CONCEPTUALIZAÇÃO DO EMPREENDIMENTO SOCIAL NO REINO UNIDO: UMA PERSPECTIVA CONTEMPORÂNEA

RESUMO
O conceito de empresa social é cada vez mais de interesse acadêmico em todo o mundo e é cada vez mais um componente integral das economias tradicionais de vários países, incluindo o Reino Unido. Apesar do interesse persistente de acadêmicos, o conceito é relativamente subdesenvolvido e inerentemente complexo e há vários aspectos da empresa social que permanecem em grande parte em pesquisa quanto à comparação com as empresas convencionais. Dado o advento da globalização e o aumento da concorrência, empresas sociais estão “sob pressão” para fornecer soluções mais inovadoras para problemas sociais que a sociedade no Reino Unido enfrenta. Por meio de uma ampla revisão da literatura de empresas sociais, o presente trabalho analisa a evolução destas organizações, como essas se adaptaram às mudanças no ambiente em que operam. As discussões mostram uma mudança cultural na conceptualização e prática das empresas sociais no país.

Palavras-chave: Privação; Empreendimentos Sociais; Sustentabilidade; Reino Unido.

CONCEPTUALISATION OF SOCIAL ENTERPRISE IN THE UK: A CONTEMPORARY PERSPECTIVE

ABSTRACT
The concept of social enterprise is gaining academic interest worldwide and is increasingly becoming an integral component of the mainstream economies of many countries, including the Unite Kingdom. Despite persistent interest from academics, the concept is relatively underdeveloped inherently complex and there are various aspects of social enterprise that remain largely under researched compared to conventional businesses. Given the advent of globalization and increased competition social enterprises are under pressure to provide more innovative solutions to social problems that society in the UK faces. Through a comprehensive literature review of social enterprises, this paper scrutinizes the evolution of these organizations as they adapt to changes in the environment in which they operates. The discussions show a cultural shift in the conceptualization and practice of social enterprises in the UK.

Keywords: Deprivation; Social Enterprise; Sustainability; United Kingdom.
CONCEPTUALISATION OF SOCIAL ENTERPRISE IN THE UK: A CONTEMPORARY PERSPECTIVE

RESUMEN

El concepto de empresa social está cada vez más del interés académico en todo el mundo y es cada vez más un componente integral de las economías tradicionales de muchos países, incluyendo el Reino Unido. A pesar del interés persistente de los estudiosos, el concepto es relativamente subdesarrollada e inherentemente complejo y hay varios aspectos de la empresa social que siguen siendo en gran medida poco investigado en comparación con las empresas convencionales. Ante la llegada de la globalización y el aumento de la competencia, las empresas sociales están bajo presión para proporcionar soluciones más innovadoras a los problemas que enfrenta la sociedad en el Reino Unido. A través de una revisión exhaustiva de la literatura de las empresas sociales, este trabajo analiza la evolución de estas organizaciones ya que se adaptan a los cambios en el entorno en el que opera. Las discusiones muestran un cambio cultural en la concepción y la práctica de las empresas sociales en el país.

Palabras clave: La Privación; Empresa Social; Sostenibilidad; Reino Unido.

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1 INTRODUCTION

Contemporary enterprise policy discourse in the UK defines a social enterprise as a business with “primarily social objectives and whose surpluses are principally re-invested for that purpose in the business, or in the community, rather than being driven by the need to maximise profit for shareholders and owners” (DTI 2002, p. 7). Social enterprises, however, come in different forms such as employee owned businesses, co-operatives, and community businesses, and they are subject to different interpretations worldwide (Parenson, 2011). This reflects the complexity of social enterprise and the lack of consensus on its nature and characteristics (Dacin et al., 2011). However, researchers and academics generally agree that a social enterprise is a business that seeks to bring people and communities “together for economic development and social gain” (Martin & Thompson, 2010, p.6). In the United Kingdom (UK), much of the context of social enterprise lies in the delivery of public services and ensuring a sustainable approach in addressing deprivation in communities (Seanor et al., 2013; Spear et al., 2009). There is no doubt that the UK government wishes to see a more business-like social enterprise sector that is capable of assisting in the delivery of social services (Simons, 2008). Cuts in statutory funding for social enterprises and the effects of globalization are increasingly forcing social enterprises to consider more commercial practices so that they can achieve financial sustainability (Harradine & Greenhalgh, 2012; Mswaka & Aluko, 2014). The key question is whether this development has influenced the way social enterprises operate and are conceptualized in the country. This is a key area in the evolution and understanding of the concept of social enterprise that has not been sufficiently addressed by academics. This paper seeks to address this gap in knowledge by scrutinizing the development and growth of social enterprise in the UK. This paper is structured as follows; first I analyze the literature on the evolution of the concept of social enterprise specifically focusing on how it is understood in contemporary discourse. Second, I discuss social enterprise development, particularly in challenging economic environments. Lastly, I discuss implications of this paper’s findings on conceptualization of social enterprise and policy formulation.

2 CONCEPTUALIZING SOCIAL ENTERPRISES: LITERATURE REVIEW

This section of the paper reviews the literature on the development and evolution of social enterprises in the United Kingdom. The purpose of this literature review is to establish the current state of knowledge about social enterprises and to identify key trends and gaps in this knowledge. The section largely focuses on existing empirical work and how it has contributed to what we know about social enterprises.

2.1 Origins of social enterprise in the UK

The social enterprise concept has developed from a complex framework involving economic, political, and social changes and has a longer history than that of the corporate sector (NEF, 2001). In order to gain deeper insight into the development of social enterprise, a useful starting point in this paper is to understand the social economy. The concept of the social economy underpins contemporary understanding and analysis of social enterprises. Neamtam (2002) regards the social economy as including all initiatives which are not part of the public nor private sectors. Most researchers agree that the industrial revolution of the nineteenth century, characterized by rapid industrialization and harsh economic conditions, is associated with the development of contemporary social enterprises (Borzaga, 2007; Moulaert & Ailenei, 2005). Extensive analytical work undertaken by these researchers provides an interesting etiology of the social enterprise by focusing on its establishment and growth. There is consensus that the staggering technological advancements and innovation of the industrial revolution led to the emergence of various programs and institutions aimed at improving the welfare of workers (Moulaert & Ailenei, 2005). These interventions are often seen as the forerunners of the social economy as we know it today. Seminal works, such as Polanyi (1957), concur that in the nineteenth century the social economy was seen as a counter-narrative to the pervasive exploitation of labor by the capitalist modes of production prevailing at the time. However, it is important to note that some researchers such as Defourny and Develtere (1999) argue that the social economy predates the industrial revolution, citing the early Roman Colleges of Craftsmen. Moulaert et al. (2000) and Moulaert and Nussbaumer (2005) regard the development of social enterprises as a product of institutional innovation (i.e., innovation in social relations, governance, and empowerment dynamics) and the innovation of the social economy itself. They further argue that social enterprises evolved because it was inevitable that the welfare model, characterized by state support and philanthropic interventions, would not be sustainable indefinitely. Borzaga (2007) argues that the sustained social and economic pressures on this form of support eventually caused an increased demand for service provision. Bridge et al. (2009) agree, asserting that the early twentieth century political and economic turbulence emanating from post-Fordist manufacturing systems exerted pressure on the state to provide effective welfare intervention. The inability of the state to address this problem resulted in the emergence of self-governing enterprising organizations to fill the gaps (Salamon, 1994; Peattie & Morley, 2008)
2.2 Conceptualization of social enterprise

Despite the growth of social enterprise, its definition remains contested (Doherty et al., 2009). Researchers and academics concur that there is no single definition that appears to capture its essential nature. There is uncertainty and confusion around its interpretation and understanding (Dacin et al., 2011; Peattie and Morley (2008) argue that researchers tend to focus on the specific characteristics of a social enterprise in their definitions, which then cannot be applied across the sector. Some social enterprises view themselves variously according to their legal structure, their mode of operation, their functions, or their relationship with communities (Martin & Thompson, 2010; Doherty et al., 2009). For example, the UK Department of Trade and Industry (DTI, 2002) concurs with Doyle (2013) and Defourny and Nyssens (2010) that a social enterprise should be a business and profits that are generated should be used to reinforce the organization’s social aims. They regard the generation of surpluses and commercial activities (in addition to the delivery of social value) as key components of a social enterprise’s objectives. They argue that profit and not-for-profit organizations should not be differentiated (Leat, 1998). Researchers such as Dees (2001), as well as Mswaka and Aluko (2014), consider profit distribution to be an integral aspect of social enterprises. A common theme in the above is that social enterprises should be competitive hybrid business firms, whose survival is dependent on robust business models. This position conceptualizes social enterprises as seeking innovative approaches to welfare provision, rather than relying on traditional philanthropic approaches.

On the other hand, researchers such as Pearce (2003) and Chell (2007), as well as like-minded researchers, argue that the maximization of personal gain is antithetical to social enterprise. This normative view identifies the social enterprise as purely welfare-orientated and democratic and depicts a clear philanthropic orientation for them and their wider social relationships (Doherty et al., 2009). This orientation is based on the structuralist ideological perspective, which achieved credibility in the 1960s and 1970s and challenged the neo-liberal market-led tendencies of advocates of ‘free markets’. Such arguments are also consistent with the historical development of the social enterprise discussed above. These commentators take the view that the core aim of social enterprise is to provide social benefits rather than achieve economic objectives and argue that social enterprises should continue to uphold/resist the destruction of the mutual system, typified by limited trading and resistance to globalization. Chell (2007) in particular is clear about what a social enterprise should be and what it should achieve. She insists that social enterprise exists to create social rather than economic wealth, arguing that the culture and ethos of social enterprises are based on “principles of volunteerism, ethical behavior and a mission with a social cause” (Chell, 2007, p. 11).

Despite the contested nature of social enterprise, some key defining characteristics of social enterprises on which there is broad agreement in the literature can be identified (Shaw & Carter, 2007). First, social enterprises are enterprise oriented. This means that they seek to be sustainable businesses with explicit objectives to generate surpluses and profits that can be reinvested back in the business to develop capacity instead of amassing personal wealth for those involved in the business (Martin & Thompson, 2010; Doherty et al., 2009). Second, they have clearly defined social aims such as job creation, training, or the provision of local services. They have ethical and environmental values including commitment to local capacity building and environmental preservation (Borzaga, 2007). They are accountable to their members and the wider community for their social, environmental, and economic impact (Chell, 2007). Third, social enterprises are characterized by social ownership in that they are autonomous organizations whose operations are based on participation by stakeholder groups (Pearce, 2003). An emerging picture from the above discussion is that a social enterprise is a hybrid business that seeks to achieve a triple bottom line of economic, social, and environment objectives (Chell et al., 2010).

Two key issues can be identified from the above discussions. First, despite different views on its definition, there is consensus that a social enterprise is first and foremost, a business engaged in some form of trading to produce a surplus or profit (Young & Lecy, 2014). Researchers also generally agree that social enterprises have three common distinguishing characteristics. These are enterprise orientation, social aims, and social ownership (SEL, 2003). Its characteristics reveal how the concept has morphed over time as an example of capitalism and surplus value extraction for a greater common good rather than for the benefit of an individual. Second, social enterprise as a concept is contested and has emerged and evolved within a broad, historical, macro-economic perspective. The institutional background of historical events such as the industrial revolution provided the impetus for the emergence and development of social enterprises in the UK. The philanthropic ideals that developed during this time became key tenets of the ideology underpinning contemporary social economy organizations. Social enterprise is therefore a product of the evolution of the social economy. Its objectives are associated with a rejection of profit maximization and material infrastructure and instead a focus on the provision of welfare to the communities it serves. From a theoretical point of view, social enterprise in the UK can therefore be analyzed from an institutional political economy perspective (IPE), given its historical development. This paper argues that the IPE approach, through its
structural analysis, allows us to understand the asymmetric power relations between the state, markets, and society (Gonzales, 2008). This is important since the discussions above show that social enterprises emanated from activities associated with socio-political action (Borzaga, 2007).

3 SOCIAL ENTERPRISES IN THE UK

Understanding the UK context of social enterprise is essential in understanding the origins of the government’s thinking on social enterprises and how this has influenced their policy formulation on addressing deprivation and creating sustainable communities. There are about 62,000 social enterprises in the UK, with a combined turnover of £27 billion per year (Cornelius & Wallace, 2013; Jones, 2010). This development is congruent with some of the government’s objectives of reforming the welfare system, such as tackling the dependency culture. Social enterprise continues to be a national strategy, central to the government’s policy of tackling exclusion and deprivation (Po-Hi, 2003) and the desire by the government is to make the sector financially self-sufficient and economically viable. These developments, in essence, are evidence that the government views globalization as an immutable reality and that its economic policy formulation is driven by the need to adjust and adapt, accepting the primacy of markets over politics through its Big Society program (Brown, 2006). This policy thrust regards social enterprise as a mechanism to tackle deprivation and exclusion through sustainable enterprise activities.

More often than not, prevailing political ideology determines the level and forms of support for voluntary sector organizations and social enterprises (Carter, 2003). The current Conservative government, through its ‘Big Society’ strategy seeks to continue the development of social enterprises but with an increased emphasis on autonomy and viability (Schwartz, 2010). The government would like to see enterprises operating as sustainable businesses and taking advantage of all legal, financial, and taxation structures available to them to achieve their objectives (Hampson, 2010; Jones, 2010). The success of this strategy, however, is threatened by the current severe public spending cuts announced by the same government under its Comprehensive Spending Review Program (Hampson, 2010). Social enterprise support organizations fear that these cuts will force public sector organizations to transfer assets to the private sector rather than to social enterprise as they streamline their operations. There is an argument therefore that transfer of assets should be ‘locked’ in to social enterprises to enable them to continue delivering public services (Jones, 2010).

Despite the popularity and growth of social enterprise in the UK, the sector still faces significant challenges (Martin & Thompson, 2010). It has also become clear that pervasiveness of social problems cannot be adequately addressed by philanthropy and state funding (Mswaka & Aluko, 2015). In addition, globalization, scarcity of resources, declining philanthropic support, increasing competition, and, recently, the economic recession, are pushing social enterprises to search for new ways to augment their budgets and become financially sustainable (Mswaka & Aluko, 2015). This requires a review of social enterprises’ legal and institutional capacity to extract the resources necessary to achieve economic sustainability (Etchart & Davis, 2003; Mswaka & Aluko, 2014). Consequently there is evidence of a culture shift among social enterprises, as they appear to put more emphasis on the achievement of financial rather than social goals. This dimension is discussed below.

4 DISCUSSION AND ANALYSIS

While the above discussion has focused on the evolution and the contested understanding of the concept of social enterprise, it also highlights an emerging nascent taxonomy of social enterprise, which focuses on two different ideological perspectives. Table 1 below summarizes these two different perceptions and interpretations of the concept of social enterprise in the UK. This also allows us to critically analyze the trajectory that contemporary social enterprises are taking in light of the challenges they face.

Table 1 - Summary of conceptualization of social enterprise
Conceptualisation of Social Enterprise in the UK: A Contemporary Perspective

<table>
<thead>
<tr>
<th>CHARACTERISTICS OF SOCIAL ENTERPRISES</th>
<th>PHILANTHROPIST/WELFARE VIEW</th>
<th>MARKET VIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission</td>
<td>1. Purely philanthropic.</td>
<td>1. Hybrid: - pursuit of economic and social or environmental goals</td>
</tr>
<tr>
<td></td>
<td>2. Mission and value driven and embedded in the community.</td>
<td>2. Mission and value driven and embedded in the community</td>
</tr>
<tr>
<td>Profit/surplus management</td>
<td>1. Non-profit distribution.</td>
<td>3. Economic value creation through trading activities</td>
</tr>
<tr>
<td></td>
<td>2. Limited or no trading</td>
<td></td>
</tr>
<tr>
<td>Governance and legal structure</td>
<td>1. Social ownership characterized by agency-principle relationship (e.g., co-operatives, company limited by guarantee)</td>
<td>1. Social ownership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Allows participation of external shareholders (e.g., company limited by guarantee, community interest company, share capital model)</td>
</tr>
</tbody>
</table>

Table 1 above illustrates a comparative analysis of the conceptualization and perceptions of social enterprise from a philanthropic or welfare view and a market view respectively. The philanthropic or welfare approach reflects the purely philanthropic approach, devoid of commercial activities. From this perspective, social enterprises reinforce the mutual system in that they reject exploitation and instead “choose to invest in society’s most disadvantaged people” (Ogden Newton, 2007). The welfare view therefore constitutes an extension of the values and ethos of the pioneering social economy organizations, which are the precursors of contemporary social enterprises as discussed earlier in this paper. By adopting a purely philanthropic stance they make it clear that they exist to respond to and address social needs (Mendell & Levesque, 2004). The majority of these types of social enterprises are largely reliant on grants and volunteer contributions (Shaw & Carter, 2007). It is also doubtful whether such organizations could be run as successful businesses, or whether they should be called enterprises at all. This is why some researchers have suggested that the concept of social enterprise tends to be used selectively, perhaps sometimes just to access funding or specific forms of support (GHK, 2005). It is therefore unlikely that such organizations could develop the capacity to be financially self-reliant and so substitute for the state in welfare provision. Their legal structures are characterized by social ownership, grant funding, and a not-for-profit orientation (Lyon & Humbert, 2012). While such structures may permit these organizations to trade, their nature places severe restrictions on building a wider resource base. Current evidence, however, suggests that social enterprises underpinned by a strong philanthropic or welfare ideology are struggling to achieve their objectives in challenging environments. This resonates with the views of Buttenham (2002), who stresses that merely doing well does not enable social enterprises to achieve their objectives.

The market view of social enterprise shown in Table 1 depicts a social enterprise as a business that seeks to integrate commercial trading activities in its operations to achieve financial sustainability, despite its ideological focus on addressing social issues. The key difference from a conventional commercial firm is on how surpluses are managed, with the firm associated with profit distribution and personal gain. This view highlights the continuing blurring of traditional boundaries between private firms and social enterprises (Bubb, 2007). This scenario represents the emerging trend in the contemporary discourse on social enterprise sector in the UK, as they attempt to mitigate the effects of globalization and increased competition. It implies that a social enterprise is essentially a firm...
keen to ensure its survival by engaging in sustainable trading activities and forging corporate partnerships with organizations outside the social economy (Mswaka & Aluko, 2014). The philanthropic approach can no longer sustain social enterprise activities in hostile economic environments (de Kam, 2005).

The market view therefore considers the social enterprise to be a hybrid firm that seeks to achieve both social and commercial objectives rather than a voluntary or charitable organization (Lewis et al., 2004; Martin & Thompson, 2010). Manning (2006) supports this dimension, arguing that where social enterprises have been successful, it has been largely through pursuing commercial aims through trading without compromising their social ethos. Mswaka and Aluko (2014) argue, however, that the adoption of a commercial orientation does not imply maximization of profit, but instead maximization of value delivery. For social enterprises generally, the term ‘profit’ is an anathema and this is not surprising given their ideological origins in the rejection of capitalism and personal gain (Eversole et al., 2013).

The social enterprise landscape in the UK has therefore been characterized by a move towards commercialization of their activities in order to maximize extraction of value. This corporatization of their operations has seen increased consideration of for-profit governance and legal structures of social enterprises that allow them to compete with the private sector for resources in increasingly competitive environments (Brown, 2006). For example, the UK government introduced the Community of Interest legal structure, CIC, that allows social enterprises to take advantage of equity investments from external investors (Department of Innovation and Skills, 2013). While uptake of this type of legal structure has not been encouraging, it nonetheless reveals a paradigm shift in the evolution and culture of social enterprise. (See Brown, 2006, and Mswaka & Aluko, 2014). This development confirms the state’s intentions to support the growth of social enterprises through the incorporation of for-profit business practices (Brown, 2006).

It is also important to note that the contemporary development of social enterprises has seen them widening their thematic areas in which they operate. For example, some social enterprises in the UK are beginning to operate in non-traditional high growth areas such as commercial transport and information and technology (Bubb, 2007). These developments reflect the potential of social enterprises to contribute positively to a diverse range of economic activities in the same manner as for-profit enterprises. This means that, although social enterprises are mission led, they are also driven by markets (Alter, 2006). This development challenges the widely accepted view that social enterprise operates in areas of market failure (Chell et al., 2010).

5 CONCLUSION

The concept of social enterprise is at the core of the UK’s government policy on regenerating economically deprived areas of the country (Bacq & Janssen, 2011). The creation of viable and sustainable social enterprises was therefore at the core of the government’s social reform programs, a strategy which has continued under the current Conservative government. Social enterprise is therefore encouraged as a way of ensuring that communities generate additional resources from enterprises that contribute to the improvement of the areas they reside in as well as tackling poverty and exclusion (Cornelius & Wallace, 2013). In addition, social enterprises are generally regarded as a way of harnessing local social capital, an important element in promoting and sustaining community regeneration (DTI, 2002). A major assumption of this strategy, however, is that social enterprises should be run, not as welfare interventions, but as businesses that can generate surpluses to plough back into the community. The decline in traditional sources of funding and state support coupled with changes in the global economic environment, however, is pushing social enterprises in the UK towards a new trajectory. The dynamism, creativity, and innovation of the sector have resulted in gradual corporatization of the way they operate in order to deliver more value and remain competitive (Lyon & Sepulveda, 2009; Restakis, 2006). These strategic developments mean that social enterprise is no longer a subordinate form of production. It has become an indispensable tool for creating sustainable communities using innovative business solutions (Doyle, 2012). There is no doubt, however, that the UK has a vibrant social enterprise sector that continues to grow and becoming more business-like. This sector has also become increasingly important in integrating social justice and economic progress, especially through the provision of social value such as job creation, particularly in deprived communities (Moulaert & Nussbaumer, 2005; Mswaka & Aluko, 2015). In this paper, therefore, I acknowledge the importance of those social enterprises that are underpinned by strong philanthropic ideology in the UK, as they are still playing a crucial role in the communities in which they are embedded.

In this paper, I acknowledge, however, that, one of the major challenges for social enterprises as they commercialize their activities, is managing the inevitable philosophical clash between non-profit and for profit cultures (Doherty et al., 2009; Etchart & Davis, Doherty et al., 2009; Mswaka & Aluko, 2014). This is an area that requires further research.

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