

Social Enterprise: all aboard?

Should social enterprises have a monopoly on 'social'? Are they in danger of losing territory to other kinds of businesses – especially large corporates – that are adopting a version of social enterprise primarily because it offers access to new markets? Or perhaps there really are different ways that businesses can deliver social good and we should welcome this changing landscape? — Hempsons' Simon Lee and BSSEC's Alun Severn consider some issues that are close to their hearts

Numbers and awareness of social enterprise are growing. *The Future of Business* – SEUK's latest State of Social Enterprise Survey 2017 – suggests that there are somewhere between 67,000 and 70,000 social enterprises in the UK, and that they are setting a great example in terms of female leadership, working in deprived communities, and working hard to grow despite the generally gloomy economic outlook. But when we use the words 'social enterprise' do we all mean the same thing – and does it matter?

Social value – but not just for social enterprises

It was something we heard debated around the time the Social Value Act was being put together. An earlier draft of the legislation had included a definition of 'social enterprise', the idea being that only social enterprises (with a capital 'S' and a capital 'E') would be covered by the legislation. But this formulation was rejected during the parliamentary process, resulting in the Act applying to *all* types of businesses. While this meant that social value was recognised for the first time and could legitimately be factored in to public authorities' procurement decisions, it also effectively opened social value up to competition: all businesses, and not just social enterprises, would compete to offer social value.

Is that right? Is it fair?

These questions cut to the heart of a number of other things – is there a level playing field for social enterprises? Is it appropriate for social enterprises to have a 'leg up'? Should social enterprises have a monopoly on 'social'? And what should (or should not) count as a 'social enterprise' anyway?

I (Simon) had filed all this away in my mind long ago and moved on to other important things (like changing nappies) but, at approximately 7pm on Wednesday 13th September, I realised it had only lain dormant, like a squirrel slowing its metabolism to survive the scourge of a snowy winter...or something like that.

I was at the launch event for the Cordant Group's announcement that it was to become a social enterprise. Cordant, as you may or may not know, runs a range of services including recruitment, security and cleaning and is a large £800m a year corporate business. Until recently it was just one of many traditional 'for private profit' businesses in the country but it is now staking a claim as the largest social enterprise in the UK. As part of this transformation, the company says it will be capping executive pay at £400,000 – twenty times that of its lowest paid workers. And this got me thinking again.

Social enterprises have different origins

I have seen (both at first-hand and at a distance) social entrepreneurs who have spotted a social or environmental need and created a business model to meet it (the Big Issue is a well known example of this). I have also worked with many who, while part of the public sector, saw the benefits of running their services as a social enterprise or charity and put significant time and effort in to 'spinning out' and shaking off those things which had previously made it difficult to modify or transform services or behave more entrepreneurially. Each of these types of social enterprise is different, having its own advantages and its own challenges as compared with the other.

CIC conversions – what's genuine and what isn't?

In recent years I have also seen businesses which have – in legal terms at least – a traditional 'for profit' model but which want to build in social enterprise principles without going as far as, say, converting to a CIC. (It is rare for these businesses to be of the size of the Cordant Group, however.) This goes beyond mere 'corporate social responsibility' (though that too has a role to play in our society). What drives the people who think in this way, I wonder? Is it cynical business behaviour designed to cash in on social enterprise as the 'flavour of the month', or is it a genuine desire to do 'social' in a different way? Certainly, the advent of the Community Interest Company legal form – with its emphasis on community benefit – as well as the emergence of the 'B Corps' movement (B Corps claim that they are to business what Fair Trade certification is to coffee or LEED certification is to green building) are changing the social business landscape.

Lack of a true, cross-cutting, legal definition of 'Social Enterprise'

But it is here that the lack of a true, cross-cutting, legal definition of 'Social Enterprise' is both helpful and unhelpful. Unhelpful since, as a solicitor, I do like a good definition: knowing what's in and what's out helps keep me happy and in a wider sense would help clarify which are the 'real' social enterprises and which are the charlatans (or perhaps, put more kindly, the opportunists). But the lack of a stringent, *excluding* definition may also be helpful in that it allows businesses to exercise a social purpose in a wide variety of ways and offers the chance for newcomers – like Cordant – to challenge our preconceptions about social enterprise. This makes me wonder whether it really matters as long as there is more 'social' in the world than there was before.

In the absence of a legal definition what can we fall back on?

So if we don't have a legal definition to help us tell the difference, then what do we have? How do we know who is 'in' and who is 'out', who is genuine and who is merely opportunist – using a social enterprise badge to enter markets that might otherwise not be open to them?

Does the concept of 'authenticity' offer any help here? It seems to be cropping up a lot at the moment: the concept that it almost doesn't matter what you think or say you do as long as you're consistent and persistent in sticking to what makes you *you*. Alun, I know, finds this view hopelessly subjective and believes such an approach is an almost endlessly moveable feast that fails to offer customers or service-users (or investors or other types of stakeholders) any real assurance regarding a business's real social credentials.

What does 'beyond profit' actually look like – and how can we trust what it says?

Surely then, our yardstick must be the 'social' bit: what do organisations that call themselves social enterprises actually **do** that takes them beyond private profit? Is it about making greater social impact? And how do we know that's what they are doing?

This touches on the theme of 'social value' and 'social accounting'. In recent years much work has gone in to trying to develop social accounting models – such as Social Return on Investment (SROI) which can be readily adopted.

Some of these models attribute financial proxies to various types of impact and enable users to show an overall social return figure – for example, ‘for every £1 spent with us, we can show £2 of public benefit’.

These tools certainly have their place, but to many (including many public service commissioners, in our experience) they don’t always seem to speak in a language that is widely recognised.

Similarly, the ‘impact measurement’ industry, where hundreds of different approaches jostle for attention in a competitive marketplace – some using proprietary software, some claiming to be able to measure everything – sometimes seems of little use to the layperson who wants to understand a business’s social impact (the *good* it does) but who isn’t an impact measurement anorak.

Social enterprises certainly don’t need to adopt these kinds of formal mechanisms to show their social value (though of course they can help) – but it is increasingly important that they do find ways to report, demonstrate and articulate the social value they deliver. For without this, how can they differentiate themselves from (or, indeed, align themselves *with*) other businesses that are also claiming to be adept at delivering social value? Surely, if you are a social enterprise and ‘social’ is at the heart of what you do and why you do it, you will want to find ways to explain this ‘social’ element to anyone and everyone who is prepared to listen?

Social value – it shouldn’t just be about ‘procurement’

One of the downsides of the Social Value Act, it seems to us, is that it runs the risk of turning social value – of doing good – into an arcane debate that is primarily concerned with public sector service commissioning. Whereas in practice, social value as a concept is now gaining currency in a much wider range of contexts – in social investment, the Social Impact Bond movement, even philanthropic funding.

Ultimately, there needs to be enough for the average man or woman in the street to recognise the tangible difference that has been made without the need for spreadsheets, glossy brochures, or legal definitions. In this sense, just simple story-telling can be really valuable. The more this is done, and the more that people see, hear, and understand the social value that social enterprises can and do create in our communities, the better. Whether this comes from ‘self-starter’ social enterprises or those with public or private sector origins surely doesn’t matter so long as the ‘social’ is genuine and visible.

The social enterprise sector should be reclaiming social value

Social enterprise – in which social value has been a core concept for decades – should surely be at the forefront of demonstrating, identifying, reporting and explaining social value. It should be – it *is* – what makes the sector tick, and it should be leading the way on social value, rather than all too often having social value ‘done to it’. It’s great that the Social Value Act is still with us and is still gaining ground. But social enterprises themselves need to do more to widen understanding of social value and protect and extend the concept. The social enterprise sector needs to *reclaim* social value.

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