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Conceptualising Social Enterprise in the UK
through an appreciation of legal identities

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Abstract

Introduction:
There is no single legal structure for social enterprise in the UK. Yet, when the UK Government (narrowly) defined social enterprise in 2002, their characterisation received little critical scholarly attention! As Peredo and McLean (2006) and Peattie and Morley (2008) outline, scholars researching in the field (UK and beyond) on one hand have recognised the diversity of the business models (from Pestoff 1998, Amin et al, 1999 to more recently Ridley-Duff and Bull 2016; Defourny & Nyssens 2016) and the hybrid nature of these organisations (Billis 2010, Pache and Santos 2012, Doherty et al 2014). Yet strangely, on the other hand, scholars either, ignore, conflate or only give a cursory glance in mention of the different types of organisational legal identities (Bull 2008), ownership and/or governance forms when conceptualising the concept as a single entity (Dees 1998, Westall, 2001, Alter 2007).

Statement of the empirical or theoretical question:
Can a focus on legal structures help conceptualise an inclusive model of social enterprise?

Methodological approach:
This is a conceptual paper, based on my PhD thesis secured in 2015.

Main argument:
Despite numerous attempts to define social enterprise, as well as calls to move beyond definition, the field appears to be no nearer in providing an inclusive model of social enterprise. The objective of this paper is to conceptualise social enterprise in the UK. Firstly, there are numerous theoretical conceptualisations positioning social enterprise in various contexts and continents, so, through an appreciation and analysis of various theoretical positions this paper argues that current theory fails to fully represent the variety of organisational types that are coined ‘social enterprise’. Secondly, this paper tracks the rise of social enterprise in the UK from the 1980s to the 1990s. A decade where the concept emerged and formed in both the political consciousness and as an academic discipline. Therefore, the contribution to knowledge here is in identifying and acknowledging the different types of social enterprise in the UK. This paper provides a conceptualisation that embraces the multifaceted nature of social enterprise, which has previously and predominantly been a model of one-size, fits all. This paper presents a contribution to knowledge and alternative foci in presenting a theoretical conceptualisation of organisational types of social enterprise through incorporation within the UK legal regulatory frameworks.

Main conclusions and relevance:
An appreciation of the differences between (i) charity type, (ii) society type and (iii) company type social enterprises seems an important contribution to the definitional debates in the sector. The conceptual model provides the basis for further scholarly research in refining and building on corporate governance perspectives of social enterprise from other parts of the world. The practitioner implication is the potential of the model to influence new start-up social enterprise incorporation. The policy implications tie in with the practitioner implications, as this model could influence the development of business support for the sector, which needs to take into consideration the three ideologically, as well as operationally different, ownership and governance business models in UK social enterprise sector.
1. Introduction

Theorists position social enterprises (SEs) as organisations with aspirations to trade and generate earned income (as opposed to charity or grant finance) as the capital to achieve their social missions (Dees, 1998; Nicholls, 2006a). Nicholls (2006b) suggests that we need to know more about the organisational models and business practices of SEs. He refers to a need to understand the DNA of social enterprise. The lack of reflection, or the lack of a neatly defined set of terms, has left some exasperated, requesting we move beyond definitions, as Nicholls (2006b) suggests, the search for true meaning is like chasing a Chimera! For others the chase provides interest. Parkinson and Howorth (2008) argue that there is a necessity for greater theoretical exploration before refining and narrowing the concept of SE, yet research appears to be no nearer in providing a convincing theorisation, no nearer in framing the DNA.

Against the call to move beyond definition, this paper provides a critical appreciation of previous attempts to conceptualise SE. I take influence from Kerlin’s (2013) observations of the historical context for theoretical development, where she outlines;

“Evolving theory in this area [social enterprise] suggests that current institutions largely responsible for shaping different models of social enterprise initially arose from a rich mix of culture, local (including social classes), regional, and global hierarchies, and political-economic histories. These elements structured the development of the present day state, which then helped shape the current economic situation and civil society, which in turn both influence social enterprise development. Thus we argue that the state ultimately plays a key role in understanding a country’s social enterprise model” (2013: p.87).

In line with this, I adopt an approach by assessing the culture, regional and political-economic histories from a UK perspective to understand SE models in the UK. This paper presents an alternative view to prior research by conceptualising organisational types of SE through incorporation (within the UK legal regulatory frameworks). I will argue that SE is an umbrella term for three types; (i) charitable incorporated organisations, (ii) company incorporated organisations and (iii) society (co-operative & mutual) incorporated organisations. This approach links and builds on Ridley-Duff (2007), Ridley-Duff & Bull (2011, 2016) in critiquing unitarist and pluralist forms of governance and similar mapping studies across the globe, as part of the International Comparative Social Enterprise Models (ICSEM) Project (Defourny & Nyssens, 2016). I also build on Kerlin’s (2013) causal paths to SE models but take an organisational context viewpoint, as well as appreciating governments’ and other external forces’ role in the development of SE in the UK. The UK context highlights a particularly significant country in the development of SE (Amin, et al, 1999; Dey & Teasdale, 2015). Recognised as one of the forerunners to the emergence of SE globally, scholars often refer to the UK in relation to other continents (Defourny, 2001).

2. Conceptualising Social Enterprise

Nicholls (2006a) states that Banks (1972) first coined the term ‘social entrepreneurship’ in the context of value led, democratically owned and governed enterprises, responding to social problems in society. Etzioni (1973), a year later, focuses on the United States (US) and Soviet Union economies, suggesting a movement in public and private management towards a third system that blends both state and private management concepts. He described a reduced state economy and the rise of alternative business models working in sectors servicing what he called ‘domestic missions’ that are not attractive to the private entrepreneur, as the profit motive is not as great as in other sectors. Etzioni questions the theoretical positioning of the business model near the public sector, by arguing that entrepreneurship is core, and that they should be positioned closer to those of the private sector.

Previous research pinpoints the emergence of SE in the UK to a particular timeframe (Table 1), from the 1980s to 2010 (Ridley-Duff & Bull 2011, 2016; Sepulveda, 2014; Teasdale, 2011). This period of time is significant, as it encompases early reference to SE and the development into the political consciousness, under a Labour Government in the UK, from 1997, right up to the end of their reign in 2010. This commentary provides a background to the development of SE in the UK, drawing on theoretical models to illustrate conceptualisations. There are commonalities and contradictions between commentators in their views on the concept of SE. The intention here is to outline the messiness and ambiguity of conceptualisations of SE during this period of time but also to develop a theorisation that positions different legal forms of incorporation in the UK. The research question I seek to answer is;
‘Does an appreciation of legal form support a deeper understanding of the complexities of social enterprise in the UK?’

Social enterprise in the UK was born out of three inter-related socio-political historical contexts: (1) Influential radical left wing movements within co-operatives and community development institutions (Leadbeater, 1997; Pearce, 2003), taking influence from the emergence of social co-operatives (cooperative sociali) in Italy in the 1980s (Sepulveda, 2014). (2) A tool for economic growth within deprived communities, increasing social cohesion, tackling worklessness and social deprivation (Amin et al., 1999; Leadbeater, 1997). (3) A reshaping and expansion of government funding models for voluntary sector organisations that provide opportunities for social economy organisations to compete in delivering public sector contracts (Leadbeater, 1997; Westall, 2001).

Ridley-Duff and Bull (2011) trace the recent origins of SE in the UK to Freer Spreckley’s work in 1981, who devised a co-operative enterprise training manual (Spreckley, 1981). ‘Social enterprise’ was the term he used in the context of co-operatives and employee ownership. Concurrently, research introducing the idea that traditional business and management concepts could be brought into non-profits, alongside studies critically questioning this assumption, were surfacing in the US in the late 1970s (such as Newman & Wallender, 1978, in The Academy of Management Review). By the end of the 1990s the term social enterprise was being used to describe the trend towards a more ‘commercial’ approach, or as Sepulveda, Syrett and Calvo (2013), note a ‘modernising’ and ‘transforming’ agenda, in non-profits (eg; in the US, Dees, (1998); and in Europe [notably Sweden] Pestoff, (1998). Dees warns of the ‘dangers’ for non-profits that may be operationally and culturally challenged by commercial funding systems (1998). Dart (2004) concurs that this new ‘business-like’ model modifies the moral legitimacy of virtuous organisations towards ‘promarket’ political and ideological values. None-the-less, the UK was adopting this paradigm shift in the voluntary sector with the political zeitgeist for neo-liberalism. A new legitimising force was gaining in global appeal, which raised concerns towards hybrid business-like models in the voluntary sector (Dart 2004). Reid and Griffith (2006) and Johanson and Ostergren (2010) highlight the nature of isomorphism, the latter suggesting a movement to conformity in governance systems to the prevalent institutional norms in a given geographical context. I see Institutional isomorphism is a problem for SE and the purpose of this paper is to resist such pressures for a single governance system to become legitimised over alternatives. The focus here is on acknowledging the multi-faceted nature, breadth and diversity – and indeed resisting the tendencies of agents to claim the authoritative model of SE. In the following section current conceptualisations are highlighted to provide the context for refuting a convergence to a single governance form.

Prior to the launch of SE in the UK, Dees (1998) in the US and Pestoff (1998) in Europe were theorising a trend towards more commercial approaches in the non-profit sector. Pestoff (1998) outlines European thinking and what he calls the welfare mix between state and enterprise orientation (Figure 1). He draws on Polanyi (1944) to conceptualise SE as a combination of various actors (state, community and for-profit companies), deploying various logics of action (public, non-profit, private for-profit, informal and formal) and engaged in different economic exchanges (redistribution, reciprocity and market). Unlike ‘third sector’ conceptualisations of SE in the UK aligned to ‘community’, Pestoff places it firmly at the intersections between community-based, profit-making and public-benefit activities.

![Figure 1: Social enterprise as a combination of various actors, logics of action and resources (Pestoff, 1998)](image-url)
In turning to Dees (1998), who conceptualises a ‘social enterprise hybrid spectrum’ (Figure 2), which Peattie and Morley (2008) claims has influenced the entire UK research agenda. Dees’ spectrum proposes that SEs are the result of a transition, a hybrid type of organisational form that blends two very different ideologies in equal measure, mission (social value) and market (economic value). The hybridity also suggests a blending of private shareholder corporate governance and philanthropic stakeholder charity governance.

![Figure 2: Social Enterprise Hybrid Spectrum (Dees, 1998)](image)

Defourny (2001) highlights the emergence of a new, socially entrepreneurial form, where social innovation leads to economic change in a number of ways: (1) new services/products, emerging from the crisis of welfare systems, (2) new methods, emerging from multi-stakeholder arrangements, (3) new markets, emerging from state reform and devolution. He conceptualised SE (again as a single identity) as being positioned between traditional non-profits and co-operatives (Figure 3).

![Figure 3: Social Enterprise at the crossroads of non-profit and co-operative economies (Defourny, 2001)](image)

Defourny states that the SE sector is enlarging. This is not only represented by a growth in new start SEs but that the two economies (non-profit and co-operative) are coming closer. In Defourny's conceptualisation the dotted lines indicating gaps (presumably where organisations hybridise). Therefore, the concept is one of two types of economies in transition into a new business model. Like Dees, the hybrid nature of this new form of enterprise is unexplored and begs the question as to how a non-profit governance system blends with a very different co-operative governance system?

Well over a decade later than Spreckley, Leadbeater (1997) re-contextualises SE within UK welfare reform. He explains the withdrawal of the state (from delivering public services) and the individual social entrepreneurs (and their businesses) that tackle social problems, referring to practical examples from health care, housing, sport and youth service. He calls for a new corporate structure for SE, to eradicate current practices whereby an organisation may have several arms to their core business model; for example where a charity incorporates a trading arm as a different legal entity, so that alternative income streams can be captured. Leadbeater draws attention to the tensions between governance norms and practices between the two types of organisation as a barrier to decision making, cohesion and growth.
Westall’s (2001) contribution on social enterprise is from a UK policy/practitioner perspective. She conceptualises a four sector model (Figure 4). Westall outlines the space for social enterprise as a multi-stakeholder governance (charity type) or multiple owners (co-operative type) fourth sector. The space for social enterprise is interesting as she acknowledges the relationship between the voluntary sector, government sector and private sector at the cross-overs.

Westall’s conceptualisation interestingly differs as it suggests there are different forms of social enterprise. She identifies the voluntary position as reliant on grants, with no owners. Directors assume a gatekeeper and custodian role, as in those constituted in Charity Law, where Directors are Trustees. The fully self-financing position on the other hand has outside shareholders. Directors assuming a profit-maximising role, as in Company Law. Indeed changes in UK law in 2006 emphasised that Directors duty ‘is to the company’, and that a Director must ‘act in the way he (sic) considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole’ (Section 172.1, as reported in Nordberg, 2012, p.302). Nordberg points out that ‘members’ in this context relates to shareholders - not stakeholders, within the UK context, as stated by Johanson and Ostergren (2010).

Pearce (2003) claims social enterprise is - ‘not primarily about running a business’ - in the sense of maximising profits for individual wealth creation (2003:34). In making sense of the place of social enterprise in the economy Pearce’s three systems model (Figure 5) outlines public, private and social economies, where social enterprises are seen as part of the third (social economy) system. Pearce identifies social enterprise as being closer to the first (private enterprise) system, which highlights social enterprises as community enterprises, social firms (a particular form of social business for people with disabilities), social businesses, mutual and fair-trade companies. The model indicates social enterprises as operating from local to global and positioned on the trading side of an economy, as opposed to the planned side (led by state ideas). The model is useful in demarking social enterprise as a trading business, within the third system of the economy. However, the model fails to address the relationship that social enterprises have with the state - delivering services in the planned provision of the economy, which is represented in Westall's model (Figure 4).

Alter (2004) (Figure 6) outlines a similar argument to Dees, with enterprise orientations and SE positioned on a continuum. The distinction between different business models highlights a step change between those on both the social and economic value creation ends of the economy.
Bringing the conceptualisation debate up to date features the work of Ridley-Duff and Bull (2016) who introduce the idea of three core types of social enterprise; charitable trading activities (CTAs), co-operative and mutual enterprises (CMEs), and socially responsible businesses (SRBs). Likewise, recent research undertaken by Defourny & Nyssens, and the International Comparative Social Enterprise Models (ICSEM) Project (2013 - 2017) is of note. Of relevance in their model (Figure 7) is the positioning of four types of social enterprise based on core interests (GI, MI & CI) and a resourced based viewpoint (non-market to market income): SB – the social business model; SC – the social cooperative model; ENP – The entrepreneurial non-profit model and PSE – public sector social enterprise model.

Figure 7: Institutional trajectories and resulting SE models (Defourny & Nyssens, 2016)

As highlighted from these theoretical frameworks there is a patchwork of conceptual lenses through which to view social enterprise. Table 1 summarises the main characteristics of each of the models. They share commonalities in their hybridity, yet the breadth of organisational types within the concept of social enterprise is not sufficiently acknowledged. A concern with narrowing the focus of the concept to one based on commonalities, fails to engage with the differences inherent in the disparate entities that have been badged together as social enterprise.

<table>
<thead>
<tr>
<th>Author</th>
<th>Model</th>
<th>Social Enterprise Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pestoff (1998) EU</td>
<td>Social enterprise as a combination of various actors, logics of action and resources.</td>
<td>➢ Various organisational types&lt;br ➢ At the heart of SE: private, formal, not-for profit enterprise &lt;br ➢ Mixing: market, reciprocity, redistribution</td>
</tr>
<tr>
<td>Dees, (1998) US</td>
<td>Social Enterprise Hybrid Spectrum</td>
<td>➢ One organisational type&lt;br ➢ A new business model that blends philanthropic (social) and commercial (economic) values&lt;br ➢ Mixed motives – mission and market driven</td>
</tr>
<tr>
<td>Defourny, (2001) EU</td>
<td>Social Enterprise at the crossroads of NGOs and Co-operatives</td>
<td>➢ One organisational type&lt;br ➢ A hybrid from transition of traditional co-operatives and traditional non-profit organisations into a new business model</td>
</tr>
<tr>
<td>Westall, (2001) UK</td>
<td>Four Sectors of the economy</td>
<td>➢ More than one organisational type&lt;br ➢ Within a fourth sector of the economy&lt;br ➢ Organisations can be at the overlaps with the voluntary, mainstream business and government sectors – or in a new the fourth space – independent of the three traditional sectors&lt;br ➢ Having multi-stakeholder governance or multiple owners&lt;br ➢ Along a spectrum from grant to fully self-financing</td>
</tr>
<tr>
<td>Pearce (2003) UK</td>
<td>Three systems of the economy</td>
<td>➢ SE is within a social economy&lt;br ➢ SE is on the market driven side of the economy&lt;br ➢ SE is nearer the private sector</td>
</tr>
</tbody>
</table>
Let me summarise the argument so far. As Table 1 shows, the concept of social enterprise is multi-faceted and can be conceived in many different ways. The poem used in Mintzberg, Ahlstrand and Lampel's (1998) Strategy Safari book; 'The Blind men and the Elephant' is useful here, in reflecting on how different theorists have positioned social enterprise. As the poem goes, the blind men went to find out about the creature that was approaching their village. Each came back reporting a different story of what the elephant was like, based on which part they had touched. This is similar to the widely differing ways used to describe social enterprise. Pestoff (1998) [Figure 1] suggests SE combines various logics, from public, private and non-profit actions. Whilst, Dees (1998) [Figure 2] reports that social enterprise are non-profit organisations that blend philanthropic aspects with commercial ones. Defourny (2001) [Figure 3] conceives social enterprise as a new form of business, a merger of co-operatives and non-profit organisations. Westall (2001) [Figure 4], positions social enterprise as a fourth sector, which incorporates innovative business models to address social needs. Pearce (2003) [Figure 5] sees social enterprise as market driven in a social economy. Alter (2004) [Figure 6], sees SE as on a continuum from traditional non-profit to traditional for-profit, offering the most economically sustainable business model from the socially sustainable side of the sustainability spectrum of types of organisations. Defourny & Nyssens (2016) [Figure 7] outline SE as four types of organisations; social businesses, social cooperatives, enterprising non-profits and public sector social enterprise.

These visual representations of SE give the reader a vision of a different elephant in each, so who's story is to be believed? In taking another point of entry into the conceptualisation debate I look at the UK political landscape to explore the geographical context.

3. UK political landscape for the development of Social Enterprise

Politically in the UK the movement towards social enterprise gained momentum as an alternative business model and political reaction to Thatcher (UK) and Conservative party political administrations of the 1980s (Westall, 2001). When the Labour Party came to power a new political ideology shifted Thatcher's Conservative Party's 'small' government policies towards more involvement from the state and the rebuilding of communities (Amin et al., 1999). The concept of The Third Sector gained recognition in the UK after Anthony Giddens (1998) adopted the phrase ‘the third way’ to describe Tony Blair’s political philosophy (Labour Prime Minister in the UK between 1997-2007). As Sepulveda et al., (2013) state, the appeal to the political centre-left was of a 'social enterprised' economy as opposed to a 'privatised' economy. The left's attraction was in community engagement and local social value. This enterprised economy was most apparent in the marketisation of public services, which also appealed to the centre-right. The right's attraction was in the continuation of policies to shrink services directly delivered by the state (Sepulveda et al., 2013). Of significance to UK social enterprise development, Ridley-Duff and Bull (2011) outline the development of Social Enterprise London (SEL) in 1998 as the merger of two major umbrella organisations in the co-operative movement. They tell of a founder's story, where Ridley-Duff was involved in the preambles in 1997 from his time at Computercraft Limited, a London workers co-operative, where various co-operatives and their development agencies were discussing a new London-wide support agency. Social Enterprise London led in 2002 to the development of the Social Enterprise Coalition (SEC), which as Ridley-Duff and Bull clarify was formed by Co-operatives UK and John Goodman (at the time a consultant with Employee Ownership Solutions Limited), with Jonathan Bland the CEO of SEL moving across to become the Chief Executive Officer of SEC. Thus the influence of the political left and co-operatives at the practitioner level was instrumental in the creation of these two support organisations for sector development.

In policy circles, Westall (2001) notes The National Strategy for Neighbourhood Renewal Units report "Enterprise and Social Exclusion", Her Majesty's Treasury in 1999, was the first time the term 'social enterprise' had appeared in a government document. The report was written in relation to social inclusion, regeneration and entrepreneurship in deprived areas, so not exclusively a social enterprise initiative but part of the wider remit for community development.

Table 1: Conceptual models and Social Enterprise characteristics

<table>
<thead>
<tr>
<th>Author</th>
<th>Region</th>
<th>Description</th>
<th>Characteristics</th>
</tr>
</thead>
</table>
| Alter (2004)            | US     | Sustainability equilibrium                                                  | - SEs have commercial methods to support social programs  
                           |        |                                                                             | - SEs create social value                             |
|                         |        |                                                                             | - SEs are socially sustainable, and more economically sustainable than traditional non-profits |
| Defourny & Nyssens (2016)| EU     | Institutional trajectories and resulting SE models                      | - 4 types of SE                                          
                           |        |                                                                             | - Emerging from mutual, general (state) and capital interests  
                           |        |                                                                             | - Mixed non-market, hybrid and market income bases    |
Following the report The Phoenix Development Fund was set up later in the same year to help all forms of new businesses in disadvantaged communities in England access pre and early start-up financial and non-financial support. The fund was one of many Government financed incentives that were targeted at enterprise as a solution to worklessness and social and economic inequalities. In 2001, the Labour government formed a Social Enterprise Unit (SEU). The SEU was later subsumed within The Office of the Third Sector (OTS) in 2006 (OTS was renamed The Office of Civil Society in 2010 with the change of Government). The formation of the Social Enterprise Unit had a clear role in (i) co-ordinating social enterprise policy, (ii) championing the sector, and (iii) identifying and tackling the barriers to the growth of social enterprises.

In order to highlight the development of the concept of social enterprise in the UK, a timeline of key dates contextualises the period (Table 2). The timeline (Table 2) ends in 2010 with a change of government from Labour to a Conservative and Liberal Democrat Coalition government. The change of government and political direction and place of social enterprise in the UK is one which needs more space for discussion than covered in this paper.

<table>
<thead>
<tr>
<th>Year</th>
<th>UK social enterprise development timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>Beechwood College, Leeds. Delivering social audit training package to co-operatives, which Spreckley’ coins as a manual for social enterprise.</td>
</tr>
<tr>
<td>1997</td>
<td>The Labour Party came into Government</td>
</tr>
<tr>
<td>1997</td>
<td>UK think tank publication by Charles Leadbeater - 'The Rise of the Social Entrepreneur'</td>
</tr>
<tr>
<td>1998</td>
<td>UK Government influenced by political commentary by Anthony Giddens - 'The Third Way'</td>
</tr>
<tr>
<td>1999</td>
<td>UK publication by Amin et al. - first UK academic reference to ‘social enterprises’</td>
</tr>
<tr>
<td>1999</td>
<td>National Strategy for Neighbourhood Renewal Policy Action Team (PAT) 3 Business - within the strategy was the first policy reference to social enterprise. ‘Enterprise and Social Exclusion’ HM Treasury</td>
</tr>
<tr>
<td>1999</td>
<td>The Phoenix Development Fund unveiled to support the development of enterprise and entrepreneurship in disadvantaged communities.</td>
</tr>
<tr>
<td>2001</td>
<td>UK think tank publication by Andrea Westall – ‘Value Led Market Driven’</td>
</tr>
<tr>
<td>2001</td>
<td>UK Social Enterprise Unit set up within the Department of Trade and Industry</td>
</tr>
<tr>
<td>2002</td>
<td>First UK Social Enterprise policy &quot;Social enterprise: A strategy for success&quot; (for England only)</td>
</tr>
<tr>
<td>2002</td>
<td>Social Enterprise Coalition set up by Co-operatives UK and Employee Ownership Solutions Limited</td>
</tr>
<tr>
<td>2003</td>
<td>UK Practitioner publication by John Pearce - “Social Enterprise in Anytown”</td>
</tr>
<tr>
<td>2006</td>
<td>UK Government creates The Office of the Third Sector</td>
</tr>
<tr>
<td>2006</td>
<td>The Office of The Third Sector unveils “Social enterprise action plan: Scaling new heights”</td>
</tr>
<tr>
<td>2010</td>
<td>Change of Government from Labour to Conservative and Liberal Democrat Coalition. A change in Cabinet Office to The Office of Civil Society</td>
</tr>
</tbody>
</table>

Table 2: Timeline of development of Social Enterprise in the UK

Academically, the earliest UK research study embracing social enterprise is Amin et al., (1999), in relation to regeneration, neighbourhood renewal and the rebuilding of marginalised communities (related to government initiatives such as the Phoenix Fund and National Strategy for Neighbourhood Renewal). Interestingly, Amin et al, state that the Department of Environment, Transport and Regions (DETR) claimed in 1998 that there were 450 social enterprises in the UK, with a combined turnover of £18 million. This is in contrast to ECOTEC Research & Consulting (2003) who suggest 5,300 social enterprises. Both study’s claims rest on what they applied as a definition - which they both concede may not be accurate (due to definition and constraints on accessing information). Amin et al., (1999) explored sixty case studies and claimed that the UK social economy was at a crossroads. They highlight barriers from the public sector in recognising the sector's value (as self-sustaining as well as community autonomy), funding opportunities, and the acknowledgement that this is a genuine alternative to traditional business and not a bridge between deprived communities and mainstream employment.

Borzaga and Solari's (2001) paper outlined some of the management challenges for social enterprise. They state,

“Their [social enterprises] multi-faceted mission obliges social enterprises to consider how they can manage commercial activities, which by their very nature require adequate management practices which are typically orientated toward effectiveness and efficiency..... as social enterprises move from reliance on donations and funding to the delivery of goods and
services, the balance shifts from advocacy and fund raising activities to management of quality and customer satisfaction, which in turn requires an increase in operational efficiency” (2001, p.334).

They outline the gap in social enterprise management theory, suggesting there is a need for a greater understanding of product/service quality, skills, management expertise and support, finance, networks and governance structures. They conclude with a call for the development of theoretical and practical knowledge on the internal challenges of the management of social enterprises as knowledge cannot easily transfer from other domains. Their call appears to claim social enterprise is a single entity.

In 2002 the first UK Government strategy for Social Enterprise was launched, the “Social enterprise: A strategy for success” (Department of Trade and Industry, 2002), outlining a new era and a political framework for the development of social enterprise in England. A three year focus was outlined to offer an environment for social enterprises to flourish and to promote a ‘b better understanding’ of social enterprise, for their ‘abilities’ to be better understood and for them to become ‘better businesses’. To its credit the Strategy recognised the various organisational forms under the social enterprise umbrella. Yet, as part of the positioning of the sector, the Strategy included a single definition of social enterprise that on reflection fails to accommodate all organisational types under the umbrella. It read:

“A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners” (Department of Trade & Industry, p.7).

The same publication goes further in stating;

“While fledgling social enterprises may derive less than half their income through commercial activity, mature social enterprises aim for close to 100%” (p.21).

Interestingly, the income through commercial activity target goes without mention in subsequent reports! Further, ECOTEC Research & Consulting’s 2003 research for the DTI sought to count the numbers of social enterprises with <=50% trading income. Whilst The Small Business Survey in 2005 stated their study defined organisations as social enterprise with a minimum level of earned income of 25%. Lyon, Teasdale and Baldock (2010) provides some clarity in explaining that those organisations with between 25% and 50% trading income are classed as in transition, whilst those at 50% and above are fully-fledged social enterprises. However, research fails to refer back to the DTI’s claim of mature social enterprises achieving 100% trading income. Is this to legitimise one form of social enterprise (voluntary sector transition) over others? This marketised focus is what Defourny and Nyssens (2010) refer to as the ‘earned income’ school of thought - trading activity as an income source in the changing nature and legitimisation of funding for non-profits. Sepulveda et al., (2013) also states, a pressure for charity/voluntary sector types to become more entrepreneurial (autonomously generating commercial revenues, lessening state dependency). Furthermore, the concept of a transition phase is interesting, yet appears to have had little attention in the literature. Seantor, Bull, Baines and Ridley-Duff’s (2013), empirical research finds the attitudes of practitioners in social enterprise averse to commercial goals and uncomfortable with the new language of social enterprise espoused by the government drive for economic growth from the sector. This denial fits with what Pearce (2003) suggestively claims, that social enterprise is not primarily about running a business!

In 2006 the UK Government launched their continuation of support for the development of social enterprise through their subsequent strategy; “Social enterprise action plan: Scaling new heights” (OTS, 2006). Building on “Social enterprise: A strategy for success” (DTI, 2002), the action plan had four main aims; (i) it aimed to foster a social enterprise culture, (ii) to fund agencies to deliver specific business support, (iii) to improve access to finance (iv) to open up a market for social enterprises to deliver public sector services. Intriguingly, the action plan failed to define social enterprise as having a required level of trading income. Consequently, rather than narrowing the parameters and reducing the size of the movement, at a time when the Government sought to grow the numbers, the omission meant a broad church of organisational forms could associate themselves, and be defined, as social enterprise.

I have considered the conceptualisation of social enterprise from various theoretical positions in order to highlight, appreciate and acknowledge the breadth of organisations that are considered social enterprise. I have also unpacked the UK political complexity, through an historical timeline from the emergence of the concept. This leads me now towards a new conceptualisation of social enterprise.
4. Re-conceptualising social enterprise in the UK

In this section of the paper a re-conceptualisation of social enterprise is presented. In terms of theoretical modelling to date, as highlighted in this paper, some of the literature describes social enterprise as a singular concept. This view is problematic because as Peattie and Morley (2008) argue, social enterprise is an umbrella term which encompasses a variety of organisational types, with different ownership structures and governance. The argument here is that those differences cannot be reduced to a single definition, the following section explains why.

Figure 8: Incorporation of Social Enterprise in the UK

Figure 8 reconceptualises social enterprise. Let me explain the model. There is an outer triangle which represents the consensus of four general principles of social enterprise. The general principles are those characteristics that many theorists claim of social enterprise; (i) trading goods and services, (ii) primarily for social value, (iii) social and economic sustainability and (iv) the creation and development social and ethical capital. The inner three triangles are the operationalisations of social enterprise. Significantly, the central space of Figure 8 is empty! A conceptualisation of social enterprise in the UK has no ideal type as there is no single definition that incorporates the principles of social enterprise as well as its different operational forms. Thus, the three organisational types of social enterprise come from different philosophical and organisational heritages, which I argue is ignored in conceptualisations to date.

Essentially there are three core types of social enterprise: ‘Solidarity’ types, ‘Charity’ types and ‘Social Business’ types. I propose a theorisation of the three core types in terms of their constitution in law, through their incorporation and regulation, rather than from a sectoral perspective (Bull 2008). I acknowledge and also highlight that organisations can straddle two bodies of law: The Community Benefit Society (Bencom) organisation type is incorporated and regulated under both Society and Charity law. The Company Limited by Guarantee (CLG) - Charity type - is incorporated under both Charity and Company law. Finally, a Company Limited by Shares (CLS) or CLG - Co-operative type can be incorporated in Company law but operate with democratic principles associated with solidarity types.

I turn first to where there appears to be some consensus in the defining principles. Firstly, as Nicholls (2006a) suggests, there has been broad consensus that social enterprises are engaged in the trading of goods and services. This is identified in Dees’s (1998), although he identifies this may not be at full market rates or full cost recovery. Westall (2001) appears to suggest that ‘fully self-financing’ is something only those social enterprises that
overlap with mainstream business attain. How much trading in relation to other forms of income is something still under theorised. Lyon et al., (2010) claim, social enterprise is somewhere between those trading at more than 25% (termed as moving towards) and those trading beyond 50%, whilst, Dees (1998) indicates donor/grant and below-market rate capital as the mixed receipts of social enterprise. This links to the next principle, as secondly, social enterprise, as outlined by EMES, are viable and continuous in their operations, meaning they strive for **social and economical sustainability**. Sustainability is most evident in Alter’s (2004) conceptualisation, suggesting social enterprises seek to balance commercial and social sustainability. Put simply they are not short-term solutions, projects or activities. Thirdly, previous conceptualisations support the notion that social enterprises are driven by both social and economic values (Dees, 1998), expressed as a mission motive, not a profit-making motive by Alter (2004). Thus, despite this duality and fundamental to their raison d’être they are *primarily for social value* (Pearce, 2003).

Fourthly, social enterprises are values led organisations that engage people in a different way to their counterparts in the private sector. As Alter (2004) spectrum model has it, those with a mission motive are accountable to their stakeholders, whereas those with a profit-making motive are accountable to their shareholders. Bull, Ridley-Duff, Foster and Seanan, (2010) argue that a heightened interest in ethics is attributed to issues like the banking crises, pay awards, ecological sustainability and global warming is warranting business’ closer attention to their wider responsibilities to their communities. Movements like Fair Trade, and organisations like Timberland, Ben and Jerry’s, Lush and Bodyshop reflect a more moral age in society (Bull et al., 2010). Tsukamoto (2005) offers that ethical capital conveys the asset of morality in an organisation. Leadbeater (1997) highlights social capital as instrumental in the development of social enterprise. Amin, Cameron and Hudson (2002) go further, suggesting social capital is the goal of social enterprise. Thus, social enterprises are driven to create and develop social and ethical capital.

However, beyond these four general principles the organisations that form to delivering against these four principles differ. Building on Snaith (2007), Figure 8 conceptually captures the concept of the three main types of social enterprise in the UK. The framework seeks to bring together both the theory and practice of social enterprise in the UK from a new perspective.

**Charity Types of Social Enterprise** - Charity types of social enterprise are Charitable Incorporated Organisations (CIOs), which are underpinned by a philanthropic ideology (Dees, 1998) and unitarist philosophy (Ridley-Duff, 2007). As Low (2006) outlines, charity type social enterprises follows a stewardship model of governance. There are no owners in charities, and in the governance of these types is a separation between decision maker (strategic, unpaid, Trustee Board), operational staff (employees) and the users of services (clients). Fundamental is what Morgan (2008, p. 3) states is an *‘absolute willingness to give everything for the sake of another’*. The Trustee board are outsiders to the operational dealings of the organisation, in post to make decisions in the best interests of the social mission and charitable cause, without a conflict of interest, meaning, without thought for personal gain from any decisions. There are tensions in satisfying the level of trading income in charity types, which means some organisations ebb and flow in and out of being a social enterprise, as organisations may draw different ratios between grant and trading income year by year. Thus, the numbers of bona fide charity type social enterprises is somewhat a movable target. As a line in the sand, bona fide charity type social enterprises could be defined as those organisations with more than 50% trading activities (meeting the Social Enterprise Mark 2011 criteria).

**Solidarity Type of Social Enterprise** - In contrast Co-operative Society Organisations (CSOs) are organised by the principles of mutual and democratic ownership, governance and management (Banks, 1972; Spreckley, 1981). This is based on self-help, membership and democratic participation (Low, 2006). CSO ideology is for solidarity and equality, thus, wealth distribution is a dividend of participation in a co-operative society, what Ridley-Duff calls pluralism in the form of egalitarian democracy, one member one vote. Directors are elected by members of the organisation or there is a stakeholder democracy, achieved using multi-stakeholder ownership and governance arrangements (Ridley-Duff, 2007).

**Social Business Types of Social Enterprise** - Social Businesses are incorporated as Limited Liability Companies (LLCs) (Etzioni, 1973). Social Business Types of social enterprises can be either aligned to a stewardship or democratic governance and ownership. This can take three forms; (i) similar to CIOs with, stewardship governance, no owners (Company Limited by Guarantee model) and in instances also listed as Registered Charities. (ii) similar to CSOs with democratic governance and ownership (Company Limited by Shares model). (iii) an investor model with stewardship or democratic governance and ownership (Community Interest Company). Social Business Types of Social Enterprise can also be additionally incorporated as Community Interest Companies, which protects wealth using an asset lock and profit distribution cap in Law.
This conceptualisation seeks to outline the regulatory frameworks for social enterprise. In doing so the focus is on capturing each thread and each route to social enterprise. It is the work of Ridley Duff (2007) and Ridley-Duff and Bull (2011, 2016) that drills down more deeply into legal, ownership and governance arrangements, identifying differences between types of social enterprises from which this conceptualisation builds. Haigh, Kennedy and Walker (2015), outline three broad legal structures for social enterprise in the US; (1) for profit with a strong social mission, (2) non-profit that earns some or all of its revenue and (3) mixed-entity hybrid, mixing type to be adapt to the external environment. Whilst Haigh, Kennedy and Walker take a practical approach, Ridley-Duff’s (2007) seminal work on the differences between unitarist governance (elitist democracy and independent/outside boards) outlook and a pluralist (stakeholder democracy and dependent/insiders boards) outlook is influential in the shaping of this conceptualisation. Ridley-Duff (2007) offers a deeper routed perspective - that there are two philosophical routes to tackling social exclusions, the unitarists route and the pluralists route. Unitarists forms of social enterprise by establishing organisations that tackle social exclusion by targeted actions deliberately governed by a selective, impartial, group, where wealth is asset locked. Pluralists forms of social enterprise by establishing organisations that tackle social exclusion by deliberately enfranchising excluded groups, bringing them into the governance, ownership and wealth distribution of the organisation. This paper builds on Ridley-Duff’s contribution, in acknowledging the differences within social enterprises, but deviates away from a philosophical level to focus on the differences of incorporation, whilst retaining that incorporation is inherently related to rules on Articles of Association and Model Rules that align with the legal requirements in each type of enterprise (unitarist and pluralist governance). In charities the law assesses against the charitable purpose, in companies, the law assesses against the finances under the stewardship of the shareholders/guarantors and in societies (co-operatives) the law assesses against the notion of democratic member control. Charitable type social enterprise incorporation is preferential for those organisations trading with public authorities and local government bodies, particularly where service contacts are not at full cost recovery and where an asset lock is required for securing charitable funding to balance the books and achieve financial sustainability. Likewise, limited liability type social enterprises, without charitable status incorporated by Guarantee can also compete for funding from public authorities and local government bodies. Alternatively, limited liability type social enterprises, without charitable status incorporated by Shares cannot compete for funding from public authorities and local government bodies in the same way, as the asset lock does not apply. This restricts their ability to qualify for charitable funding but opens up other sources of income, such as community share offers and investor shares. These new sources are similar to co-operative types as they too are a better vehicle for raising finance from staff, suppliers, customers and investors, which are not open to charitable and limited liability guarantee legal forms.

Of relevance between Figure 8 and Figure 7 (Defourny & Nyssens, and the International Comparative Social Enterprise Models (ICSEM) Project [2013 – 2017]) is some inter-connection of ideas. There is crossover with social business types; entrepreneurial non-profit and charity types of social enterprise; and, social cooperative and solidarity types of social enterprise. In a fourth space in Figure 7 is public sector social enterprise types, which is not a feature of Figure 8, as there is no legal model distinct from the three types in the UK to represent this independently. The model presented here also moves away from market v non-market conceptualisation.

In sum, Social enterprises are hybrid enterprises that are influenced in composition from their historical/preferential constitutional roots. So by considering the historical antecedents (1980s - 2010) and the three legal constitutions of social enterprise in the UK (Company, Charity and Society Law) this theoretical framework puts forward a case for the different organisational identities of those that can be regarded as social enterprises. In looking at the differences between those that are constituted by Company, Charity and Society Law, I highlight that they are different organisational forms with characteristics that cannot be reduced to two characteristics; ‘trading’ and ‘social purpose’, as their individual business models identify them more aptly than a single definition of social enterprise can.

5. Conclusion

‘Does an appreciation of legal form support a deeper understanding of the complexities of social enterprise in the UK?’

Yes, I think so. This paper reviews the literature, comparing and contrasting models and concepts. The focus is on visual representations that articulate and support the positioning of social enterprise. This is followed by a model that seeks to overcome the disparity and shortcomings of concepts to date. This paper clearly critiques the development of social enterprise in the UK, which was popularised during the 1990s under a Labour Government that sought to re-engage socially damaged Britain (Amin et al., 1999) through regeneration strategies in deprived communities and public sector reform in health and social care (Leadbeater, 1997). The Government’s social enterprise strategy,
"Social enterprise: A strategy for success" (DTI, 2002), followed by "Social enterprise action plan: Scaling new heights" (OTS, 2006) both sought to develop the sector and build 'better businesses'.

Despite numerous attempts to define social enterprise, as well as calls to move beyond definition, the field appears to be no nearer in providing an all-embracing conceptual model of social enterprise. Therefore, the contribution to knowledge here is in identifying and acknowledging how different forms of social enterprise have difference characteristics and norms. Social enterprises are not all the same. A model that includes charitable, cooperative and business principles is chasing a Chimera (or an elephant!). This paper provides a conceptualisation that embraces the multifaceted nature of social enterprise, considering legal identities as the ‘elephant in the room’! As history shows, the concept of social enterprise is multi-faceted and can be conceived in many different ways, with different heritages and defining principles, and should not fall to institutional isomorphism for one authoritative model of social enterprise.

In response to the disparate conceptualisations that have advanced normative theories of social enterprise as one business model, I offer a new theoretical model that identifies social enterprise in the UK through legal incorporation as opposed to sectors or the blending of one organisational form with another. The Charitable Type, Solidarity Type and Social Business Type social enterprise forms clearly builds on previous research, whilst recognising the general principles of trading for social purpose within a financially sustainable business model.

The implications for academics is in new ways of grappling with the concept. For policy makers, it is in re-evaluating their engagement in the sector and for practitioners in positioning themselves, whilst appreciating the various organisational types that can be conceived as social enterprises. The value of this paper lies the conceptualisation of social enterprise in the UK to offer a contribution to knowledge that strengthens understanding of the field. The model provides the basis for further scholarly research in refining and building on the theorisation of social enterprise from other parts of the world. The model also provides a way to map the number of social enterprises, which has so far eluded the UK government in their quest to promote social enterprise as a growing and important business model in the 21st century.
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