introduction of the Vision and Values programme, this is an example of an organisation using its internal resources and skills creatively to meet its own training needs, employing a mix of formal and informal techniques.

3.5   Developmental Issues

The development of social enterprise by voluntary and community organisations will create an extended agenda – a new concern with economic outputs and financial returns. It will demand a change in the mindset of the organisation and the individuals within it. The experience of Small Potatoes may help others to prepare and plan for what can be a bumpy ride. Key lessons to emerge are:

- The pursuit of economic, as well as social, objectives may give rise both to intra-organisational and even inter-personal conflicts and tensions, particularly where financial constraints appear to skew the emphasis of the organisation's work in one direction or another.

- 'Vision and Values' training may be valuable in minimising such conflicts, and can be developed and delivered using the organisation's own internal resources.

- The period of transition may be considerably longer than anticipated, with tensions and misunderstandings re-surfacing in the future. It will be important to revisit and re-evaluate Vision and Values training at regular intervals.

- Despite such training vehicles, even those who may have 'bought into the vision' may find themselves in conflict with newly emerging policies and procedures, particularly where these challenge their individual priorities. Careful and sensitive mediation and support will be important, and external mentors might play a valuable role. Formal training can be usefully reinforced by informal, experiential approaches.

4 BUILDING BLOCKS FOR SOCIAL ENTERPRISE: ENTREPRENEURIAL SKILLS

4.1 Introduction

Many voluntary and community organisations are led by individuals who could be described as social entrepreneurs – individuals with a flair for developing innovative solutions to social problems, identifying and negotiating funding, forming alliances and partnerships and balancing the interests of different stakeholders. The development of commercial projects and the pursuit of financial sustainability, however, will demand an enhanced capacity for such innovation. Senior managers must be able to identify a market niche, to develop and market new products or services. They must also have the courage to defend the demands this will make on the organisation until the project becomes economically viable, over what may be an extended incubation period. Finally they must become risk takers to a greater extent than ever before.

The two examples below illustrate these points. The first, 'Green Gables' describes an initiative which took Small Potatoes in a direction which was a radical departure from its previous activities. It had the potential to be highly profitable and was successfully progressed by two individuals with a track record of successful innovation and project development. It eventually floundered, however, as a result of unforeseen external obstacles, leaving considerable costs to be covered by the share-holders in the new company – which included Small Potatoes and its chief executive.

In contrast, the second example, 'Concrete & Clay', describes the faltering progress of another of Small Potatoes' embryonic social businesses and the importance of recognising that not all senior managers are equally endowed with entrepreneurial skills. It will be important to identify internal and external mechanisms to supplement these skills.

4.2 Green Gables

"The city council had identified the land and had asked us to develop it. We got planning permission, we got executive committee approval to buy the land, we negotiated heads of terms for the lease, we got a developer they were happy with and we were ready to go on site last October. In the last week of August they said 'There's a problem. Audit say we haven't disposed of the land properly – but don't worry it will only take us three weeks to sort it out.' At the end of the three weeks, they said they had to go out to tender…… we eventually heard in March that we had not been successful – apparently they'd been offered £3million for the site. We were told in July that the council had no liability for our costs, which came to about £203,000."

The above quote is a retrospective summary of the story of a development proposal which was initiated by the present and past chief executives of Small Potatoes as private individuals, but with the intention that Small Potatoes would benefit from a share in the anticipated profit. (Both individuals remained minority shareholders when the development subsequently became a joint venture between their two companies.) The objective was to build family housing for sale, which was both environmentally sustainable and affordable, in a regeneration area close to the centre of the city where prices had escalated.

What is not revealed above, is the four years of work led by two women, neither of whom had direct experience as speculative property developers. They were therefore operating in new capacities in fields that were not their centre ground – having to identify appropriate financial partners and developers, negotiating with different interests to undertake work at risk, steering the detailed design and taking personal financial risks themselves. These challenges were further exacerbated by the central objective of integrating both economic and social objectives. These points are illustrated below by some of the details of the story, as told in successive interviews with the Chief Executive of Small Potatoes prior to the collapse of the scheme:

"… In theory we should have planning permission by the end of February. Then we will have to pay

the architect – we've paid him about £13,000 up until now. This is out of our own pockets. The plan was to get financial backing. We have someone lined up, a developer who will finance the scheme, but what they have said is that given the risk involved they want to have first claim on any profits. So they are happy to go 50:50 with us on the basis of a 20% profit projection – in which case they would get 10%. But if there is only a 10% profit, we would get nothing. It's a bad deal. So we have been holding them off. When we have planning permission and get the land transferred, we will be in a better negotiating position."

In fact there were a number of finance options available, of which this was seen as the worst. The others were either to approach financial institutions, but

"This would involve us in much more work…. Would we have the capacity to do the financial management?"

or to identify a construction company who would act as both financer and developer – but this would bring a different set of problems, key amongst them a loss of control:

"We would just be partners looking at the profit margin. I want more control than that. We have got to the point where we need to appoint someone to do the environmental stuff, to look at what grants we could get, to do the costs and detailed designs, to look at what materials to use. If we give it to a construction company… my fear is that we would end up with a very nice looking building but not necessarily any different, not necessarily environmentally friendly, and that was the whole point!"

However, despite the tension between financial and social considerations, the need to find a solution became more and more urgent:

"Maybe we'll have no choice. We need to resolve this; we need a financial partner in some form in order to pay the architect. In theory we could borrow a bit more and pay him, but it's the next stage we can't afford – the detailed design and the consultants to do the environmental work. I can't afford that…. This thing has to happen – because otherwise I'm broke."

Eventually these particular problems were resolved. What ultimately sank the project was the failure to acquire the land when the local authority was obliged to offer it to the market to achieve 'best value'. Losing the site to a commercial developer left the partners with considerable losses. However, the local authority agreed to cover some elements such as the planning fees, while some internal costs (which include the time invested by its Chief Executive over a period of several years) could be dealt with as accounting losses. The effect of these adjustments was to reduce the actual loss to around £120,000 divided between Small Potatoes and the other social business in the partnership. Of the £60,000 assigned to Small Potatoes, the personal liability of the Chief Executive was £15,000. She remained pragmatic:

"…so it's a second mortgage on the house. But the reality is that I would not have done it if I hadn't believed it was a risk worth taking. You have to think that I could have ended up sitting here saying 'Well actually we've done really well out of it.' We did expect to make £300k for the group (and we could have done with it, I can tell you). But you can't sit here and go 'It's really sad isn't it. Poor us!' Well, you can – but what's the point? And the reality is that the whole thing is a risk. That's why you do it."

In this example, the final obstacle to the success of this joint venture was external. Despite their lack of comparable experience and the many difficulties they encountered, the original concept had been successfully progressed up to this point. The initiative was led, however, by two individuals with a past track record of risk taking and successful innovation, of project implementation and delivery. These skills are not to be found in equal measure in all organisations. The recent experience of another social business within Small Potatoes illustrates the dangers of failing to realise that not all managers will necessarily be able to undertake such developmental roles successfully or without support. In the following example, the outcomes were escalating costs and a continuing project deficit; the key issues it highlights were unrealistic expectations and the inadequacy of existing management systems to detect an emerging problem.

4.3   Concrete & Clay

"Concrete & Clay has had a terrible year really. It hasn't attracted any new contracts. It still has the earlier five external contracts (and one

internal contract) and it's doing OK on delivering those. And it's done quite a lot of work on organisational protocols – including being clear about what is being delivered and when, tightening up health and safety and so on. …So it's not been all bad – it's just the business side of it which has been weak.

It's a performance issue. I think I should hold my hands up here – because when we began there were a lot of assumptions made about what people could do. …My assumption had been that people who could manage what already existed could also develop something from nothing – but that's a very different skill. The person leading this piece of work could not do it. Her background is straight business management; she has always been in an established business which she modified to make it better – her weakness is that she can't design it from scratch for herself. So technically she is very good but her ability to develop new business is not there – though it might be in three or four years when she has had more experience. So in the last six months I've been working very hard with her to reduce costs and get it profitable. It's been very hands on – not what I thought I'd still be doing three years on!" (Chief Executive)

This example is a warning: not only that individuals who have successfully managed an existing portfolio of activities may not be able to innovate and bring forward new business developments, but also that it is dangerous to assume that they can:

"I think this episode was a real lesson to me – because I'm not the type of manager who monitors everything. The reality is I'm not a very good manager actually– I like to help people to develop and grow, but I don't like to ask 'What's the progress on so and so?' And actually we do need to have that – because I should have noticed earlier that the structure of Concrete & Clay was too expensive and didn't work – or I

should have set up systems so that someone would have noticed." (Chief Executive)

4.4   Developmental Issues

Social entrepreneurs will need different degrees of support depending on their own competencies and weaknesses. There are a range of formal, external options. Where resources are available, one possibility is of course to employ consultants with the necessary specialisms to help take business initiatives forward. Alternatively, support may be found through existing social enterprise support agencies or mainstream business support agencies. However, peer mentoring and inter-agency, even cross-sectoral, networks may provide informal training and support more relevant to individuals' specific needs. For example:

- In this particular case study, the organisation has recently been restructured and now has a smaller team of executive directors with strategic responsibilities but without specific project portfolios. Their brief will be to work more closely with individual business and service managers when necessary to help them achieve targets.

- Other informal approaches to individual development pre-date the present social business. At the end of annual staff appraisals, for example, the action plan for each worker identifies not only their direct, formal training needs but also a range of other activities which might help their development – taking a role on an external Board perhaps, or establishing their own peer group networks. The Executive Director responsible for training has herself been supported by a non-executive member of her own Board who acts as an interface with a range of external mentors, including the chief executives of private sector businesses.

5 STRATEGIC PLANNING AND EXTERNAL UNPREDICTABILITY

5.1   Introduction

"A lot of social businesses are about generating income by employing usefully the people they are working with. But what it means is that you have to be that much more flexible and able to respond to whatever is going on out there. When we started losing our best people (when they moved on into mainstream employment and training), it really hit our sales income. It was inevitably going to have an impact… Every business is affected by its workforce or its market – a social enterprise just has to be that much more sensitive to it when you are trying to create these changes in your workforce. You have to manage those contradictions…." (Chief Executive, Small Potatoes)

In the first report of this research, we highlighted some of the tensions which can arise within a social enterprise between the pursuit of economic and social objectives. These tensions not only give rise to the kinds of value conflicts illustrated in Chapter 3 of the present report, but also influence operational decisions and the investment of resources – both human and financial. Mission statements and strategic plans, particularly when incorporated within training strategies, will be important in providing clarity and confidence of purpose, and in trying to maintain the desired balance between social and economic goals. However unforeseen events can interrupt the pathways to achieving strategic objectives, which may have to be revised in the face of changing circumstances.

This chapter will discuss these issues in the particular context of income generation, again focussing on the recent experiences of Small Potatoes. It will be evident that the development of social enterprise by voluntary and community sector organisations does not necessarily provide an easy route towards financial sustainability; a number of inter-related factors may need to be considered by any emergent social enterprise:

- the potential impact of social objectives on economic returns when employing people from marginalised and disadvantaged social groups;
- the potential impacts of unpredictable externalities and market forces;
- the tension between risk taking and asset protection.

5.2   The Strategic Framework

" Many of the people who we work with feel they have very little control over their own lives and very few choices. We want to help them see the choices they have and open up opportunities to them. … We are trusted to deliver quality services and excellent business that together will achieve social justice."

From its first beginnings, Small Potatoes has been clear about its mission, as summarised above. In pursuit of this mission, a published Business Plan sets out in detail the organisation's broad objectives, backed up by specific targets to be achieved within five years. In addition to developing a range of strategies for the delivery of services within excluded communities, for example, Small Potatoes also aims to create 100 new jobs, provide 800 supported employment places and offer training to 1,000 people.

Small Potatoes has therefore taken a planned approach to its development and has set out its stall very publicly. Furthermore, these are not goals which, once set out, are only rarely re-visited, perhaps in annual reports. The objectives and targets provide a framework for external and internal accountability. Thus, although Small Potatoes is a diverse group of social businesses and charities which between them provide a wide range of services and activities, the strategic objectives and detailed targets apply throughout the entire organisation as the benchmark of success or failure. At an operational level, the objectives and targets explicitly shape the format of senior managers' written reports to regular Executive meetings and are the reference points for individual and team target setting, for staff appraisals and for the organisation's six- monthly review of progress.

This chapter will be concerned, however, with the limitations of such strategic planning, particularly in the face of external unpredictability, and will take as its focus the organisation's internal economic objectives. Specific targets in the Business Plan include:

- the development of two new profitable businesses;
- achieving a turnover of £8 million, over half of which would be from business activity with the remainder from service contracts and grants;
- and creating an asset base and enhanced cash reserves.

These targets are designed to move Small Potatoes towards financial sustainability, which is again an explicit and highly visible goal, re-emphasised at regular intervals through a range of internal mechanisms. Nevertheless, revisiting Small Potatoes after an 18 month interval, we found it struggling to move towards its targets, its fortunes very different from what might have been anticipated at the end of the first phase of this research:

- Trading income from its key business, 'Chips', had declined for the first time;
- The longest established of its embryonic businesses (Concrete & Clay) had again failed to make a financial surplus, contrary to earlier expectations;
- Several new ventures which had been in the process of being developed had either been put on the back burner or had collapsed in the face of unforeseen external circumstances, in some cases resulting in significant financial losses (as in the case of 'Green Gables', discussed in Chapter 4);
- Three years into the business plan, none of the businesses within the group had met the annual profit target necessary if they were to achieve a 10% profit after five years; and
- Plans to develop an asset base were therefore a long way from realisation, this target having to be deferred until the next financial year.

5.3 Managing Financial Uncertainty and Unpredictable Externalities

When 'Chips' was established as a social business in 1992, it was funded entirely through a combination of cash flow and credit, but achieved financial sustainability very quickly.

"We paid ourselves our very first wages in the coin bags the traders had used to pay us. … It sounds such a lovely story to tell it now, but it was absolutely terrifying. It took years off your life. We had seven paid workers. There was me and Rob and we had recruited five other people who had replied to adverts and had all given up other jobs. We survived at first by deferring paying our suppliers. We didn't know how to do cash flow forecasting, so we just thought 'Who is the most demanding stakeholder group? The staff are. Let's pay them and see who shouts at us next.' It never got to that, because suppliers were not used to being paid under 45-90 days. But we never realised that.

We're very, very lucky because of the type of business we are. There's not many businesses like this - it's like running a grocery shop. When you look at what we send to the bank, it's all pure cash. So we are very fortunate in that cash flow and cash management has not been as traumatic as it might be in another kind of enterprise. We didn't need a bank loan for years.

We've always been self sustaining from year one. We've always made money. We've never made a loss or seen a drop in our annual sales in nine years, though we do see seasonal fluctuations. And now we can afford a very good accountant who can predict when there are going to be problems. And nowadays, when we need loan finance to cover short term cash flow fluctuations, there isn't a problem. Because we've got such a good trading history, we can just ring up the bank and say 'We need an overdraft for a few months, this is why, don't give us any aggro, we'll see you around.' " (Founder and previous Chief Executive of Chips)

The priority for the Chief Executive of Chips was to make money; her argument was clear - without a successful business it would not be possible to deliver social outputs:

"Number One: Make Money.
Number Two: Make a Difference."

Thus after ten years, Chips had a turnover of £2 million and was in a position to covenant financial surpluses to a Trust which had been set up some years earlier as a vehicle for providing a range of services to traders. While the balance between economic and social objectives may have shifted

slightly following the merger and the creation of Small Potatoes in 2002, being a successful business remained of paramount importance. In the words of the new chief executive:

> *"We can't afford to prioritise social objectives over economic ones."*

So why did the trading income of Chips decline significantly for the first time in 2003/4? Two events were responsible:

- The first was the loss of its best traders at the end of the 'Onwards' Programme. This was a two year programme for all Chips' franchised traders. It comprised training (a minimum of three courses), individual support and monthly supervision to enable them to move into mainstream jobs or into education and training courses of their choice. Staff began working with traders 18 months after the start of the programme to plan their exit strategy and a short time later 100 traders had left. Inevitably there was a correlation between those best equipped to move on and those who had been the most successful street traders, achieving the highest volume of sales;
- The second event, which could not have been anticipated, was a high profile police action against street traders, on the basis that some were suspected of dealing drugs.

The combined effect of these events was that Chips' income that year fell dramatically, by £300,000. The company responded by making a number of changes which resulted in significant reductions in costs and the net effect was that the loss shown in the management accounts at the end of the 2003/4 was around £50,000.

In any social business which relies on its client group to generate trading income, client turnover and the consequent sustained impact on productivity will have a greater and more prolonged impact on financial returns than in a conventional business. Often the social business will not be replacing like with like, but will be investing heavily in supporting and skilling new recruits from disadvantaged groups. Although it was known exactly when the first phase of the 'Onwards' programme would end, neither of the Chief Executives who were in place before or after the merger took any action to offset the potential impact on trading income and on the organisation's financial balances. A long period of financial success had created a business culture in

which there was a failure to recognize or accept that when experienced and successful traders moved on, this would indeed have a significant impact. A drop in sales had previously been unheard of (other than short term and predictable seasonal fluctuations) and, prior to the merger and appointment of a new Chief Executive, it would not have been accepted as an inevitable consequence of the Programme. Instead it would have been seen as the personal failure of the Sales Director.

> *"I have always said that I'd jump out the window and I'd take the Head of Sales with me if our sales figures ever drop."* (Chips' previous Chief Executive)

To some extent this way of thinking persisted even after the merger and the arrival of the new Chief Executive:

> *"I think there had previously been a bit of dogma in the company's approach which said that 'The Onwards Programme is important because it's about moving people on. It won't affect sales and we're going to do it regardless.' I think I believed the dogma. I believed what I was being told – that it must be the Sales Manager's fault. I was in conflict about it in my mind for months – knowing that I didn't really believe it and then trying to work out a way to get through the mess without panicking. …In the end it was about saying 'What's the worst it can get?' And every month it got worse and worse and worse."* (Chief Executive)

The second event, the police action on street traders and the associated press coverage, could not have been anticipated and was devastating, with the ramifications going far beyond its immediate impact on sales income:

> *"We were about to sign an agreement with the Council for the lease of a building. On the day the police operation kicked off, the lease was going to the council's Executive Committee who then delayed it and subsequently inserted clauses which said that we couldn't put a charge on the building, we couldn't borrow against it. And if we breached any of the other clauses, they could take the building back immediately without any compensation. Our solicitor advised us that we just couldn't go ahead. We had grant funding for about 50% and we were borrowing the rest of the funding in the form of a mortgage. Now if we*

can't put a charge against the building, we would have had to borrow against another asset. We'd have been investing £450k in a building which potentially could be taken away from us, placing our other assets at risk. Then we went for an unsecured loan so that we didn't risk our assets –but we didn't get it. So we decided eventually that we wouldn't go ahead with the project and have had to write off all the accrued costs - £60k. So (with the loss in trading income above) that's actually a loss of £110,000 in total.'
(Chief Executive)

5.4   Developmental Issues

The details of these stories are very agency specific. However they exemplify questions which will need to be addressed by any social business seeking to be financially sustainable:

- Where clients are at the heart of income generating activities, can the organisation forward plan to offset the economic impacts of worker turnover and losses in productivity; can it deal with an eventual conflict between the realisation of its economic and social goals? Is sustainability a realistic objective?

- (Whether or not the enterprise employs people from marginalized and disadvantaged groups) can it build financial margins into its business planning to allow for fluctuations in market demand?

  If it is possible to achieve long term economic sustainability only by accumulating an asset base at the expense of some service objectives, this may be a strategy which carries reputational risks and creates conflict with a range of internal and external stakeholders.

- Are there sufficient sources of start-up funding accessible to the social enterprise sector which will minimise the financial risks of new business development and the impact of consequent losses on the wider organisation? If not, social businesses may choose asset protection rather than risk taking and innovation.

6 BUSINESS INCUBATION AND THE CHALLENGES OF DEVELOPING A SUSTAINABLE SOCIAL ENTERPRISE

6.1 Introduction

"Well we can't afford to make a loss on Concrete & Clay. If that was the position, it could not continue. If it was loss-making and we were trying to raise grants to support it, then in my view it's not a social business, it's a service and then we would put it into the charity, into the service side of the organisation." (Chief Executive, Small Potatoes)

The kinds of financial instability discussed in the previous chapter (which will have an impact not only on achieving the organisation's economic targets but also on its capacity to support and develop services as well) are an inherent risk for any social enterprise. Business development exposes voluntary and community organisations to market forces, and economic success is more difficult to achieve where the enterprise employs marginalized and disadvantaged people. Indeed where a social enterprise is intended to have both social and economic outputs, financial sustainability may not be feasible at all. It will therefore be important not only to undertake thorough development appraisals for new social enterprise initiatives but also to be clear about:

- the mix of intended outcomes;
- their priority within the organisation's wider objectives;
- the level of continuing funding the developing enterprise will require, and
- how this is to be sourced.

The alternative is that a project which was originally intended to generate income may instead be seen as leaching an unacceptable level of resources from other services. To illustrate these problems we return to 'Concrete & Clay, one of the embryonic ventures which Small Potatoes is developing.

6.2 Business Incubation

'Concrete & Clay' is a facilities management company offering maintenance, cleaning, care-taking and landscaping services. This is the longest established of the embryonic new businesses within

Small Potatoes. It was created in 2000 by Local Responses, the voluntary organisation which merged with Chips in 2002 to form Small Potatoes.

Local Responses was a successful voluntary and community agency which had grown dramatically in the ten years between its birth and the merger with Chips. Having begun with just £17k of Urban Programme funding for the appointment of a coordinator, by 2002 it had a turnover of £2million. Its growth had much to do with its location in an inner city area which had become the focus of a regeneration programme. Local Responses had both a strategic and operational role in delivering some of the social dimensions of sustainable regeneration in that area, including primary health services, childcare and training. Despite this success, Local Responses became increasingly concerned to generate its own income.

There were two reasons for this. Firstly, the regeneration programme which had channelled considerable statutory funding into the area was coming to an end-

"City Challenge was over; there were only tiny amounts of SRB; there was no capital funding. … So we were facing a turning point. It became obvious that what we were going to have to do was make our own money if we were going to be sustainable." (Chief Executive)

- and secondly, the organisation was increasingly concerned to have the capacity both to develop new services for which statutory funding might not be available, and also to get rid of the 'begging bowl' necessary to support existing activities, which had long struggled to secure revenue funding. One example was its recently rebuilt community centre which, despite being seen as a flagship development by the local authority, struggled each year to secure revenue funding.

Local Responses therefore set up a trading arm in 2000 and one of the first embryonic businesses it established was Concrete & Clay, into which it placed the property management services that it provided internally in relation to its own buildings and grounds, and which it planned to develop into a commercial activity. However, in addition to its

long term potential for generating revenue income, Local Responses had also conceived Concrete & Clay in the context of wider regeneration objectives; it thus provides a small number of entry-level jobs for local people, with basic training opportunities and a higher wage rate than would be paid in the private sector for comparable work. In its first two years Concrete & Clay had some limited success in winning two small contracts with a housing association, but these were heavily subsidised by Local Responses; its social objectives and higher wage rates made the project commercially uncompetitive, leading to unit costs which even sympathetic purchasers would not underwrite.

"I had built up really good relationships with AB Housing Association through my involvement with them in relation to the new Community Centre and adjacent flats. We got ABHA to take a chance on us and to give us the cleaning and 'on call' contract for the flats. In return for our services, they would give us a flat for the maintenance officer. As such there were no profits to be gained but it was a step on the ladder for us to look at how we could offer these services externally. They then offered us the opportunity to tender for cleaning and landscaping contracts. Both of our tenders came in way over the price that they pay externally. We got knocked back on the cleaning one in the first year and we got accepted on the landscaping one for a quarter of the value! In a way it was really frustrating - because I was thinking 'How do I get these people on board, get them to recognise the potential rewards of their investment in terms of regeneration and stimulating local economic activity?

My initial tender for landscaping had been £19,000 - which was way under what I thought it would cost in real terms for us to deliver! And they came back and said they were really interested in contracting with us but £19,000 was far too much. They had had a bid from a contractor outside the city whose price was about £4,500. We said we would match it. So OK there was a social return, but in order for any business to be successful it needs to be competitive. Anyway we took the risk and did the contract for £4,500, because building up that relationship with one local provider was a step on the ladder to proving we could do this. It was a way of obtaining a portfolio of experience in

facilities management." (Executive Director)

Five years later, despite the fact that Concrete & Clay now has five external contracts (in addition to its internal contract for Small Potatoes' several premises), these external contracts provide less than 20% of its turnover and Small Potatoes continues to subsidise this business. The year 2002/3 was the only year when it made a small financial surplus, making a loss again in the following year and failing to win any new external contracts. This has given rise to significant tensions within Small Potatoes, particularly when resource constraints were felt to be having an impact on service delivery by the wider organisation.

"…I have to buy in to what we are trying to achieve as a Group. I have to value and acknowledge that if we are going to have this model of social businesses, I have to be prepared to support that, and for the service arm to support that. But yes, it does grieve me that it means that our budgets within services are incredibly tight and it means we can't deliver things we might want for the communities we are working with… and all the implications of that in terms of how we are viewed as an organisation, what our funders think of us, how it affects our reputation – and also our staff who are feeling very upset about that as well." (Director of Services)

At the point at which Concrete & Clay moved from being an incubating project to being a separate company within Small Potatoes, the 'balance sheet' in terms of costs and benefits became more starkly visible to the rest of the organisation. In the words of the Chief Executive, this challenged the values of other project workers and managers

"around employing local people and encouraging their development and all that stuff; they didn't actually want to pay for it."

The approach taken to the development of social enterprise by this organisation is an interesting one: the new business is created out of existing internal activities which have a potential external market, and an internal contract is agreed for the (continued) provision of services to the parent company. This internal market creates an important mechanism for developing-

- a visible track record in order that the business can win external contracts, and

- a trading history so that it can potentially secure loan finance at some later date.

Although the particulars of this story are peculiar to Concrete & Clay, it is evident that there is a need for clarity of purpose when developing any trading activity. In this particular case the aim was to create a business which also has social outputs, but in a commercial sector which is highly competitive and characterized by low wages, making the long term financial sustainability of Concrete & Clay very fragile.

6.3 Business Appraisal

Concrete & Clay was the first business venture progressed by Local Responses and later continued by Small Potatoes. The experience has therefore been a learning curve for those senior managers who have been involved in it. The process of locating business initiatives within the organisation's wider social and economic objectives is now much more structured and the process of evaluating the viability of new proposals is rigorous.

"Any business has to be underpinned by effective business modeling and financial planning. In that respect the approach is like any commercial business - do we have the necessary specialism, are we in the right market, do we have capacity, do we have the finance to invest, who are our partners, and do we have a clear business plan to drive it through? If it was a business which also carried a social output, it has to be well thought out - clearly determine whether you want to develop this because it hits all your target objectives or whether the emphasis is on realising the social elements – in other words whether there is the double bottom line or not. And there has to be risk analysis as well. What are the potential risks, have we addressed them? If after all that, we have to walk away, that's fine." (Executive Director 1)

It is unlikely that a new business would be brought forward in future which had to be subsidised over such a long period and without clarity and consensus about the balance between economic and social returns, the financial and opportunity costs involved and the length of time before the organisation would draw a line under it.

"You have to have a sustainable business. The way I look at it is we look at the idea for the business and cost that business up on the basis that we are employing mainstream people. If we employed regular folks, does the business stack up commercially? If it does, then factor in the 'social costs' in covering the productivity gap which arises when, for example, you employ people with basic skills needs. Then you have to work out whether the business is still viable. (If it isn't, then you have to decide what you are going to do about that. That's when the real questions arise.) But if I have factored in the social costs along the way, then I don't have to worry about that once the business is up and running. If I am committed to employing people from certain excluded groups, I need to make sure it is factored in at the outset rather than being bitten on the backside later on by it. …If your business fails, you can't generate a social output." (Executive Director 2)

6.4 Developmental Issues

In conclusion, there are clearly a number of key questions to be addressed by the emerging social enterprise, irrespective of the type of product or service it produces:

- Has there been a considered appraisal of the business proposal and its economic viability? After all, a large proportion of commercial business start-ups fail, even without the added challenges of being a social enterprise.

- Is it clear whether it is being developed primarily because of its social or its economic returns? Is there a double bottom line? (In practice, a degree of flexibility and pragmatism may be needed; the mix of social and economic outcomes which is actually achieved may be a shifting one, influenced by changing funding contexts and market conditions.)

- If the proposal generates social as well as economic outputs, is financial sustainability feasible or will survival of the enterprise depend on a continuing mix of external funding and trading income?

- Is there clarity within the organisation about the level of financial subsidy involved in

developing and incubating the business, and how this will be funded - whether from external sources or underwritten internally?

- If internal, can the organisation afford to underwrite this level of subsidy, and at what cost to other activities?

- What is envisaged to be the incubation period of the new social business before it is viable without further internal subsidies?

- Is there transparency within the organisation? Is everyone signed up to the proposal and its wider ramifications?

- How can organisations mitigate the tension between those involved in service delivery and those involved primarily in business delivery, when resource constraints create a conflict between the two? This may prove to be an on-going issue, as we have seen in Chapter 3. The practice of mitigation is often just that - where 'practice' is a synonym for trial and error, and where 'learning from practice' is never complete because contexts and personnel are dynamic.

Ultimately, the organisation may need to decide the criteria for considering the venture a failure and drawing a line under it. At our last meeting with the Chief Executive of Small Potatoes, the future for Concrete & Clay remained in the balance:

> *"Next year my bottom line is that it functions well and profitably with its existing contracts and then we'll see."*

7 ORGANISATIONAL INSTABILITY: INTERNAL AND EXTERNAL INFLUENCES

7.1 Introduction

"Over the last three years we've changed, we've restructured then we've changed again and then we've restructured again. And we've not allowed people the time to work through the changes for themselves before we've changed again. On the other hand it doesn't do us any good to stand still and stagnate. We need to be fluid, we need to change." (Director, Small Potatoes)

Our experience of the organisational literature, reinforced by numerous pieces of empirical research, is that all organisations experience change and instability. What may vary is:

- firstly, the extent to which their managers and other stakeholders feel comfortable about holding more or less open discussions about this; and
- secondly, the explanations offered concerning the reasons for instability as well as the possible responses to it.

For some managers, complexity, contradiction and instability are part of everyday life – they have grown up with them; they are taken for granted. 'That's how things are around here.' For others, perhaps those with work experience in formal bureaucracies such as larger for-profit companies or local government, there is often a persistent nagging doubt that things could (and should) be otherwise. They may wish to minimise, even hide, organisational instability from their trustees, peer agencies, sponsors and researchers. Then again, explanations may be offered as to why it is 'just a one-off', or has to do with the particular phase of organisational growth through which the agency has been passing. However, instability can be expensive - in terms of time, money and reputation. In addition, it makes personal and psychological demands on those working in the organisation. Frequent reversals can result in individual burn-out and disillusionment at all levels of the organisation.

Focussing on emerging social enterprises in particular, their experience appears to be one of continuous change and unpredictability arising from short-term funding, the need to identify new forms

of finance, having to establish new organisational structures with new constitutions, new legal frameworks, new regulatory demands, and being increasingly dependent on uncertain markets. In addition, government enthusiasms for social enterprise are recent, and still subject to changing priorities. These are all externally driven sources of organisational instability. Internal factors may be associated with organisational capacity and continued tensions about the relative significance to be attached to social as opposed to economic goals. Achieving and maintaining organisational stability involves managers in attempting to balance the competing demands of their sponsors, workers, clients and markets, none of which are static. In addition, as parts of the organisation evolve and grow differentially, new demands are placed on core infrastructure, and patterns of internal and external relationships change.

In this chapter we explore some of these issues, drawing on the experience of Enterprise Action. Unfortunately Enterprise Action was dissolved in 2007, following a series of external investigations. Its demise illustrates a particular source of organisational instability – a mismatch between commitments and resources. This problem was further exacerbated by the red tape involved in trying to get payment on completed contracts (a 5 year struggle for £180k in one case) and the fact that grant timescales did not reflect normal commercial payment procedures with regard to the type of major capital project the organisation had been involved in. A representative of a Social Enterprise Development agency who had been involved in a failed rescue attempt concluded that, in addition to this, at least two other factors had contributed:

- the competence and (un)involvement of its Directors;
- the quality of professional advice (accountants and lawyers);

However it must be noted that two similar agencies in the town have also collapsed in the last three years – suggesting the possible significance of local contexts in general (a point to which we will return

in our concluding chapter) and, in this case, the characteristics of local institutional and professional infrastructures.

7.2 Internal Worlds

Personnel Manager, Enterprise Action
"…you've got to stop talking about Woodshop (as part of Enterprise Action). Woodshop are a separate company, a separate charity, completely, utterly. We started them off and we do all their admin, all their work for them. Three of us at Enterprise Action are directors, so it's an incestuous link, but they're a completely separate company – except we hold the Social Services Department contract and we place people in Woodshop; we also hold most of the school contracts. The money goes into Woodshop; it's a linked charity. The other two satellite projects are not ours – we can't put them down when we apply for funding. We can try to get all three satellites back in again, which is probably what's going to happen."

Training Coordinator, Enterprise Action, One hour later
"Do you count Woodshop as part of Enterprise Action?" (Researcher)
"Yes, we do."

Woodshop was established by Enterprise Action in the early 1990's. It now has two primary sources of income – its products (wooden garden furniture, benches for the local authority) and its training programmes for different cohorts of students (placed by Social Services, Education, and Probation Services). Since its inception it has grown from being a small in-house wood-working facility to now occupying newly re-furbished premises across town. Instead of its workers and students/trainees being part of the everyday life of Enterprise Action, their physical relocation served as a partial catalyst for considerable (sometimes painful) phases of mis-communication. Furthermore its increasing autonomy had potential implications

for Enterprise Action's financial stability – its internal cash flows and the ease or difficulty of securing external funding. Woodshop was potentially one of the most 'photogenic' levers or sources of influence.

The quotations above, about the relationship between Enterprise Action and Woodshop reflect a number of organisational complexities, even contradictions. Woodshop, allegedly a separate company/charity from Enterprise Action, is 'linked'; it is a 'satellite'; it experiences considerable overlaps in governance and administration, even whilst plans are being discussed for its re-incorporation. Other voluntary and community organisations which are developing new social enterprise projects, perhaps establishing trading arms, will recognise the tensions between autonomy and control, the pattern of complex relationships between the separate elements and the ways in which these may fluctuate. Woodshop also illustrates a number of other sources of organisational instability – financial, procedural and personal.

The relationships (we use the plural advisedly) between Enterprise Action and Woodshop are complex and dynamic. The ways in which they are refracted through different perspectives are revealed by different external and internal publications. For example, in our first phase of interviewing (2002-3), Woodshop's manager emphasised that his project was 'entirely separate'. Three days later the local newspaper contained a large supplement on Enterprise Action. Woodshop and its Director were prominent in text and photograph, and described in words approved by Enterprise Action's Chief Executive as 'a subsidiary firm'. In 2004, Woodshop produced an annual report (2003-4) and a separate Business Plan (2004-7). These documents provide evidence of both Woodshop's relative separateness and relative incorporation, as summarised on the following page.

Relative Separateness	Relative Incorporation
Woodshop Annual Report:	
A unique charity number	Same solicitors (but different legal adviser)
A separate bank	Some overlap of accountancy/ financial adviser
No reference to Enterprise Action	Five of the six strong management team are from Enterprise Action
The Business Plan contained:	
No reference to Enterprise Action in relation to management	A single reference to funding from Enterprise Action, for trainees with mental health/learning disabilities
Enterprise Action's annual report (2002-3, published early 2004) noted:	
	An operational team of 20, with two from Woodshop
	A Woodshop boxed paragraph, as one of the 16 projects

Soon after these publications, the Woodshop manager left, to be replaced by temporary staff, funded directly by Enterprise Action. Comments by the Deputy Chief Executive of Enterprise Action indicate the extent to which this decision was an attempt to exercise greater control and provide enhanced stability across the wider organisation:

"It's in our interests to keep it going – a good facility, offering things that we need. As much as anything, it's knowing the people you're putting in charge will still embrace our values. It would be very easy for anyone to come along, take it over and say 'I don't really want to do training, I think we should just be totally commercial.' Then as Directors, the five of us (from Enterprise Action), we'd have to say 'No'. ………because we felt that the last management system drifted to the point where there wasn't a total knowledge of what was happening in there, and because of the complexity of Enterprise Action anybody that comes into one of our projects …isn't always aware of what we can provide to that organisation before they go and look somewhere else for it. Part of our survival is that we try and use one another as much as possible – this generates income, keeps money in the organisation.....a lot of things were filtered

out which needn't have been…financial services…and we ended up paying a lot more money. Some of our suppliers that we know well were put on one side and others were chosen in preference. That, whether we like it or not, has a knock-on effect for the rest of the 'family'. It's a small place and people depend on people's custom."

Woodshop's current constitutional position reflected the ways in which the founders of Enterprise Action were thinking in the 1990's. Enterprise Action was initially seen as a short-term response to what was hoped would be an equally short-term problem (mass redundancies in the local steel works). In the event, the unemployment crisis deepened, but by then Woodshop had been established as a formally separate venture. Over much of a decade characterised by irregular income streams, Enterprise Action found it difficult to establish a consistent and sufficient administrative structure through which to manage, maintain and innovate within its changing family of between 10 and 15 sub-projects. Not surprisingly, some of the latter have become fully independent, others had short lives and closed down. (Indeed successive annual reports record a 30% sub-project change within 12 months; nearly one third disappeared or were very

substantially revised from one year to the next.) Three others, including Woodshop, operate semi-autonomously.

A central dilemma is financial i.e. how to retain a sufficiently large family of sub-projects so that cross-subsidisation can take place as income flows rise and fall with predictable unpredictability. (In practice, none of the sub-projects are totally financially sustainable, but some of those relatively successful at generating revenue have cross-subsidised both the core administration of 'Enterprise Action' and those sub-projects more concerned with generating social outputs.)
This degree of economic flexibility is necessary because:

a. Local sources of trading income are limited by the size of markets. (This is a more complex issue in large urban areas, where there are larger potential markets but greater competition for them);

b. No single source of funding is sufficiently large and regular to relieve those recurrent pressures on resources spent searching for new funds. (For example, Enterprise Action's 2000-1 Annual report noted funding and material support from 184 sources between 1998 and 2001 – Pharoah et al, op cit, 44).

c. The dominant value system within Enterprise Action prioritises an inclusive approach towards a broad spectrum of individuals deemed 'excluded', rather than a sole pre-occupation with maximising income. Thus, for example, in a minority of cases, young people are admitted to Woodshop's training courses without an accompanying fee because their presence is seen as endorsing strongly held values about inclusion being at least as important as financial sustainability.

The 'trouble' with Woodshop can therefore be viewed at a number of levels. A particular manager may 'go it alone', while the host agency tries to reconcile its values with changing and unpredictable financial realities, even as it struggles to build sufficient organisational capacity to 'get a firm grip'. Meanwhile negotiations with potential funders, purchasers and markets pose questions about the reputation of the agency, its organisational and individual competences, all in relation to a dense mesh of regulatory hurdles.

7.3 External Concerns

"I'd written up some programmes e.g. Assertiveness Training, say five three-hour sessions at £15 per session, per student, because I was aware that nobody was picking up the school work. It was cheap but we wanted to get our name known in the schools. They were very successful – they were glad to get them out of the building and probably cheaper than hiring a relief teacher…..
…We have huge anomalies; some people come with no money, others with £22.50 a day. ….we should probably work these things out more carefully, but we've probably never had the capacity in our finance department till now to do that …in any case it's a constantly changing market." (Deputy Chief Executive, Enterprise Action)

External relationships centre on constant attempts to grow new 'markets' and obtain regular income from them. The relevant processes involved include:

- a mix of applications, for grants and service contracts,
- regulatory discussions, relating to confirmations of staff competence and
- certification of student progress, as in the case of school pupils engaged in woodwork, learning disabled working in catering or basic I.T.

It is not surprising that a large proportion of the concerns and complaints in relation to external instability relate to finance – it is never enough, the process is disruptive and the outcome unpredictable. Even though Enterprise Action had been in existence for more than a decade, it was still obliged (in the above quote) to utilise 'loss leaders' in its engagement with local secondary schools. The Chief Executive was clear that:

"We're at the mercy of the big training funders – it's now changed from bidding (for grants with relatively broad purposes) to a tender process (which is more competitive and for more highly regulated outputs). In the past we'd talk about soft outcomes, flexible packages. Now, via the Learning and Skills Council, they're working to targets and specific vocational areas, levels of qualifications. We can no longer apply to them for some of the work we do because there's nobody around who will fund that anymore. It's all about pre-ordained categories, targets,

outcomes----the reality is that people make it up. Tick boxes. If you don't make all of that, you don't get all of your money. People will either falsify the paperwork or you cherry-pick people on your contract to guarantee the outcome."

The 'politics of funding' appear to contain contradictions. On the one hand, we read of tighter regulation whilst in the same breath there are indications that project managers are ever more creative in their responses. Whilst such contradictions in the external environment augment financial uncertainty, the problems were exacerbated by fragmented internal relationships with external agencies and by sub-project autonomy in relation to fee structures. Thus any one sub-project or area of activity might negotiate with local schools, the Probation Service, Social Services, Health and the Learning and Skills Council. Aside from the high time demands of this fragmented activity, it also gave rise to variations in the terms and conditions of different service contracts.

Woodshop, for example, sells wooden products (e.g. sheds, benches, tables), but its major income comes from training fees. It takes trainees from social services, secondary schools, the NHS, Probation Service, and via individual referrals. In any 12 months, over 300 trainees gain experience through Woodshop; up to 20% bring no fee, whilst the others range from £23.80 to £12.50 a day, down to £20 per week. A number of problems are recurrent. For example the idea of standard agreed fees has yet to gain collective consent amongst purchasing agencies; different agencies claim unequal resources and circumstances, leading to unpredictable flows of trainees and income; fee income does not cover either capital costs (the project building, machinery, raw materials, maintenance, depreciation) or staff salaries.

Finally, the fora for the re-negotiation of this situation are similarly fragmented and under-resourced. The Local Provider Partnership (LPP), was established in 2004 by the regional Statutory Adult Education Department, and is one potential arena within which greater coherence might be achieved. Its initial remit was to influence the Learning and Skills Council, but its representative has been absent on a majority of occasions. Enterprise Action's Training Officer was sure that the LPP provides

"….a really strong venue to have lots of different

organisations in one room, actually talking with each other and building up trust and understanding, to then go on to jointly apply for funding…."

But she added qualifications about the absence of the Learning Skills Council representative, the overall direction being taken by the LPP, as well as the fact that each member organisation frequently sent different people to successive meetings. A strong sense emerged of a very embryonic supportive network, attended by under-resourced agencies, too used to operating individually and opportunistically.

7.4   Developmental Issues

Four key questions emerge from this case study.

- To what extent is organisational instability primarily a matter of perspective?

Different stakeholders operate with different expectations, but it is likely that even relatively transparent organisations will:
a.   not want to publicly admit how much incoherence exists;
b.   tend to assume that the managerial 'gold standards' are located in explicit formal systems and frameworks, rather than the tacit informal behaviours likely to exist within these same systems. (See Pharoah et al, 2004, p38)

As an unintended result of a and b, we may be guilty of under-stating how much instability exists, and the nature of its contributory causes. A possible consequence of this approach may be the relegation of instability to a marginal or 'exceptional' status, so that our understanding of the every-day realities of social enterprise remains under-developed.

- How typical are the Enterprise Action – Woodshop tensions? What are the main internal organisational challenges?

Most, if not all, organisations contain sub-departments or sub–groups, and experience tensions between them. The nature of Enterprise Action as a social enterprise with over 60 employees, yet with an underdeveloped administrative infrastructure, must be a significant influence. In under-resourced organisations, those in charge often need to rely on

so-called 'voluntary' energies (the Training Officer working half a week with no pay). But for such a mixed reward system (including payment and the 'satisfactions' of volunteering) to operate smoothly, a high degree of mutuality and trust is needed. Relevant leadership skills will have less to do with 'enterprise' (where this term relates to business matters) and more to do with the sensitive management of 'social' interactions.

- To what extent can social enterprises minimise the harmful effects of external influences (such as fluctuating income streams or the irregularity of regulatory and supportive fora)?

Whereas a degree of internal coherence can be achieved via a mix of mutuality and trust (always assuming a minimal administrative capacity has been attained), external relationships are harder to develop, let alone control. The Local Provider Partnership illustrates many of the characteristic features of such networks and fora – a loose and changing membership, mission drift and negligible resources. In this context a different approach will be necessary; reputation-building will need to begin with a good product but organisations will need to be able to 'sell' reputation to diverse audiences only loosely connected to the agency. This is more than impression management and marketing, although these will be relevant. For organisations like Enterprise Action a strong value base, clearly identified and useful 'products' and appropriate forms of communication will be central. For example, the commitment to social inclusion, and the quality of sub-project work, will need to be directly communicated to relevant sponsors and purchasers. This may involve a mix of carefully planned visits and targeted reporting, if the familiar generalisations and enthusiasms of annual reporting are to be illustrated in more concrete ways.

- How far are the organisational tensions in Enterprise Action a reflection of:
  a. the under-developed nature of its administrative infrastructure;
  b. the need to constantly balance deeply-held values about social inclusion against struggles for greater financial sustainability?

Often social enterprises have insufficient income to finance core administrative tasks (finance, human resource management, personnel, public relations and marketing). There may therefore be an incomplete administrative structure. In Enterprise Action, for example, the administration budget increased tenfold in one year (1997-8) but the agency only became confident about having established the capacity to consistently act strategically some five or six years later. Many organisations in the voluntary and community sectors experience this lag between receiving funds and being able to spend the money to best effect. An under-funded core administration is a phenomenon which applies to a much wider range of organisations than those deemed to be social enterprises. But in the case of the latter, an under-funded infrastructure may have more rapid and fundamental consequences for the effective operation of the agency than would be the case with a traditional grant-driven voluntary organisation. This is because social enterprises must become familiar with complex legislative and marketing environments, requiring great flexibility and speed of response. In addition, the organisational processes associated with change, flexibility and speed have profound human consequences; without a coherent and sensitive core administration it may be difficult for project staff to assimilate new structures and demands. One Director reflected during this study that:

> "We're good at holding our hands up and saying 'Yes, it doesn't work' and changing things, but what some of us need to keep a handle on is the process of change; the fact that every time we change, different people are at different stages of the process. Some are still at the stage of disillusionment – 'I'm going to leave' – some are working it through, some accept the changed circumstances. We need to wait for people to work that through, for them to become positive again ….."

8 EVALUATIVE CHALLENGES: HOW DO WE KNOW IF WE'RE MAKING PROGRESS?

8.1 Introduction

We are told that in the evaluation of social enterprises

> *"Business schools are stepping forward to take the academic lead rather than public administration or non-profit management schools…."* (Somers, 2005)[8]

Yet, even before the evaluative machinery is fully assembled, this same business world tells us that the failure rate for entrepreneurs might be anywhere between 99% (Hashemi and Hashemi, 2004)[9] and 47% (Shirk and Wadia, 2004)[10]. In the face of such gloomy, but wide-ranging, statistics, one is tempted to query the very basis of terms such as 'success' and failure'. It is certainly the case that how evaluations are conducted and concluded will depend on the assumptions and perspectives involved. The two stories in this chapter (from Arts People and Lightship) are each linked to the broad theme of evaluation but relate to different contextual issues and dilemmas. They illustrate the importance of evaluation but also suggest:

a. the benefits of longer term perspectives, and
b. the need for multi-dimensional approaches; ones in which financial criteria are in tension with social ones, and the notion of 'customer' or client is broadened to include a wider range of stakeholders, not least the volunteers and workers delivering the services.

8.2 The Importance of Evaluation and Taking a Longer View: Arts People

How do we know if we are making progress? At an informal level the benchmark is the feedback received (whether explicitly or implicitly) from those who connect everyday with the organisation – as users, partners, participants, staff and trustees. At the more formal level necessary for effective planning and management, and for accountability to internal and external stakeholders, the answer would be to measure outputs, however defined, (but with reference to qualitative as well as quantitative measures of social value and impact) against targets.

Who should undertake such evaluations? While there might be arguments about the relative objectivity of internal stakeholders, external stakeholders or 'independent' consultants, there is no reason why organisations cannot at least begin to assess their own progress, if the necessary frameworks are put in place; specifically:

- a mission statement, business plan or strategic plan with sufficiently detailed objectives against which progress can be assessed;
- relevant internal record keeping;
- fora which involve internal and/or external stakeholders where statistical analysis and qualitative feedback can be evaluated and contextualised.

The indicators of progress with which we are all most familiar are the kinds of relatively superficial numerical analysis often presented in Annual Reports.

> *"There is often some gathering of data around job outcomes or numbers of people helped but too little about quality; still less an independently audited analysis of impacts."* (Black and Nicholls, 2004, 139-140)[11]

Thus the evidence of a social enterprise's 'success' may often be reputational or numbers-driven, without any detailed evaluation of its social value,

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8   A. Somers, *Shaping the Balanced Scorecard for Use in UK Social Enterprises*, Social Enterprise Journal, Vol. 1 (2005) pp42-56 (see www.sel.org.uk/services.aspx)

9   S. Hashemi & B. Hashemi, *Anyone Can Do It: Building Coffee Republic from our kitchen table*, Chichester, Capstone, 2004

10 M.Shirk & A. Wadia, *Kitchen Table Entrepreneurs: How Eleven Women Escaped Poverty and became their own bosses*, Boulder, Westview, 2004

11 *There's No Business Like Social Business: How to be Socially Enterprising*, Liverpool, The Cat's Pyjamas, 2004

impacts and sustainability.

Arts People had long been seen as a success story - both in terms of generating income from its trading activities and delivering its social objectives. It uses arts activities to tackle problems relating to social inclusion. Past examples include projects in regeneration areas, art work in prisons, a recycling project in conjunction with a homeless project, an international exchange project and outreach work with different groups. When Arts People identified 2000 as 'the best year', the indicators which were used included qualitative descriptions of activities which had been compiled by the staff and Trustees, reinforced by some impressive statistics:

> *"Over 30,000 people have attended workshops, events, exhibitions and performances; £400,000 levered into the cultural economy; a charity concert raised £15,000; Arts People offered opportunities for people to engage in 21 different workshops; hosted 30 different clubs attracting over 20,000 people to the nightclub; hosted 11 exhibitions; 36 artists/tenants work from Arts People's studios."* (Annual Report, 2000)

In the case of a social enterprise (and particularly one operating at the social business end of the spectrum rather than the more traditional voluntary and community sector organisation) relevant outputs will be financial as well as social. Arts People's primary trading activities are a club, a bar, a day-time café, workshops and venue space and the provision of studio space for rent. The money these generated provided over 70% of its total income. In reality, however, this 'successful' social enterprise was a near-business failure, a social enterprise which was not in fact financially sustainable in the longer term. Furthermore, its survival was underpinned by a precarious market subsidy in the form of city centre premises for which it paid only a peppercorn rent. When it became clear in 2002 that it would have to relocate, scrutiny by an external consultant (paid for with grant funding and employed by Arts People to consider their options) revealed an organisation which had virtually no assets, which by the end of 2002/3 had an accumulated deficit of £80,000. Relocation to new premises and new funding arrangements subsequently necessitated radical internal changes:

- new regulatory regimes
- new governance.
- new emphases, in particular a reduction in

project work (in the short to medium term), and finally

- a more self-conscious concern with economic viability (reflected in the development of business plans and the introduction of a cost centre approach with more systematic financial management).

8.2.1 How did Arts People find itself in crisis?

Arts People is an example of an organisation which had grown organically, underpinned by a particular ethos and philosophy, which had never created the necessary internal systems to enable monitoring and evaluation:

> *"It is viewed by its workers and externally as an innovative, experimental and at times 'off the wall' arts organisation which is not frightened about associating itself officially with left of centre campaigns and in particular with anti-establishment arts organisations…It doesn't want to be part of the establishment…Its ethos reflected the youth of its founder members …"* (External Researcher)

The project began in 1994 in a small shop/gallery set up by three artists and their friends; it quickly became a focal point for artists and musicians looking at experimenting with new art forms. In 1996 this 'collective' of people moved to a derelict property (a former transport depot which had been sold to a developer and was earmarked for eventual demolition). Originally a short-term let, once the building had been 'refurbished' to a very basic standard by volunteers from within Arts People's network, this became the organisation's home until 2004.

During this time, however, the commercial value of this centrally-located site had escalated and the developer had obtained planning permission in 2002 for redevelopment. In order to help them consider their options at this point, Arts People engaged a consultant. In the course of identifying new premises and negotiating funding to acquire them, a feasibility study had to be undertaken. This revealed the full extent of Arts People's precarious financial position. Had the bank foreclosed on the overdraft, the organisation could have become insolvent.

> *" The relatively small, near-liquid assets, the*

high borrowings, the debtors and high level of creditors…and the projections to year end suggested that the exact financial and legal implications of the organisation's current activities be established as a matter of urgency so as to ensure the organisation was operating solvently." (Consultant's Financial Review, 2002)

The feasibility study was undertaken by a consultant paid for by one of the potential funders of the new premises. The coordinator acknowledges that prior to this intervention, there were no effective financial management systems in place. He describes processes which were a hangover from the organisation's early days and, as in Chapter 7, an under-resourced core infrastructure which in this case could not cope with the level of financial management necessary. In response to questions aimed at identifying how, year on year, the accumulated deficit had been allowed to grow, (Wasn't a budget set at the beginning of the financial year? Didn't anyone monitor expenditure? and so on) the coordinator replied:

" …the structure wasn't there, and the expertise wasn't there. The original coordinator got sucked into that job without any formal training. …Although people had responsibility for spending, they had no responsibility for income. They were told 'This is what you've got to spend' and they would keep track of it, but the records they were keeping didn't come back to anybody really. The system didn't work. I changed it a bit when I was appointed, but overall there was not sufficient time and resource, and there was no effective system to check finances for an organisation with that level of turnover. Our turnover had grown to about half a million; there were so many transactions and information lagged so far behind, that we had gaps…"

In addition to systems not being in place and there being insufficient capacity to undertake the appropriate level of financial monitoring, a second problem was that project budgets were set on the basis of unrealistic income expectations. In particular the organisation consistently over-estimated the level of trading income which would be generated:

"What we had done in the past was over-subsidise the projects, having projected that we could bring in a level of (trading) income which

didn't always materialise. All you needed were a few problems that created a downturn and it affected everything else. This was one of the reasons we got into a terrible financial situation – because our projections were wrong and people who were running projects didn't understand that their budgets must break even – or there wasn't enough understanding, or enough information for that matter." (Coordinator)

8.2.2 What Turned It Around?

"I have very mixed feelings about consultants in general, but if it hadn't been for him, we probably would have gone out of business." (Coordinator, Arts People)

The consultant who undertook the feasibility study for the redevelopment of the new site played a pivotal role in the organisation's future. The first factor was clearly the timing of this intervention and the uncovering of the degree of financial instability. However the key contribution to the long term health of the organisation was the level of support he was subsequently able to give which went far beyond his original brief:

"I've always found the kinds of organisations set up to give business support hopeless – because they are not hands on enough. Whether Community Enterprise or Chamber of Commerce – they were supportive but not particularly useful because they are not able or willing to come in and give the time. Whereas the Arts Council consultants were able to spend time with someone who did not understand finance or how to run a business." (Coordinator)

A key internal shift has been the strengthening of the Board. In keeping with the development trajectory and ethos of this organisation, the Board had previously comprised just three trustees who had been involved from the outset, one being related to one of the earliest workers, another being one of the founders of Arts People. This shift – from an organisation often described as a 'family' – was effected by the recruitment of additional members – two with experience of the social economy and one with traditional business skills. This was welcomed by the Board, if not by some workers who felt a greater distancing from decision making within the organisation.

8.2.3 Arts People: A Success or (Merely) a Survivor?

The Survival Plan put in place following the feasibility study demanded a refocusing of staff time and energy, paring back project activities to a minimum and working to generate additional income to secure the organisation's future. At the time of our 'evaluation' of Arts People during the first phase of this research, the response to these changes by many of those involved in the organisation was negative; the changes, and particularly the apparent fragmentation caused by a cost-centre approach, were seen as eroding the organisation's mission and philosophy (Pharoah et al, 2004, Chapter 4) . Nevertheless, it has succeeded in turning itself around, from potentially having no premises and being insolvent, to a position where it has leased new premises for the club and bar and also secured funding to write off its debts, to buy new premises for its core activities and begin the first two phases of refurbishment.

The focus on financial issues and financial sustainability continues for the time being, particularly while it continues to fund-raise for the third phase of work on the new building which, when complete, will release further space for rent to local artists and generate more income. Although Arts People has survived, it might be that, if we could turn back the clock, some of those responsible for its creation might feel that much has been lost in the process; they would not recognize its emphases and language. Visitors to its web-site will find opportunities to support the organisation by 'buying a brick'; it advertises 'sponsorship and investment opportunities' alongside news of its continuing work in relation to social inclusion and the arts, but now in association with 'establishment' organisations which might previously have been disdained.

> "Yes it's an establishment event, but it enables a number of other things." (Coordinator)

It is clear that how we conduct and conclude any evaluation will depend on the assumptions and perspectives involved. Radical perspectives may conclude that the compromises necessary in order for Arts People to survive are such that the outcome is not truly a success. However, to the extent that the organisation retains the same overarching mission and commitment to its original social objectives, it will be important to take a longer term view before reaching such a conclusion. Indeed at our last visit, the earlier negative perceptions expressed by staff at the time the Survival Plan was being introduced have evolved into a pragmatic realism, which can now appreciate how useful those changes have been. While acknowledging that the organisation now works more closely with other social welfare agencies and in connection with what it describes as top down strategies, it argues that it still brings a unique approach driven by its expertise and ethos. Arts People's story highlights issues in relation to the definition of success and failure, but additionally illustrates how the evaluative 'film-strip' may contain greater insights than the snap-shot in time.

8.2.4 Developmental Issues Arising from Arts Peoples' Experience

- Should emerging social enterprises be committed to demonstrating value in analytical ways – whether qualitative or quantitative or some combination of the two, even where the organisation has a high degree of financial independence?

- What level of resource is necessary to conduct at least 'entry-level' monitoring and evaluation of progress?

- Do systematic monitoring and evaluation, increased external accountability and the adoption of business-like strategies such as cost centre approaches necessarily undermine the mutuality, spontaneity, fluidity and innovation which may have contributed to the successful development of the embryonic organisation ?

8.3 Defining Success and Failure: The Cooking Pot Cooperative

> "You could easily commission academic research to say it (that is, the Cooking Pot Cooperative, run by immigrant women in the Lightship project) was an absolute failure - that would be easy. It would be much harder to show it was a success. Let's ask 'What is success?' What Cooking Pot has done is give a learning experience (not necessarily an easy one) to people; it does include some conventional certificate/ reference things, but they're not huge

because the number of people is small – 5 or 6. It helped a community 'feel' around a day (Saturday) in Lightship. It gave people nourishment and conversation. That, therefore, helped achieve one of our aims - creating social capital. It taught us a significant amount about our next stage of development, so we won't make the same mistakes again. We can beat ourselves up and say it wasn't a spectacular success or we can say 'that's what it was.' " (Director, Lightship)

The story of the Cooking Pot is partly about contextualising different perceptions of progress within a social enterprise. For the Director of Lightship, perhaps the single most important goal is the development of confidence and autonomy among relatively powerless refugees. In that respect it has had some limited success, as revealed by the comment above. In other respects, particularly in relation to its business plan, it has not. However a range of contextual ingredients must be considered before any kind of meaningful evaluation can be attempted - the circumstances of the refugee women (low income occupations, dispersed settlement patterns, fragmented social networks), their uneven competences in relation to business and marketing tasks, and the over committed resources of the host agency, for example.

> *"The women do not appear to be concerned that to operate without, for instance, having properly registered or having a bank account, does place Lightship in a very difficult position in relation to their liabilities. The women, who consider they are part of the Lightship 'family' want and expect more from the organisation and from the managers of Lightship, whilst Lightship managers, concerned that they have too much involvement, would prefer and expect less."* (Kumar, 2003)[12]

8.3.1 The Cooking Pot: The Evaluation

The origins of the Cooking Pot can be traced to the production of a 'social cake' rather than social capital. A woman from a small refugee group within Lightship baked a birthday cake for a child whose

mother belonged to another project group. Other cakes followed, and so did ideas and dreams about a catering cooperative. Six refugee women, who were earning their living elsewhere as domestic cleaners, approached Lightship's management with their ideas. During the late 1990's, a business plan was produced and grants obtained to enable the construction of a kitchen/café and the purchase of equipment. By April 2001, the business plan envisaged that at least three women would be working full-time and two part-time. In practice, however, the cafe only opened on (most) Saturdays and the cooperative catered for occasional special events. In an attempt to remedy this situation, Lightship management obtained the services of a business consultant, who began work with the women towards the end of 2002.

The consultant's report was, in general terms, very positive; there were explicit references to their 'unique niche market' and 'a good quality product' with no immediate local competition. Of course the devil lay in the detail of the report's recommendations:

- Cooking Pot needed a manager;
- When were they going to pay overheads to Lightship?
- Would they be prepared to modify their food to meet likely demand? (Market research suggested that customers might want 'canapes with a sort of avocado dip and an ethnic tang', but not truly 'authentic' foods.)

Not surprisingly, the report (and its demand for responses) precipitated degrees of anger, disappointment and conflict. Before exploring the different responses to the consultant's report, as well as describing and discussing a number of additional influences on the changing fortunes of the café, it is worth noting here that subsequently the café did try to open full-time, but has now reverted to the pattern of 'Saturday plus'.

Management Responses
Management responses exhibited a mixture of agreement that a degree of independence for the women was acceptable, together with exasperation at the continued 'impracticability' of a project without a bank account, where there was no clarity about income and expenditure and which had no commitment to meeting the cost of its overheads.

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12 S. Kumar, A Women's Catering Cooperative – the Cooking Pot: unpublished field notes, 2003

Perhaps the core of their criticisms centred on cultural differences in relation to structures, systems and roles.

> "… their society is relatively unregulated, and Britain is incredibly regulated. You know if you want a bit of electricity there, you just throw a cable across to the street lamp. You don't ring the electricity board!" (Lightship Manager)

Cooking Pot Responses
The women's responses acknowledged their administrative limitations -

> "It is very difficult because in my country you just start cooking. You don't need license. The license come in you know, after when you have a lot of customer…"

- but their particular concerns centred on the basic resources of money and time. They were already working full-time in low paid jobs as well as having domestic responsibilities. Similarly, although they had attended training courses, these proved either insufficiently tailored to their specific needs and/or too demanding of their scarce time. This 'chicken and egg' situation was acknowledged by a Lightship manager:

> "The new business will not give them as much as they get from their old jobs….They have to give up their jobs to make this business work, but unless this business works, they are not sure whether to give up…"

Reports from consultants inevitably concentrate on immediate organisational matters: they focus on questions around roles, systems and competences. Sometimes broader questions about the developmental (Social Enterprise?) potential of both the host agency (Lightship) and its particular sub-project (Cooking Pot) receive less attention.

8.3.2 Lightship and its Potential as a Centre for Social Enterprise

> "… we've never had a person in this organisation who could really 'drive' the enterprise side. There are people in the voluntary and community sectors who intuitively 'think' business, but the VCS isn't awash with these people. …The trouble with the social entrepreneur rhetoric is, because some people can do it very well, doesn't mean

> it is easily do-able by others. There aren't many social entrepreneurs out there." (Director, Lightship)

Even if the Director was only partly wrong about the social entrepreneurial supply-chain within the voluntary and community sectors, other influences reinforce his problem. Salary levels in the private and public sectors tend to capture many with such skills and, even when they do arrive in Lightship, formal systems of induction and training have been slow to develop. Only after 15 years in existence has the project been able to begin and sustain a coherent programme of staff development, now accredited by Investors in People. Even with IIP recognition and recent human resource audits, the Director is still hampered by time constraints and a scarcity of what he termed 'the right kind of people'.

> "There's no slack. I don't know how much it's Lightship, the sector (and the world!) but it is extremely hard to be a dynamic, flexible organisation. I'm sure there's a management model somewhere, but I do find it elusive. I've done some shifting around of staff in a matrix-kind of framework. There's a creative business mind-set that's needed. There are very few people in business who can do it either. I'm sure somebody could change our good ideas into a really good plan, but we don't want more mission statements and business plans."

The 'right kinds of people' discussion extended beyond an audit of the potential of full-time staff; it also included both the Trustees of Lightship and the different groups of refugees who constituted their client base. In respect of the former, the dominant voluntary welfare ethos of the organisation attracted some people and discouraged others.

> " …we're not that kind of voluntary organisation with a management committee of the well-heeled."

What Lightship wanted to do was work with marginalized people in such a way as to promote greater individual confidence and collective autonomy; such an approach contains its own contradictions:

> "There's a lot of challenge in this organisation – a dark, shadow side to it, about the

negative impact of community groups huddled together for warmth against the big world outside. If they'd worked in a large supermarket chain, then they'd have been supervised by managers. The only thing in our defence, I can say, is that there were choices made in this – choices that the women made…. There were times when they were adamant that they wanted to do things in a particular way… . The whole thing was about independence – they were their own bosses…. There's a kind of value from the position we took, but I would have reservations about having a responsibility for people's self-learning within our context, <u>having such a limited handle on what was happening.</u>" (our emphasis)

An additional dimension to the 'they' in the previous quotation is that all the women involved were from the same ethnic group. Lightship's director accepted the limitations of this *("… in a diverse community like this, they could have doubled their sales if they'd made some African food.")* as the price of independence.

"What independence does is give people's status back. There's a huge therapeutic thing even in getting it wrong. <u>You</u> got it wrong but <u>you</u> made the decisions." (his emphases)

Evaluations or appraisals can spend too much time looking at the internal organisational environment, the human resources and their development, and neglect crucial external influences. For example, the Cooking Pot project had made links with local training agencies but felt

"…let down by some of the regeneration organisations …. They employed young people to help with a Business Plan, but if they could run a business, they'd be running it, they wouldn't be working for a regeneration agency. It's Mickey Mouse stuff. If you really want to see refugee small business, go to the Elephant and Castle or Peckham. These are <u>enterprises</u> (his emphasis) if not necessarily social. Things move within these communities without the VCS enabling them."

8.3.3 Developmental Issues Arising from Lightship's Experience

- In conducting monitoring or evaluation much will depend on the primary assumptions of those involved. Consider the relative importance of perspectives relating to:
  i. Business ideas;
  ii. The everyday realities of a social enterprise in the voluntary and community sectors.

  The Director of Lightship appeared to acknowledge the need for i, but also laid great stress on ii, where the ethos and resources of his agency constrained opportunities and choices. Do you think that managers of social enterprises, in situations similar to Lightship, use the 'constraints' explanation as a defence mechanism because they lack the competences and skills to apply business ideas?

- Lightship had built up a national reputation for its work with refugees. As a result it was able to obtain funding for new initiatives more often (if not necessarily more easily) than some comparable agencies.

  Is it possible that some funding arrived before particular groups and the agency infrastructure were 'ready' for it? Presumably the dilemma for managers is to risk losing funding by waiting for readiness?

- The women involved in the Cooking Pot were marginal in a number of overlapping ways to do with their refugee status, gender and class. Sometimes the literature on positive aspects of social entrepreneurial activities fails to examine these dimensions closely enough. For example, a recent US study of women developing food-based enterprises described itself (in the title) as being about how the women 'escaped poverty', but subsequently revealed that most were relatively well educated. (Shirk and Wadia, 2004, 300) How far do you think there is an over-emphasis on 'social enterprise skills' without due regard to aspects such as gender, class, refugee status or racial/ethnic characteristics?

- There were signs that Lightship management consciously operated with regard to values which were at least partially contradictory . That is, they wished to promote independence and autonomy on the one hand but achieve social enterprise goals on the other.

  Do you think these values and goals are easily reconcilable?

- How important are influences external to Lightship in shaping its development? We have already referred to the national reputation of the agency and to its ethos as a voluntary and community organisation with strong church connections. In constructing an evaluation of the Cooking Pot, mention must also be made of the nature of local training and support systems, the potential of local markets and the complexities of strategic planning processes.

In view of all these externalities, most of which seem considerably beyond Lightship's direct influence (let alone control), one is tempted to one of two positions:

a. Comprehensive evaluation of discrete sub-projects such as the Cooking Pot is impossibly complex; therefore evaluation cannot be useful.

b. Realistic evaluations (within the competences and resources of agencies such as Lightship) must be explicit about their limitations, and therefore their policy and practice limitations.

9 PREPARING FOR SOCIAL ENTERPRISE: SOME LESSONS FROM AN ACADEMY FOR SOCIAL ENTREPRENEURS

9.1 Introduction

As discussed in Chapter 1, one of the underlying concerns of our research has been the extent to which current forms of training and support to social enterprises are appropriate for voluntary and community organisations. In the present chapter we focus on one particular training initiative, an apprentice scheme which was part of a pilot programme developed by the Social Enterprise Academy (South West) (SEA-SW). This programme was deemed by an external evaluation to provide social enterprises and social entrepreneurs in the region with *"….a level of dedicated support which is unrivalled outside London"* (External Evaluation, 2005)[13]. It represented *"….one of the largest investments made in the Social Enterprise Sector"* (op cit).

The Social Enterprise Academy (South West) was created early in 2004 as part of a previously established independent support agency; financial support of over £600,000 was received from the Learning and Skills Council (LSC) and the European Social Fund (ESF). The money was obtained to develop

- a mentoring programme
- workforce development
- an apprentice scheme.

This chapter is about the third of these elements, delivered to two cohorts of students by a small consultancy ('Enterprise Workshop') which was sub-contracted for this specific purpose by SEA-SW. The final total of 16 students each received £5,000 scholarships to compensate for any loss of earnings whilst on the six month courses.

The apprentice scheme is of interest for two main reasons:

i. Of the three components of the SEA-SW programme, the apprentice scheme was viewed by the evaluators as the most positive element. It was felt to be an important innovative approach with lessons for all those involved in the development of social enterprise. So, in the search for a preparatory programme for social enterprise which might be described as a potential exemplar, Apprentice Enterprise must be seen as a strong candidate.

ii. Research material about the operation of Apprentice Enterprise illustrates consistent tensions between the formal framework and actual educational and training experiences, and reveals the impact of social dynamics. Using a geographical metaphor, the 'landscape' of social enterprise (as outlined in most commentaries) still resembles an incomplete map; our commitment is to the identification of significant contours so that policy makers and practitioners may be more usefully forewarned about the uneven terrain which they will often cross in the development of social enterprise.

9.2 Past Evaluations and the Present Research Approach

"The course was very popular and there is a strong case for continuing the work. The full benefits will not be measurable until the enterprises that were started have had time to develop more fully. The most valued elements of the course were the regular weekly sessions with specialist speakers, networking and peer support opportunities and intensive training sessions." (External Evaluation, op cit)

"The weekly workshop format doesn't really work…. The ethos behind the scheme is that two social entrepreneurs (the group facilitators) introduce key topics and encourage the group to explore the issues, discuss them, and then go away and make their own mind up about the issues, and write their plan. … But from what I've seen, some of the work that people are doing as a result of the sessions isn't that good. But that could be resolved if we had more time to do individual work, but we don't. ….I think that the

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13 External Evaluation of the Academy for Social Entrepreneurs, July 2005

scheme as it's set up just isn't right for most of these people --- and the bottom line is that they are not doing the work….." (Internal Evaluation, 2004)[14]

The two quotations above appear to contradict each other; this is only partly the case. Much depends, as ever, on the evaluative stances and research methods adopted. The external evaluation team had a lot of ground to cover, and their 38 page final report is typical of its kind. It is drawn from careful scrutiny of initial targets and subsequent delivery, from documentary material, a focus group and 52 interviews (47 on the telephone). In contrast, the internal evaluation by one of the two facilitators is informed by detailed participatory experience and an unusual degree of honesty and self criticism. However it refers only to the first of the two cohorts of apprentice entrepreneurs, whose recruitment was hurried by the demands of the overall programme. Subsequent recruitment was more effective.

> *"For the first intake, being the first and with a short time-scale, we got about 30 applications, interviewed about 20 and ended up with 10 or 12. It was a small pool. Because we didn't trawl far enough, we got the people who'd been around. Some of them had been trying to set up for 12 months. Some felt they knew it already. Perhaps we'd got the wrong people. We had to go with the ones who were there.*
> *The second time it was a wider net. 120 applications, about 60 interviewed and ended up with a dozen. A much better mix."*
> (Apprentice Enterprise Facilitator)

Our own approach to Apprentice Enterprise began with a half day scoping exercise with a member of SEA -SW who provided the initial introductions. These led us to being granted access to the two confidential evaluation documents quoted at the beginning of this section. These evaluations were used as the basis for two half day semi-structured interviews. A final element consisted of participation in a day conference on social enterprise organised by Enterprise Workshop.

As already noted in Chapter 1, the dominant attention in preparations for social enterprise tends to be either upon training with a strong emphasis on business themes, or on broader infra-structural issues. Facilitators/trainers and students/trainees, and their interaction, are almost invisible both in the course material and in commentary documents. We have therefore organised our material on the two apprentice courses into three main sections:

- The structure and content of the course;
- The facilitator;
- The students.

9.3   Structure and Content

A number of organisational and individual constraints or contextual factors inevitably shaped, and re-shaped, the structure and content of the apprentice scheme. The first constraint related to delivery time-scales and the impact of these on recruitment to the course. Programme pressures to get going too quickly resulted in the acceptance of students who were already in the middle of starting up social enterprises (seven of the ten students in the first cohort).

> *"That's a big part of the problem – a number of people have been trying to set up for 12 months or more, and as a result are running round like headless chickens. I want to say 'stop and plan' but it's hard for them to do that. Result: more running round like headless chickens, whilst being paid to be strategic."*
> (Facilitator)

The original aim of the apprentice scheme, however, had been to subsidise would-be social entrepreneurs, so that they could be helped to take time out to plan and think strategically. After the first cohort, the facilitator concluded that these aims were not being achieved because

- *"People have already started establishing their enterprise.*
- *In my opinion, a number of people don't acknowledge the value of planning."*

The second constraint was another familiar one – money. From an original conception of a 12 month scholarship with an award of £12k, what emerged (following a re-examination of potential costs and time scales for the two cohorts) was something barely half that size. Costs also impacted on the training process. So although some individual tutorials were held, the educational approach which

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14 Internal Evaluation by the main facilitator of Apprentice Enterprise, August 2004

was adopted was largely group-based. Whilst this approach was in fact closest to the values of the delivery agency (and, while, for example, one of the elements deemed most successful by the students proved to be a two and a half day residential in a local rural setting) it was clearly also a much more economic use of facilitator time.

The third constraint related to the apprentices themselves – very busy people who found it hard to prepare for, and attend, sessions. After the experiences of the first cohort, the 30 hours study week (of which contact time represented just under 50%) was reduced to 21 hours, with two full contact days per week in the first three months.

The final set of contextual factors which had an impact on the content, delivery and effectiveness of the course were the experience and values of the facilitator himself, in conjunction with the expectations and needs of the apprentices. Although the facilitator had considerable direct experience of social enterprise (in Fair Trade retail and an infrastructure organisation), his previous educational and training experience had been centred on individual business plan development. In addition his approach to the curriculum was described as 'responsive': thus

> *"No point in developing a fully-formed curriculum (see below, at *). I was also dealing with the first group as 'guinea pigs'; they got good support but they also got me making it up as we went along. I think that when you can respond to people, and listen to what the issues are for them, that's when good things can happen."*

* **Apprentice Enterprise: Core Curriculum – Workshop Topics**
1. What is social enterprise – social business planning
2. Market research
3. Mission
4. People, skills, support
5. Operational skills
6. Marketing and PR
7. Pricing and profit
8. Financial projections
9. Financial management
10. Proving it: the social bottom line
11. Legal
12. Completing your plan; into practice

To describe the approach to designing the content as being ad hoc, 'making it up', feels harsh. After all, the nine page course outline given to each student for the 12 sessions formally outlines a familiar list of topics and their related learning outcomes, and in retrospect, the Facilitator didn't feel the need for radical changes in content, with perhaps one key exception. He did recognise that the social-economic tensions inherent in developing social enterprise could have received stronger emphasis:

> *"I do a presentation, and I juggle – to show the balance, the triple bottom line. I don't think we look specifically at the social-economic tensions, but it comes out in the informal work – we have a residential half way through. It comes out a lot in discussion because it's so important. Someone comes in from a nationally known social enterprise agency and we talk about those issues, but maybe we should make more of the tensions in a formal way."*

How the curriculum is delivered and experienced therefore feels fluid; 'making it up' shades into 'responsiveness'. 'Responsiveness', however, contained familiar contradictions. On the one hand

> *"Course participants say to us 'tell us what to do, and let us get on with it'. (On the other hand) We say you have to live with the uncertainty of not quite knowing what's going to happen. --- Social entrepreneurs tend, in my experience, to be quite demanding, spiky and focused, and very busy. They tend, therefore, to have quite a short attention span, so if they think something's not relevant they'll quite quickly disengage. You have to be relevant and flexible to their needs."*

The detailed relevance of general topics most easily emerged in informal settings, particularly the one-off residential. The most effective (pre-packaged) content came via case-studies presented as stories. This latter approach appeared to have been picked up in the final External Evaluation report but with a series of references to 'bite-sized chunks', the suggestion being that a six month course could be replaced by a small number of two or three hour sessions. There was no acknowledgement that the most effective digestion of bite-sized chunks might need an educational environment in which the facilitator and students had developed a degree of mutual knowledge, understanding and trust. Digestion of bland chunks can no doubt take place

without much consideration of the processes which lead to trust. But if students are going to exchange the experiences which lie behind the rhetoric, a degree of trust will be essential.

"…there's a real pressure to pretend that everything is fantastic about social enterprise – that it's going to solve everything. …But it's really quite harsh as well ….If they don't make the money…it's back to the consultant writing the completely non-committal report – no-one gets found out and the same thing happens somewhere else. …

The reason funders love bite-sized chunks is that they're good ways of getting bums on seats and easy outputs. They sometimes have a value, but I'd argue that real impact comes from an outcome approach – a coherent process which delivers a result. Of course, outcomes are more risky and take longer and won't happen in some cases. But it would be interesting to compare the cost of all the outputs that social entrepreneurs are 'receiving' – i.e. all the not-joined-up bite-sized interventions – and compare that with the cost of an outcome approach. Although an outcome approach appears more expensive, maybe it could turn out to be better value for money, who knows?" (Facilitator)

9.4 The Facilitator

Dominant (negative) themes, in the facilitator's report on the first cohort, were

a. that he wasn't coping with the multiple challenges (pioneering a course whilst preparing for a second cohort, responding to different student concerns);
b. that a number of the students "just keep telling me fibs about how much work they're actually doing."

More positively, a good group atmosphere and mutual support network had emerged, if somewhat slowly and incompletely, considering the students were meant to be virtually full - time. In response to the multiple challenges faced by the facilitator, the second cohort was managed in a job-share with a colleague from a Community Accountancy background. This provided personal and functional support. Less tractable, particularly with the first

cohort, were issues of student 'resistance' to some aspects of the programme (e.g. preparation of reviews, draft business/marketing plans). The dilemma for the facilitator centred on the nature of his 'authority' in relation to a group of adults with varying expectations and motivations. Should he have been more assertive with the 'delinquents'? Hard evidence of delinquency was not easily obtained – the students had a vested interest in retaining their scholarships, whilst the delivery agency wanted to appear successful in its pilot year. In trying to avoid the formality of a teacher:pupil relationship, and in the absence of clear rules and regulations, the facilitator occupied an authority vacuum on those matters where imposing sanctions might have been warranted.

Part of the reason for the facilitator's attempt to avoid traditional sanctions derived from his educational philosophy. He had worked for a year in a Latin American educational project which espoused the educational approach of the Brazilian Paulo Freire. (Freire, 1972).[15] Such an approach involves:

- relating the immediate interests of individuals to wider socio-economic issues;
- the notion that change begins in the classroom to the extent that teachers 're-form' their relationships with their students.

Thus the facilitator talked of wanting to 'walk alongside' his students, rather than 'standing in front' of them. Such an approach worked best with the second cohort of students who were a more coherent and compliant group, fewer having already begun the start-up phase of their projects. It also worked better in less formal settings, such as the residential element:

"We did it self catering and bunk-barn style…. There was something about having people cook together, about that kind of experience which helps with the insecure journey ahead. There's a positive element of other people sharing similar experiences, particularly if the '48 hour curriculum' is coherent and well thought through."

Talk of bunks and bonding either conjures up negative images from reality TV shows such as Big Brother or the supposedly positive impact of Away Days and character building challenges in rural settings. What is clear, however, from both the

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15 P. Freire, Pedagogy of the Oppressed, London, Penguin, 1972

internal and external evaluation documents and from the related interview material, is that the facilitator and the students rated these experiences most highly. Planners of social enterprise educational/training activities may therefore need to identify how far, and in what ways, they can generate comparable bonding and student commitment. It will also be important to consider the role, competences and needs of the facilitator or trainer. Too often it is assumed that this person is omni-competent and independent, whereas our experience suggests that they too are finding their way and frequently welcome different forms of support.

9.5 The Students

Although we have already noted the different orientations ('learning readiness') of the two cohorts of students, the facilitator concluded that a majority of them (even those who had moved beyond the pre-start-up phase who were in the first year of developing or operating a social enterprise) lacked an 'entrepreneurial aptitude', as well as the skills necessary to start a business. Ways in which these issues might be addressed are discussed in the final section of this chapter. For the moment we offer two contrasting thumb-nail sketches constructed by the facilitator in his internal self-evaluation. They illustrate the range of student orientation or readiness even when recruitment has been structured and the numbers are small.

Angie (a Pseudonym)

"I don't think Angie is allowing herself the time and space to benefit fully from the scheme. My impression is that she has far too much on her plate and that she keeps starting new things which then distract her from seeing things through to fruition.

I find Angie's style quite challenging. She has challenged me a number of times …. At times it feels like bullying, and I think part of that is a reaction to being challenged by me ….Sometimes I think that getting passionate about things and talking randomly at length is just a distraction technique, to take your eyes off the fact that she isn't following through with things.

I think she is an entrepreneur, and by her own

admission isn't interested in running some of the projects she sets up – she just wants to have the idea and wants to see it happen."

Yvonne (a Pseudonym)

"Yvonne is in my opinion the most socially entrepreneurial person in the group. She has a hunger to learn and she really engages with the work we do in the workshops…. She really enjoyed the 'How to be Socially Enterprising' book and gave a really good presentation on it …I was really pleased because she said 'I don't usually read books.' She also got a lot out of us taking her project as a case study for the Mission and Objectives session – we challenged her quite a lot, and she didn't find it easy, but she took things on board and has acted on what the group suggested.

By her own admission due to holidays and other commitments, she hasn't put in as much work as she'd like away from the sessions. I appreciate her honesty – I think a few other people are guilty of wishful thinking when they're asked how much they're doing."

All experienced educators and trainers in particular, and 'people workers' in general, recognise the importance of identifying the different capacities and needs of their students or clients. In group situations, whether formal or informal, it is often difficult to consistently put this principle into practice. But, at the very least, it is imperative that those proposing the further development of social enterprise and social entrepreneurs consider:

a. how the structure and content of their course or educational/training approach can best meet the particular needs and competences of their students. Does the structure 'fit' with the stage of social enterprise 'readiness' of the students? Is the content 'authentic', in the sense of reflecting the tensions which are specific to social enterprise?

b. the inevitability that any one group of students may exhibit a wide range of learning readiness and a variety of personal needs, even when recruitment strategies have been employed to secure relative homogeneity.

c. that one dimensional approaches, reliant on inventories of topics to be covered, are as far away from reality as shopping lists are from a well prepared dinner.

9.6   Developmental Issues

- Is it possible to reconcile the evaluative quotations in section 9.2 which identified the apprentice scheme approach as a success and as a failure? Can they be talking about the same things?

  One of the fascinating policy issues that arise from the External Evaluation is the fact that the successful component (Apprentice Enterprise) within a wider programme suffered the same fate as the other elements – termination. The facilitator's post mortem on the 'success-termination' equation takes us into politics and stages beyond specific training institutions, agencies and projects.

  "I think the lesson is that many people do acknowledge that there's a significant group of people who aren't going to respond to the mainstream Business Link approach. There's a big agenda nationally of 'mainstreaming' social enterprise support, as if that is necessarily 'A good thing'! I think it's the responsiveness and pedagogy of the Apprentice Enterprise scheme that works, but that kind of thing isn't valued by funders like the RDA's - it's deemed too risky. The lesson is perhaps to think harder about how to convince them that the risk is worth taking.

  Without wanting to sound naïve, I expected people to 'get it', i.e. to understand that the scheme was good and should continue. But there were bigger agendas which we couldn't compete with – and as a young organisation we didn't have enough friends in high places. I'm pretty sure it'll get resurrected in a couple of years though – that's how these things happen."

- What might usefully be changed in either the structure or content of Apprentice Enterprise's approach?

  The group approach was more economic, but the one-to-one approach received a number of references in the External Evaluation report as being likely to prove more effective. Perhaps a simpler scheme would be better. The facilitator speculated as to what form an alternative scheme might take; he identified:
  a.   night school plus intensive support.
  b.   summer school plus intensive support.

  c.   the use of finance as a 'reward' rather than for a scholarship; some students would receive money for well thought out plans.

- How much 'responsiveness' will be possible within more intensive provision?

  The assumption about responsive approaches is that they may require more time and more use of non-formal settings than traditional lecture-based training. Indeed 'responsive' is often replaced by 'experiential'. In experiential work, the particular experiences of both students and facilitators are used alongside prepared content; a key element is the search to identify what can be, and has been, learnt from experience. This recognises that not all experience leads to learning, and not all learning need be positive. Paulo Freire is often cited as an example of an experiential educator (e.g. Freire, 1972).

- Should more attention be paid to the Facilitator-Student elements of preparatory programmes for social enterprise?

  One strand of thinking borrows from social psychology and various therapeutic techniques; the individual mentor or 'coach' is a key element in encouraging increased confidence and self-reliance. (See the 'Biz Fizz' programme at www.bizfizz.org.uk). In the light of the arguments in the latter materials, questions must be asked as to whether the facilitator in Apprentice Enterprise was under-supported, especially in relation to the first cohort of students.

- Apprentice Enterprise adopted a 'responsive' approach and stressed the importance of planning for uncertainty. It is arguable that such an approach can lead to at least intermittent loss of direction and control on the part of the facilitators, especially when faced with a diverse group of would-be social entrepreneurs. What kinds of forward planning and skill development would be needed to prepare for such situations?

  More careful recruitment can encourage a closer link between student expectations and course delivery. But course planners may need to consolidate their small group teaching skills; these are likely to be at least as relevant as content knowledge.

10 SOCIAL ENTERPRISE IN PRACTICE: TOWARDS A TRAINING CURRICULUM

"…the need for social entrepreneurs to be effective businesses. First and foremost, they must be that, because those that aren't will not survive, no matter how worthy their social objectives or sincere their commitment." (Phillips, 2006, 22)[16]

"In my experience, drawn from working with literally hundreds of practitioners, social entrepreneurs' raison d'etre is to create and sustain social value – hence mission accomplishment is the overriding goal and money is simply one of several necessary means to this end." (Alter & Leadbetter, 2006, 27)[17]

10.1 Introduction

Although both the above commentators would not want their words to be taken out of context, there remains just a sense of the difference, even conflict, between the two standpoints. On the one hand, the business model is prioritised over and above 'worthy' and 'sincere' social action. In contrast (and from a reflective practitioner rather than a senior civil servant*), the dominant 'currency' is social rather than economic. No doubt, in practice, the two perspectives will be less polarised, more likely to be entangled with each other, as many of our chapters have indicated.

In the five years since we began work on our first report (Pharoah et al, 2004), the tensions between the business and social perspectives have in fact become increasingly recognised. In addition, and more specifically linked to the theme of this report, a number of academic units and individuals have begun to assemble conceptual frameworks in relation to social enterprise learning/training, hitherto an underdeveloped area. (We are told, for example, that *"….many aspects of entrepreneurial learning remain poorly understood…."* (Cope, 2005, 373)[18], and that *"Entrepreneurial learning has emerged as an important yet insufficiently understood area of enquiry."* (Rae, 2006, 39)[19].

There is a strong emphasis on individual self confidence in many publications and initiatives which purport to identify the key ingredients for success in social enterprise. For example, the Biz Fizz Programme (funded by the Phoenix Fund, operated by the Small Business Service and coordinated by the New Economics Foundation and the Civic Trust – see www.neweconomics.org and www.civictrust.org.uk) lays great stress on 'coaching'. Although coaching has numerous philosophical and theoretical roots, dominant contemporary themes arise from applied psychology and various therapies. Popular versions of the individualised 'you can do it' approach are also numerous. One example, written by two men who developed a chain of fish and chip shops, utilises a Judo metaphor to offer seven 'marketing Judo moves' which will assist the would-be entrepreneur. (Barnes and Richardson, 2003)[20]. Much is made of the linguistic base of 'Ju' = flexible and 'Do' = way.

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16 B. Phillips, There are no Neat Patterns in Finance, Social Enterprise, Issue 45, March 2006. (*Phillips was formerly the Director of the Social Enterprise Unit in the Department of Trade and Industry.)

17 K. Alter & C. Leadbetter, Class Notes, Social Entrepreneurship Postings, Vol. 1 Spring 2006 (*Alter was a Visiting Fellow at the Skoll Centre for Social Entrepreneurships, Said Business School, University of Oxford.)

18 J. Cope, Towards a Dynamic Learning Perspective of Entrepreneurship, Entrepreneurship Theory and Practice, Vol. 29 No4, July 2005, pp 373-397

19 D. Rae, Entrepreneurial Learning: A Conceptual Framework for Technology-Based Enterprise, Technology Analysis and Strategic Management, Vol. 18 No.1, Feb.2006, pp 39-56

20 J. Barnes and R. Richardson, Marketing Judo: Building Your Business Using Brains not Budget, Harlow, Pearson, 2003

Coaching, mentoring and tutoring, and their links to self confidence, are well-established developmental approaches in many fields, not just social enterprise. On their own, however, they frequently place so much emphasis on human agency that the contexts in which they take place almost become invisible. 'Social Enterprise in Practice' is intended – via detailed case-study material - to contribute a more contextualised and grounded view to complement these more individualised approaches. Even within our small sample of organisations, very different relationships with social enterprise have emerged. In addition, the case studies frequently demonstrate the extent to which systematic intra- and inter-organisational tensions, the vagaries of external institutions and the twists and turns of markets, all combine to prevent managers from being in charge of their own destinies.

The detailed dynamics of the preceding chapters contain more unpredictability and contradiction than might have been anticipated, but these may be a more accurate reflection of social enterprise life. The implication for social enterprise trainers will be that they need to move beyond static formulae. Putting this into practice will benefit from the exploration of stories such as those reported here, and the generation of new ones.

Our interviewees reflected on:
- their ambivalence about the concept of social enterprise (Chapter 2);
- the tensions between social and economic objectives (Chapter 3);
- the unequal distribution of entrepreneurial skills (Chapter 4);
- the advantages and limitations of strategic planning in the face of external unpredictability (Chapter 5);
- the process of business appraisal and incubation, and the limitations on achieving sustainability when working with disadvantaged groups (Chapter 6);
- internal and external locations of organisational instability (Chapter 7);
- the dynamics of evaluative contexts (Chapter 8);
- tensions and conflicts in educational/training initiatives (Chapter 9);

and we refer readers to the final sections of these chapters for discussion of relevant development issues, some tentative recommendations or questions for further discussion. However, two further training issues have arisen from our material. These relate specifically to the process and purpose of social enterprise training, and are expanded upon in the following sections.

10.2 Curriculum and Process

Much curriculum development (with reference to social enterprise) has concentrated on content and output, on what topics should be taught and to what effect. We would argue for greater consideration being given to issues of process; that is how people learn. Alongside a pre-occupation with achieving a balance in the curriculum between business development (business plans, marketing, sustainability) and social values (inclusion and advocacy), we would argue for a greater emphasis on experiential approaches, where each student is encouraged to use their own experiences to achieve a wider and deeper understanding of social enterprise.

It is our contention that one of the most significant characteristics of social enterprise activity is its unpredictability; the social enterprise environment is shaped less by stable and predictable influences and more by change and discontinuity. Encouraging students to recognise and explore different facets of unpredictability will be a central task for any trainer or facilitator. Such explorations (whether individual or group-based) are likely to be most sustainable when trust has been established. To achieve this, it will be necessary to have a sensitive regard for learning processes. (See Cope, 2005 and Rae, 2006).

- Learning in context is a central feature of entrepreneurial learning. A key feature of these contexts is the need for negotiative and participatory skills on the part of the main stakeholders. Learning is more a collective social experience than an individual one.

- One of the fundamental dimensions of the learning process is narrative construction – the learner identifies meaning in a process of personal and social emergence, rather than having knowledge 'poured' into them.

- Much learning takes place in intense phases of 'critical learning events' (CLE), followed by more gradual, routinized learning. Examples of a CLE

might be the threat of closure, conflict between staff or sub-projects, and the collapse of project planning.

10.3 Curriculum and Purpose

The previous section identified certain dimensions of curriculum and process. This section is concerned with the underlying purpose. The most common, barely explicit, purpose of any training is to equip students to be more nearly 'perfect fits' within different occupational fields or organisational contexts. More rarely, there are references to the need to equip students to be 'critical citizens' so that they might still fit in, but in more 'qualified' ways, better able to conduct critiques of their own situation. We use the term 'critical' not in a disparaging sense but in the sense of being analytic and judgemental (from the Greek 'krites') about existing policies and organisational arrangements relating to social enterprise.

- A critical approach would consider the inter-relationship of ideas/ideologies and social organisation. The former often seem self-evident, taken for granted. Social enterprise is about a mix of making money and mission - witness the quotations at the beginning of this chapter. Money, however, can be either a purely 'technical' matter for accountants, bankers and financiers to sort out, or a symbol of capitalist relationships. The fact that the development of social enterprise is rarely analysed in terms of changes in the form and content of contemporary capitalism may be partly a reflection of the power of taken for granted ideas about the appropriate focus of attention. Whilst the 'bigger picture' is not the primary concern of this report, it remains an important dimension of any truly comprehensive analysis.

- One potential approach to the critical study of social enterprise has been labelled 'Critical Management Studies' (CMS) (Cameron & King, 2006; Fournier & Grey, 2000).[21] Core themes of this approach are:

a. a detachment from a prioritisation of efficiency/effectiveness in favour of concerns about who is (dis) advantaged by management;
b. a determination to scrutinise common sense (for example, about social enterprise);
c. a commitment to self-criticism.

A 'CMS' approach to social enterprise might, therefore, consider the extent to which many agencies (wittingly or otherwise), have let the state or government 'off the hook' by providing services for excluded groups. That is, they could be replacing elements of public provision, at a lower cost and without an adequate public debate about the merits or otherwise of this. To be a successful social enterprise, within a critical perspective, would be to consider these wider views.

10.4 Social Enterprise in Practice

The government has recently endorsed the idea that 'great stories' about social enterprise can play a part in its further development. By November 2007, at least 20 'Ambassadors' are to be hired to relate 'great stories' about "what social enterprise can achieve" (Ed Miliband, quoted in Office of the Third Sector website, 4/4/07). We support such an initiative but worry that an emphasis on tales of achievement will be counter-productive as a development tool. One of our interviewees recently talked of his involvement with an Enterprise in Schools programme. He concluded:

> "The teachers said 'Don't give me all that 'Isn't it wonderful' case-study stuff; be realistic'".

In our report we have attempted to do just that; to acknowledge success but to demonstrate how this rarely comes easily. Intertwined with real progress, there have been episodes of frustration, struggle and conflict, even failure. The quotes on the following page, while describing some of the many achievements of our case study agencies,

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21 H. Cameron & D. King, Writing Critical Management Studies in the Voluntary Sector, Seminar Paper, Voluntary Sector Studies Network, 17 May, 2006.

V. Fournier & C. Grey, At the Critical Moment: Conditions and Prospects for Critical Management Studies, Human Relations, Vol. 53 N o.1 (2000), pp 7-32

A Few Examples of our Case Study Organisations' Successes

- "The reality of working in this environment is not one of daily sunshine, although it does peek through the clouds occasionally. Our biggest single achievement was the completion of the £2 million Learning and Enterprise Centre. This piece of 'sunshine' has led to the original Year 1 income forecast being increased from £29.9k (based on current monthly income) to £63.78k."

- "I'm always wary of social businesses that set up with a big amount of capital funding. One of our start-ups was a nappy laundry, and they were adamant they were going to buy all the expensive industrial equipment themselves. I suggested exploring a partnership with the local hospital, to use their industrial laundry – at least to start off with. But they decided they wanted control, so they put in a bid for money for the equipment. Three months after the course we met up for a reunion, and I learnt they hadn't got the funding. Now they have a partnership with the hospital after all, which is working really well. Best of all, they're convinced it was their idea all along!"

- After being almost bankrupt, our biggest success is that we've been in our new building for three years and have raised the funding to complete the third phase of the refurbishment. As well as offering studio space to 80 artists, it is also the base for a number of projects – the city's multicultural celebration and a training and education project with 40 young people. But one of the things we're most pleased with is the project to regenerate the local park, working with 30 local people, using the arts to make a fundamental difference to the local quality of life."

- "Our two biggest achievements have been the Preparation courses for refugees with health qualifications (we have run 12 three-month courses since 2000) and our hosting scheme for young asylum seekers."

- "Given the problems we had in winning new contracts, we needed to look for new ways of meeting our social and economic objectives. We are now working in partnership with a national construction company to provide year-long training and employment opportunities to local people. The company is providing £110k so that we can work with people from excluded groups to develop their skills. At the same time the initiative will provide a range of services to businesses and also to community organisations to improve the local environment. We're now looking at rolling out this model across the region."

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encapsulate this. Sadly, for example, the very first quotation comes from a prize-winning social enterprise which has recently collapsed. (See 7.1).

Our case studies illustrate what we believe to be some of the systemic features and challenges of social enterprise organisations. The stories may not describe everyday events, but they exemplify familiar themes and we offer them as one contribution to the further development of social enterprise within the voluntary and community sectors. They do not contain a set of neat prescriptions about how to progress towards a more sustainable future, but some conclusions are outlined below.

- **Social enterprise development in the voluntary and community sectors is in its infancy;** there are few firm, agreed definitions,

much enthusiasm, numerous positive anecdotes, and insufficient, critical stories. We are still practising and far from perfect.

- **There is no one definition of social enterprise** that can benefit developmental work. Stating that 'trading for a social purpose' is at the core of our concerns is only helpful to the extent that it prepares the way for a variety of examples. These must still be analysed for their differences. One starting point is inter-sectoral location. That is, does the social enterprise have primary links with the corporate, public or voluntary sector? In the first case a social enterprise might be expected to emphasise its economic goals most strongly, whereas, in the last two, social inclusion may be more prominent.

- **Context matters**- Whether a social enterprise is in a medium-sized former steel town or in a multi-ethnic metropolitan area, for example, will influence the kinds of employees and trustees it can attract, the nature of inter-organisational relations, levels of professional support (from the corporate and public sectors), and most crucially the size and sustainability of its markets.

- One of the major recurring issues in our case-study agencies was **the tension (sometimes conflict) between social and economic goals**. This tension may erupt more often within social enterprises which identify with the social goals common in many parts of the voluntary and community sectors.

- Some 'eruptions' have the potential to become **'Critical Learning Events'** (CLE's) insofar as they impact, in breadth and depth, within an agency and beyond into its external relationships. 'Learning' takes place if significant stakeholders recognise and communicate the ways in which such events (the rise and fall of an ethnic café, the imminent or actual collapse of a sub-project or agency) illustrate key organisational issues.

- The problem with CLE's lies in their unpredictability; it is therefore necessary to attempt **'Planning for Uncertainty'.** At one level this is a contradiction in terms, but two kinds of precaution are possible:
  a. **Focus** – It will be tempting, especially in areas with more limited markets, to widen the portfolio of activities. 'Hedging bets' is a familiar strategy, but this can lead to an over-commitment beyond the capacity of agency resources.
  b. **Human Resource Development** – In conditions of endemic over-stretch, two forms of reinforcement are common. Firstly management may seek to build high levels of trust and solidarity which make episodes of sweat-equity possible – paid workers additionally become unpaid volunteers.

Secondly the wider network of trustees, advisers and supporters can be integrated into parallel forms of solidarity and commitment.

- **These tactical responses to uncertainty may not be sufficient if external influences combine**. For example, if contracts are not won or if payments are delayed. The knowledge and skills necessary to manage external uncertainty include an awareness of, and sensitivity to, inter-agency relationships. Our stories reveal how a mix of group work, impression management, competitive risk-taking and diplomacy can reinforce the viability of the social enterprise.

10.5 An Endnote

One school of thought considers that socially enterprising people are exceptional individuals who emerge in complex interactions with successive challenges in their environment. No doubt there are a few of these in a country of 60 million. Our case studies suggest a more collective and contextualised view. Successful social enterprises have managers and trustees who have built degrees of trust and commitment, and who are aware of the 'ecology' of inter-personal and inter-organisational relations which must be maintained. If even a modest degree of financial sustainability is to be achieved, whilst socially inclusive practice is encouraged, then developmental strategies for social enterprise will need to move beyond a fascination with individual heroes and heroines. Our stories attempt to 'put them in their places' so that readers can follow their different journeys and be a little more aware of what may lie just around the corner.

APPENDIX 1
SOCIAL ENTERPRISE ORGANISATIONS:
A SAMPLE OF WEB SITES

The field of social enterprise organisations is extremely fragmented, so there is no single, agreed and standardised list from which to sample. Our list attempts to reflect the whole range of training providers, and emerged via a search of Google, a review of recent conference papers and widespread discussions; it is intended to be accessible and illustrative rather than comprehensive.

Organisation	*Website*	*Organisational activity*	*Link to Education, Training & Support?*
Statutory			
Social Enterprise Unit	www.sbs.gov.uk (link to social enterprise)	DTI original 'home' of social enterprise, (now Cabinet office) run by Small Business Service. (SBS) *Statutory.*	Indirect – but link to Phoenix fund.
Social Enterprise Partnership	www.sepg.co.uk	Partnership of major social enterprise orgs in UK. Sponsored by DTI. Measures quality and impact, and business development and support. *Statutory / 3rd sector.*	Indirect – site covers training in detail. Also includes "Understanding social enterprise" – an Intermediate Labour Market qualification. Directory of social enterprise trainers.
Enterprise 4 Inclusion	www.enterprise4 inclusion.org.uk	Defra funded action research project providing support to social enterprises in rural areas. Grants and specialist advice. *Statutory / Support* Partly run by Co-operatives UK (see below)	No information. Link to support adviser.
	www.socialenterp risevisits.com	Phoenix Development Fund organised visits to social enterprises. Closed March 2006. *Statutory.*	No
Social Enterprise Coalition	www.socialenter prise.org.uk	UK national body for social enterprise.	No – but link to case studies.
Commercial			
Social Firms UK	www.socialfirms. co.uk	Represents interests of social firm sector. *3rd sector / commercial.*	No – but huge list of resources

Governance and participation project	www.gandp.org.uk	Co-operatives UK run site aiming to develop ways of co-operative working. *Co-op / Support*	Yes – to workshops
Ci research	www.ci-research.com	Market research and consultancy firm. *Commercial / Training*	Whole site is geared to selling services
SFEDI	www.sfedi.co.uk	Researchers and developers of occupational standards including social enterprise units developed in conjunction with The Social Enterprise Partnership	Site is geared to training and support
Economic Partnerships	www.economicpartnerships.com	Provider of accredited training programmes to vol sector and social enterprises	Yes – whole site
3rd Sector			
Bizzfizz	www.bizzfizz.org.uk	New Economics Foundation run program for entrepreneurs in disadvantaged areas. *Third Sector / Training*	Whole site geared to free services.
ICOM	www.icof.co.uk/icom	Lobbying group for co-op movement. See also ICOF – loan fund for co-ops. *Co-op*	No
Co-operatives UK	www.cooperatives-uk.coop	Website promoting co-operative enterprise. *Co-op / Support*	Link under projects to Researching social enterprise support needs – Social Enterprises with a wide market focus.
The Development Trusts Association	www.dta.org.uk	The national body for development trusts. *Third Sector / Support*	Link to knowledge and skills exchange programme. First go to Asset Development Advice.
New Statesman / Edge Upstarts	www.edgeupstarts.org/awards	New Statesman – soon to establish a "Knowledgebase" – a database of info for anybody in social enterprise or practical learning sectors. *Third Sector / Support*	Not ready at time of survey.
School for Social Entrepreneurs	www.sse.org.uk	UK-wide programme for social entrepreneurs. *Education*	Whole site geared to education.

New Economics Foundation	www.neweconomics.org	The main link to research into soc enterprise from the DTI site. "Proving and Improving" is useful in parts. *Third Sector / Support*	Link to "bizzfizz" (see above) under "do it".
Cooperative assistance network Limited (CAN)	www.can.coop	Specialist development workers, trainers and consultants to Coops, Soc Ents and Local Community Initiatives. *Commercial / Education*	Whole site.
Judge Business School - Cambridge	www.jbs.cam.ac.uk	Provides Master's degree in Community Enterprise. *Education*	Try putting social enterprise in sites search engine
Said Business School - Oxford	www.sbs.ox.ac.uk	Home of Skoll Centre for social enterprise which "aims to be the world's leading academic institution for social entrepreneurship." – *Education*	Link under faculty and research to Skoll Centre for social enterprise.
Centre for Co-operative Studies - Cork	www.ucc.ie/ccs	University research centre looking at co-operative organisation. *Education*	Education site.
Community Action Network	www.can-online.rg.uk	Leading organisation for the development, promotion and support of social entrepreneurs. *Commercial / Co-op*	Yes –under services. See also CAN Pilot – a tool for social entrepreneurs.
The Guild	www.the-guild.co.uk	Leading provider of business support, training and consultancy to the social enterprise, voluntary and community sectors. *Commercial*	Yes – under services.
Regional / Local Organisations			
The Cats Pyjamas	www.the-cats-pyjamas.com	Training by visits to social enterprises. *3rd sector / training / commercial*	Yes although site not updated recently
MERCI	www.merci.org.uk	Environmental group based in East Manchester.	No
Manchester Social Enterprise Forum	www.msef.org.uk	Independent forum of social enterprises in Manchester	No
Social Enterprise Development Initiative (SEDI)	www.sedi.org.uk	Black and ethnic minority community development organisation based in Cheetham Hill.	Website not working.

The Big Life Group	www.chrc.org.uk	The Big Life umbrella of social enterprises and vol orgs.	Not really – link to services offers a range of services including self-help groups. Details of in-house training not visible
3rd Sector Enterprises (3se)	www.3se.co.uk	Social Enterprise Support agency based in Greater Manchester. Access to subsidised short courses relating to social enterprise. Statutory / 3rd sector (part of Business Link / SBS)	Yes
Salford City Council	www.salford.gov.uk	Local Authority	Try searching for social enterprise in search engine
Manchester Enterprises	www.manchester-enterprises.com/fundingprogrammes/socialenterprise	The Greater Manchester Social Enterprise Action Plan. Mcr Enterprises are the parent body of 3se.	Yes – social enterprise customised training programme link under projects.
Social Enterprise London	www.sel.org.uk	Provide services including advice and consultancy. *Regional / 3rd sector / support*	Yes - services
Miscellaneous			
Voice06	http://www.socialenterprise.org.uk/Page.aspx?SP=1932	The National Social Enterprise Conference	Yes – 2 presentations on supporting social enterprise
Social Economy Network	www.socialeconomynetwork.org	Provides links to soc ents and trainers. N Ireland dominated	Yes

The Social Enterprise Partnership commissioned the identification of national occupational standards for social enterprise; these are part of the wider standards for small businesses. Numbers 16,17 and 18 appear to be more specific to social enterprise.

Unit 16 examines opportunities to develop social enterprises; the central drivers are economic. Reference is made to local unemployment rates being a potential influence, but social problems as the reason for social enterprise start-up are not discussed.

Unit 17 concentrates on the practical features of starting, such as building a business plan, with some general remarks about social purpose. There is then specific consideration of start-up costs, working capital, income, expenditure, cash flow, profitability. One small section (17.1.e) notes the possibility of conflict between commercial and social objectives. A third of the material concerns legal structures, implying that social enterprises are essentially formal.

Unit 18 is about improving performance, with a continued emphasis on commercial criteria. There is useful advice (in the separate business development standards) about what to do when social and commercial objectives are in conflict – that is, develop new social goals, identify commercial risks associated with social objectives and use ethical codes of practice.

Note
These occupational standards form the basis of the Institute of Leadership and Management's Level 5 award 'Understanding Social Enterprise' The related course consists of four one-day workshops designed as preparation for the 2000 word case-study assignment. The target customers are trainers and senior managers of formal social enterprises. Attention is paid to different values, and to the possibility of social-economic tensions, but it seems that the course designers believe that these can be resolved within the business plan.