



An Overview of Social Enterprise

Social Enterprise has had a long and proud tradition beginning in the mid-19th century with the advent of Cooperativism led by the [Rochdale Pioneers](#). The movement has moved through various incarnations including: the reinvention of cooperatives in [Mondragon](#) in 1950s Spain; the 1970/80s Community Business movement (led primarily by John Pearce, see [Social Enterprise in Any Town](#)); Community Enterprise in the 1990s, followed by the re-definition of the approach as social enterprise by the first [Blair Government](#).

There have been significant disputes regarding definition of social enterprise which could be categorised as a *Scottish* versus *Anglo-US* approach.

- The *Anglo/US* approach is based on the concept of “[impact business](#)” advocated by the [Schwab Foundation](#), [Harvard Business School](#) and in the UK, [UnLtd](#). For this approach, there is a “what works” philosophy to creating social impact; organisational form and democratic/community control are not relevant. Private profit is acceptable and the role of the individual [social entrepreneur](#) is key. For the advocates of this approach social enterprise is any entity that uses earned revenue to pursue a double or triple bottom line
- The *Scottish* approach is firmly based on the work of [John Pearce](#). It is summed up in the [Senscot Code of Practise](#) which emphasises: trading in the marketplace; a lock on assets; democratic control and non-distribution of profit. Values, good employment practises, collaboration and empowerment are key foci rather than simply social impact.

The Scottish and UK social enterprise policy frameworks have shifted apart over the past 10 years. UK Government policy moved significantly since the 2010 UK general election. Some have argued that UK support for social enterprise lies in a [Thatcherite approach](#). Key issues include The *Big Society*, public service reform and the *Localism* agenda predominated. Briefly:

- **Health** - The UK Health Act indicated that individuals will have the power to choose any healthcare provider that meets NHS standards
- **Education** - Reforms enabled communities to set up and run “free schools” and will develop new “Academy Schools”.
- **Housing and Local Government** - Reforms gave people and organisations the right to request to take over local state-run services and the right to buy community held assets.



The general direction of travel was clear: England saw revolutionary change in the public service landscape which had a significant impact on the social enterprise sector.

The Right to Request initiative was introduced by the Labour Government in 2008 as a process through which NHS clinicians and managers working in the NHS in England could seek to develop a social enterprise to deliver Community Health Services. It also provided access to the Social Enterprise Investment Fund which could be used to support staff groups in completing their business cases. The former Coalition Government continued the scheme, and it is estimated that approximately 10% of the community health services currently provided by Primary Care Trusts are in the process of completing their business cases or have already launched as social enterprises.

In August 2010, the Cabinet Office launched the first wave of new [Pathfinder Mutuals](#) that piloted groups of public sector staff in a range of service delivery areas who are exploring spinning out into their own organisations.

Former Health Secretary Lansley has declared a wish to transform the NHS into “[the largest social enterprise sector in the world](#)”.

In Scotland, the Governmental path taken was less radical and not so aggressive an assault on the idea of public service provision. The [policy and funding framework](#) from the Scottish Government based itself on the Senscot Code, emphasising asset ownership and investment in organisational effectiveness, developing trading income levels, support for international social enterprise activity and developing new markets.

The Scottish Government and COSLA have jointly endorsed the concept of [community anchors](#) as the key feature of when genuine community empowerment takes place. This opens up new opportunities for social enterprise approaches reflecting that anchor role by:

- Providing a vehicle for community asset acquisition and management
- Providing a catalyst for sustainable community regeneration;
- Providing services for its constituency;
- Driving community renewal and local environment;
- Operating in partnership.

The Scottish Government argued that social enterprises potential should also be seen against the backdrop not only of the [Community Planning Agenda](#), the [Community Empowerment Act](#) but also the likely devolution of powers from Central



to Local Government and subsequent emphasis on subsidiarity principles. The new EU Structural Funds are also likely to be very supportive of this approach.

In Scotland, there are estimated to be around [3500 social enterprises](#) which include:

- Trading charities and SCIOs
- Community Interest Companies both limited by Guarantee (Senscot compliant) and by Share Capital (not Senscot compliant)
- Cooperatives (some Senscot compliant and some not)
- Community Benefit and Industrial Provident Societies (some Senscot compliant and some not).

Types Scottish Social Enterprises include:

- [Development Trusts](#)
- [Social Firms](#)
- [Community Land Buy Outs](#)
- [Credit Unions](#)
- [Community Energy Companies](#)

The future spread of Scottish social enterprises will likely be most noted, although not exclusively, in the following markets:

- Asset transfer holding bodies from Local Authorities based on the new Community Empowerment Act
- Organisations active in local energy company ownership
- Community Land buyouts
- Social care including residential/domestic/day-care and brokerage for self-directed support.
- Employability support based on the devolution of further powers to the Scottish Government
- And, the role of individual social entrepreneurs, such as [Frankie Hodge and Jackie Dunsmuir](#) and [Matt Fountain](#).

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