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Briefing Paper 4

Mapping social enterprises: past approaches, challenges and future directions

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Abstract

This paper examines how mapping of social enterprises has been carried out in the past, and the challenges being faced by current studies. It pays particular attention to the definitions used and how these definitions are operationalised. The challenges and future opportunities are examined, and recommendations are made for policy makers commissioning studies. The paper draws on a range of different approaches, namely literature reviews, interviews with key informants, focus group type discussions with social enterprise support providers, researchers in different UK regions and with policy makers. There has been a variety of approaches with different definitions and politically-driven interpretations of definitions, which limits the ability to compare results. A particular challenge has been in interpreting what is meant by "trading income" or "social" aims. This presents interesting political dilemmas with many studies avoiding clarity in order to be inclusive thereby reducing the rigour of their data collection and analysis. Research at a national and regional scale is being carried out to identify the scale of the sector so that public sector support resources can be justified, support can be targeted, and public sector spending can be evaluated. These approaches will need to be explicit about how they are carrying out the research, and recognising the political nature of definitions they are using. This paper will be of use for researchers examining the impact and extent of social enterprises, and for policy makers commissioning such studies.

The loose definitions often used result in mapping exercises having to make political decisions about what is or is not included, although these decisions and their rationale are very rarely referred to let alone analysed in any reporting.

Introduction

There remains considerable confusion and lack of clarity regarding the process of mapping social enterprises, despite the considerable resources allocated in the UK to ensuring a common set of methodologies and a range of national, regional and local mapping exercises (DTI, 2004; IFF,2005; DTI, 2006). As social enterprises become increasingly important in the delivery of public services and as recipients of public sector support (such as advisory services), the issues of mapping and definition of social enterprise continue to grow in importance and complexity. This paper is part of the social enterprise Research Stream which aims to identify the particular characteristics and contributions of social enterprise within the third sector. Mapping and measuring social enterprise within this stream will require attention to how social enterprise is defined.

Previous reviews of social enterprise related research has identified weaknesses related to the unresolved definitions, small sample sizes and small scale practice led work (Peattie and Morely, 2008). Confusion over the definition of social enterprise is found across the world as

researchers attempt to come to terms with the growth of organisations marrying philanthropy with business models and building hybrid organisational forms of social enterprises (Alter, 2007).

This paper explores how previous studies have used varied definitions and the conceptual dilemmas involved in operationalising definitions in order to conduct mapping exercises. While some argue that social enterprises defy definition and others are weary of the continued debate, there is a need to establish the scale and nature of social enterprise activity and to know how many organisations are or could be entitled to public sector benefit and fiscal incentives (Pearce, 2003).

The need for information on the social enterprise sector is also vital at this present time as social enterprise and other third sector organisations play a growing role in delivering public services and in order to develop more effective and targeted strategies for support. There is also a need to develop a baseline from which the impact of any future support can be evaluated. A major challenge is also how best to capture the needs of potential social enterprises including those individuals thinking of setting up organisations and existing not for profit organisations that are thinking of moving towards a social enterprise model.

This paper examines how mapping of social enterprises has been carried out in the past, and the challenges being faced by those carrying out mapping, commissioning mapping and using the results. It pays particular attention to the nature of definitions used and how these definitions are operationalised. The future opportunities are examined and recommendations are made for policy makers commissioning studies. The main aims are:

1. What are the approaches to mapping in the past?
2. What are the different definitions used and how have these been operationalised?
3. What are the implications for future mapping exercises?

There has not been a thorough review of mapping studies carried out in the past five years. Different national mapping studies such as IFF (2005) 'A survey of Social Enterprises Across the UK' and the Annual Small Business Survey (DTI, 2006) have taken very different approaches. Smallbone and Lyon (2005) have examined some of the difficulties in operationalising a definition of social enterprises, and many other commentators have identified the lack of information or a common definition as a key issue (Amin et al, 2002; Patton, 2003).

The lack of a widely accepted definition contributes to the difficulties of obtaining and generating statistical and other data about social enterprises. Social enterprises can be defined as having trading income and social aims which include many charities and unregistered not for profit organisations. The definition currently used by the UK Government is taken from the 'Social Enterprise: Strategy for Success' document:

> *"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 profits for shareholders" (DTI, 2002).*

This definition has been kept deliberately open to allow a wide range of organisations that define themselves as social enterprises to be included (Smallbone and Lyon, 2005). Many papers defining social enterprise avoid using clear criteria but rather use a set of organisational forms and activities as a way of defining the concept. For example the Social Enterprise Action Plan (2006) defines them as "including development trusts, community enterprises, housing associations, football supporters' trusts, social firms, leisure trusts and co-operatives".

Conclusions

Since the term social enterprise became popular in policy circles in the 1990s there has been a call for better mapping and clearer definitions. However, there is little evidence of this being resolved as the political origins of the term social enterprise result in politically sensitive attempts to keep the definition open and therefore the need for each mapping exercise to make their own political decisions about what is included or not. The concept of

social enterprise does not translate into a single legal or regulatory form. Its emergence in the past 10 years has been closely linked to growing interest amongst policy makers with the concept of social inclusion and an enterprise agenda (H.M. Treasury, 1999). The issue is of growing importance as the social enterprise policy discourse moves into a new phase. The early phases could be seen as emphasising awareness, followed by a phase of mainstreaming and integration of the social enterprise into wider economic and social policy. To understand the role of social enterprises there is a need to have more consistency in mapping, measuring impact and assessing growth.

> *Now social enterprises are having a growing role in the delivery of public services and so there is a need for accountability based on clearer data and evidence based public policy.*

This paper outlines some of the challenges, most notably the extent to which mapping is highly political and often context-dependent. In this way, we argue that rather than being a technical issue, much mapping will always be a socially constructed process with each mapping exercise having to make political decisions of what is included or excluded. This can be considered as a necessary process of prioritising or targeting support but requires greater transparency than is currently practised. There is also the need for geographic coherence and therefore common approaches to make local mapping comparable with other areas. This does not mean uniformity, but rather greater attention given to describing what is being mapped and the sources of data used. In particular there is a need to be explicit about what is being excluded.

The analysis in this paper shows that there has been a variety of approaches with different definitions and interpretations of definitions, which limits the ability to compare results. Approaches include defining social enterprises by the involvement in particular activities, (eg credit, unions, community

enterprises, housing associations etc), self selection, and test based definitions setting criteria and arbitrary thresholds such as 50% or 25% of income from trading activity. However, a particular challenge has been in interpreting what is meant by "social" aims. One consequence of this exercise is that many organisations that do not define themselves as social enterprises are defined as such, but would agree that they are involved in 'social enterprise activity'. There may be others that define themselves as social enterprises but which do not meet the defining test. In fact, more funding allocated to support the sector may enhance this trend making the inclusion/exclusion process even more controversial.

This presents interesting political dilemmas, rather than a technical data collection one, with many studies brushing over these issues avoiding clarity in order to be inclusive but thereby reducing the rigour of how their data is collected and analysed. This paper shows that it is not only the issue of a lack of definition that is a problem, but there are considerable conceptual and political dilemmas and sensitiveness regarding how different elements of the definition are interpreted. Many organisations that meet the requirements set out in the definition are not considered to be social enterprises by policy

makers or the social enterprise sector representative organisations, especially at national level. There is concern in these representative bodies of definitional slip and damage to the reputation of the social enterprise concept.

Future challenges will also relate to the process of data collection. Research at a national and regional scale is being carried out to identify the scale of the sector so public sector support resources can be justified, support can be targeted and public funded support can be evaluated. These approaches will need to be explicit about how they are carrying out the research and to address the challenges identified in this paper with respect to how they interpret the definition.

There are new opportunities being opened up with the use of Guidestar data that combines data sources from Companies House and charities, with other sources, presenting financial data drawn from submitted accounts. However there is a need for mapping to go beyond these data sources to get more information on the activities, impacts, geographical reach, trajectories, growth intentions and barriers, innovation and support needs. Furthermore, these data sources emphasise the existing organisations and do not include evidence of the extent of emerging social enterprises, those in the pre start phase and the extent of social entrepreneurship generally.

The implications of this paper are widespread. Data is being collected with a number of fragmented approaches relating different central government policy initiatives. For example, the regionalisation of business support has resulted in each Regional Development Agency being encouraged to carry out its own mapping study, although without any common format. The discussions on applying definitions are also relevant to attempts to develop a social enterprise mark or label. This paper demonstrates the political nature of research on social enterprises and the need to have clarification on how different people in different institutional set ups and contexts interpret definitions.

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