



# Towards a 'New Mixed Economy'

An exploration of the relationship between social enterprise and private sector Micro and Small to Medium Enterprises (SMEs) in Wales.

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## 1 Introduction:

This research forms part of the Welsh Assembly Government's New Ideas research initiative. In 2005, the Programme for Community Regeneration, based at the University of Glamorgan, was awarded a grant to conduct research into the relationship between social enterprises in Wales and two key elements of the private sector - micro enterprises and small to medium enterprises (SMEs).

The three aims identified in the original proposal were:

- To develop a deeper understanding of the current relationship between private sector micro and SMEs and the social economic sector.
- To understand the barriers which hinder greater co-operation, integration and partnership working between the sectors.
- To recommend possible pathways and working practices to create greater opportunities for integration between the sectors.

The importance of developing a fully integrated economy in Wales is stressed in the Welsh Assembly Government's document **Wales: A Vibrant Economy (WAG 2005a)**. This states that integration of the private, public and third sectors would contribute towards a pattern of sustainable economic growth and be vital to the implementation of a multi-pronged approach which integrated the Welsh Assembly's social justice, environmental, health, community development and learning agendas.

Conventionally, the economies of the advanced Western nations have been referred to as 'mixed economies' in recognition of the contributions of both the state and the private sector to overall economic production. It is now suggested that it is necessary to broaden this definition to recognise the role of third sector economic production and in particular to encompass new forms of ownership and organisation. In particular, social enterprise is developing a significant role in contemporary policy and is being identified as a mechanism for delivering economic gain where both the private and the state sectors have recently failed. The emergence of a strong social enterprise element which contributes directly to employment and wealth creation adds an additional element to an economy conventionally seen in terms of the distinction

between the public and private sector. This development of the 'new mixed economy' is of vital significance. The scale and pattern of the Welsh economy provides a significant opportunity to build the presence of social enterprise, working in partnership with both the public and private sectors. This report concerns itself with the latter of those relationships.

## **2 Methodology:**

The methodology employed in this research was designed to integrate a range of approaches within a triangulated framework to develop data on the current relationship between the private and social enterprise sectors in Wales and to identify the barriers which currently exist to greater collaboration and joint working. The following components constituted the methodological framework:

### **2.1 Literature Review**

A literature review was conducted in order to examine existing policy, understanding and examples of collaboration within the wider European and UK contexts. In particular, the review had the specific aim of identifying good practice in policy which is able to promote better integration between the sectors and further opportunities for collaboration.

### **2.2 Case Study Areas**

The review examined three counties to investigate and delineate the current extent of social sector and private sector collaboration. Three local authority areas were chosen on the basis that they broadly represented different geographical and socio-economic conditions. Specifically, they represent valleys urban, city urban and rural contexts to illustrate variables which may be especially evident within those different geographical and demographic contexts. The case study areas were:

- Caerphilly
- Pembrokeshire
- Swansea

### **2.3 Critical Person Interviews**

A series of interviews was conducted with key members of relevant organisations, predominantly those based in the three case study areas, but including those organisations with a national remit for the promotion of the social enterprise sector. Interviews were also conducted with individuals who have particular expertise in the area. In all, 16 interviews were conducted with representatives from:

- Chambers of Commerce
- Federation of Small Businesses
- Development Trusts
- Social Firms
- Members of the Social Economy Network (SEN)
- Local Social Enterprises
- The Community Enterprise & Financial Inclusion Unit (WAG)
- The Welsh Development Agency (WDA)
- Business in the Community (BITC)

The data generated by the interviews were collated and reviewed for key themes and issues, which are outlined in section 5.

### 3 Review of Existing literature

Despite the rapid growth in policy interest and a growing body of academic work in the area of the development of social enterprise, it appears there is very little literature available on the subject of collaboration between social enterprises and private sector business. However, the evidence collated so far demonstrates that collaboration is occurring. The Department of Trade and Industry (DTI) sponsored report **Match Winners (DTI 2005)** reveals that the majority of collaborations within the UK are formed with larger corporations, and notes that as yet there is only anecdotal evidence of collaboration between social enterprises and smaller for-profit businesses. However, Match Winners identifies no theoretical barriers or challenges (the preferred term in the Match Winners report) to collaboration; identified barriers were on the whole practical and cultural.

The literature review for the Match Winners report (carried out by **South Bank University (SBU 2004)**) concluded that there were two main reasons behind the current lack of examples of collaboration. These were:

- That social enterprises have ideological reasons for not wanting to collaborate with private sector businesses; and
- That private sector enterprises are not being well enough informed about social enterprises.

The SBU report names this phenomenon the 'perception gap' and states that in order to bridge this 'perception gap':

- Private sector organisations need to be more aware of Social Enterprises;
- They need more information on potential benefits;
- Social Enterprises need to moderate their concerns about collaboration.

These findings largely concur with previous research by **Adamson and Byrne (2003)** which, although not centrally concerned with barriers to integration, indicated that:

- Respondents from the private sector felt the social enterprise sector to be unprofessional, amateurish and grant dependent.
- Sections of the private sector felt that the social enterprise sector represented unfair competition.
- The ethos of the social enterprise sector was often at odds with that of the profit motivated sector.
- There existed a belief that the private sector profit motive could not accommodate the social needs and interests of communities and vulnerable individuals.
- Within the social enterprise sector entrepreneurial concerns were very much subsumed to the priority of delivering goods or services to meet social need.
- That only a small number of social economic organisations recognised that more effective cross sectoral trading would realise more resources to meet social need.
- Even where it was clear that to operate within the wider economy social enterprises must clearly operate as businesses first and foremost - meaning that they would share many common practises and face the same barriers as the private sector - neither sector really recognised this and a degree of mutual mistrust and miscommunication results. (Adamson & Byrne 2003)

In addition to the above, the SBU cite **Spear's (2004)** view that the dearth of collaborations is due to the fact that social enterprises have responded to a failure in market forces, which in turn negates the presence of an active private sector in many of the areas where social enterprises are developing. They write that,

“Private sector enterprises are unlikely to be associated with areas where the market economy has failed and perhaps this is inhibiting their commercial collaboration with social enterprises” (SBU 2004: 9).

This view is supported by the general picture in Wales where social enterprises often develop in business sectors and localities not characterised by high levels of private sector activity. This can be seen in the growth of social enterprises out of community regeneration organisations in deprived communities and to some extent in the predominance of activities such as small-scale recycling (Adamson and Byrne 2003).

In terms of models of collaboration the SBU (2004) utilise **Reith's (2003)** work on potential models of commercial collaboration between social enterprises and private sector organisations to analyse the evidence they found of current



collaborations. Reith produced a list of ten possible types of commercial collaboration. There was evidence of two types of commercial collaboration:

- Contract for goods and services between a social enterprise and a supplier and a second organisation as a purchaser
- Establishing the relationship through increased Corporate Social Responsibility (CSR)

However, there was little or no evidence for the following types of commercial collaboration:

- Joint venturing and joint procurement
- Staff development and training
- Social Enterprises as consultants
- Franchising and business re-selling
- Assistance with start-up or scaling up
- Leveraging combined purchasing power
- Shared facilities and functions
- Related marketing

This typology represents a useful categorisation of the possible forms of collaboration and has been deployed to inform this research in Wales. However, the paucity of actual collaboration has prevented any attempt to assess the impact of any one type. Given this paucity, this research has to a considerable extent focused on barriers and challenges to collaboration, in anticipation that identification of these may inform policy recommendations which could facilitate a higher level of collaboration. This focus also exists in the Match Winners report, which lists a number of challenges to collaboration. These are largely based on experiences of collaboration between social enterprises and larger private-sector corporations but it is envisaged that many of these will also apply to collaborations between social enterprises and smaller private-sector SMEs and micro-businesses. Match Winners cites a number of barriers or 'challenges' to collaboration.

Challenges to collaboration for private sector organisations:

- Commercial and 'reputational' risk.
- Difficulties in gaining managerial acceptance for the collaboration within the organisation.
- Difficulties which arise due to differences in size and scale.
- Support for cash flow issues faced by the social enterprise partner.

- External factors which may cause difficulties such as time scale shifts
- The differences in 'business' language.  
(Adapted from DTI 2005: 21).

Challenges to collaboration for social enterprises:

- Ensuring stakeholder buy-in.
- Having appropriate evaluation and monitoring systems in place to assess impact.
- Placing a value on some of the more intangible benefits they offer the collaboration.
- Managing increases in risk and scale.
- Adapting to speaking a purely business language and presenting a professional image.
- Marketing, not only in terms of their product but also in terms of promoting the added-value of the social enterprise sector.  
(Adapted from DTI 2005: 29).

However, despite the challenges to collaboration there is evidence of mutual benefit when it does occur. Benefits are possible for both partners and can assist the achievement of both private sector and social sector objectives.

Vertical integration between the two sectors is likely to offer the private sector organisations the following advantages:

- Within the business community as whole there has been an increased drive for private companies to increase Corporate Social Responsibility. This is seen to sustain relations with the communities they operate within and ensure that they impact positively. For the private sector greater integration between the two sectors will provide a ready pathway towards achieving increased corporate social responsibility, and related PR spin-offs (Adamson and Byrne 2003; DTI 2005).
- Research indicates that businesses that demonstrate beneficial linkages with the communities in which they operate benefit in return through increased sales, a more stable workforce and greater trust in the company as a whole (**BITC 2000; Kilkenny and Besser1999**).
- Social enterprises can provide sources of training for mainstream businesses, particularly in deprived areas where they can build bridges between socially excluded populations and the wider economy (Adamson & Byrne 2003). This can provide work force recruitment opportunities in sectors associated with skill shortages and social enterprises can act as 'translators' between the private sector and more difficult to reach audiences (see DTI 2005: 20).

- Trading in partnership with social enterprises can help identify and develop new markets and trading opportunities and increase access to local communities (DTI 2005).
- Social enterprises are capable of providing a quality of service not available in the private sector (DTI 2005).
- Secondments, mentoring and exchanges with social enterprises can provide different motivations for private-sector staff (DTI 2005).
- Social enterprises can help solve business problems providing efficient and cost effective solutions (DTI 2005).
- Collaborations can revitalise businesses (DTI 2005).

Advantages for the social enterprise sector can include:

- Accessing business acumen and entrepreneurial skills and guidance (DTI 2005).
- Increasing their trading potential via the provision of goods and services to the private sector (Adamson and Byrne 2003; DTI 2005).
- Improvements in cash flow (DTI 2005).
- More effective competition and qualification for larger scale procurement processes by working in partnership with private sector organisations to raise capacity (Adamson & Byrne 2003; DTI 2005).
- Collaborations can act as a catalyst for organisational change (DTI 2005).

Consequently, this discussion identifies that potential advantages exist for both the private and social economic sectors in developing collaboration; however, barriers exist which currently prevent these advantages from being realised.

Government policy can play a critical role in promoting more collaboration and the structures created by government can both hinder or develop collaboration between the sectors. However, policy in this field is relatively undeveloped and has only emerged as a recognisably separate policy stream since the late 1990s. Consequently, there is little policy review and analysis on which to form opinion of good practice in policy design and delivery. The following

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section briefly reviews current policy in the UK to outline the current frameworks in which social enterprise is promoted.

## **4 UK and Welsh Policy Context**

### **4.1 Definition of Social Enterprise**

In the UK for policy purposes the following definition of a social enterprise has generally been adopted:

“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” (DTI 2002: 7; WAG 2005b: 6).

What is clear from the above definition is that the central objective of many social economic organisations is to fulfil a social need or provide a service that otherwise would not be available. Very often social enterprises operate within marginalised and deprived areas and as such are particularly successful at filling the gaps in areas where profit motivated business no longer operate or where public service provision is of a poor standard or absent. However, social enterprises are essentially like any other business in that they face the same issues of sustainability and competition; they also share many of the same barriers to development as private sector businesses. These similarities have emerged as one of the themes contained within the interview data (see section 5).

### **4.2 The value of the social enterprise sector and its role within wider economic development**

The policy and literature review reveals that across the UK the social economy is being more widely recognised for its unique contribution to the mainstream economy; unique in that the social enterprise sector has the potential to contribute towards both social aims and economic targets simultaneously. Mapping and scoping exercises have been carried out in Wales (Adamson and Byrne 2003) and across the wider UK (see for example Lyon et al 2002; Blanc et al, 2001; The Guild 2001).

Current policy developments revolve around the premise that that a developed social enterprise sector will:

- help to drive up productivity and competitiveness;
- contribute to socially inclusive wealth creation;
- enable individuals and communities to work towards regenerating their local neighbourhoods;
- show new ways to deliver public services; and
- help to develop an inclusive society and active citizenship.

(Source: SEnU

<http://www.sbs.gov.uk/sbsgov/action/layer?r.s=sl&topicId=7000012532>)

In Wales the development of the social enterprise sector is seen as an essential factor in contributing to the strategic objectives contained within **Wales: A Better Country (WAG 2003)**. This document provides an overall vision of a fairer, more prosperous, healthier and better educated country, rooted in a commitment to social justice and sustainable wealth creation. This fits well with the general ethos of inclusivity present in the social enterprise sector, whose diverse organisations provide services across many fields in Wales' most deprived communities.

Sustainability, both economic and environmental, combined with innovative practice is also a feature particularly associated with the varied activities of social enterprises within Wales. It is evident that a combination of sustainability, inclusivity and innovatory practice within the social enterprise sector has the potential to be ideally suited to the delivery of many of the Welsh Assembly Government's social strategic aims and objectives.

However, it is not just the sector's ability to act as a stop-gap service provider in deprived areas that has driven interest in its development. The sector's ability to bring actual economic growth and prosperity to more deprived areas has also been recognised. The targets of increasing the number of home-grown businesses, increasing average GDP, creating a range of meaningful well paid jobs and raising skill levels amongst the future work force were identified in the national economic development strategy of the Welsh Assembly Government as outlined in **A Winning Wales (WAG 2002a)**. The potential contribution of the social economy towards achieving these aims was

clearly recognised in this document, particularly in the context of the creation of strong, active and sustainable communities. The overall vision of this strategy was,

“To achieve a prosperous Welsh economy that is dynamic inclusive and sustainable based on successful, innovative businesses with highly skilled, well-motivated people” (WAG 2002a: 2).

This is seen as very much contingent on the development of both the private sector and the social enterprise sector. Furthermore the strategy’s three key themes of ‘Sustainable Development’, ‘Social Inclusion’, and ‘Equality of Opportunity’, are once again, arguably particularly well served by the social enterprise sector. Additionally the Welsh Assembly Government has established the **Social Enterprise Strategy for Wales (WAG 2005b)**, designed to enable and support the sector’s development. In terms of its relevance to this research the need for greater integration and joint-working between all sectors, public, private and voluntary is seen as central to this strategy.

In the context of wider economic development within Wales the role of social enterprise is touched upon in the consultation document **Wales: A Vibrant Economy (WAG 2005a)**. This report outlines the Welsh Assembly Government’s agenda for economic development, which has a vision to create,

“...a vibrant Welsh economy delivering strong and sustainable economic growth by providing opportunities for all” (WAG 2005a: 5).

This is to be attained through the priorities of:

- Increasing employment; and
- Raising the quality of jobs.

The key actions outlined in **Wales: A Vibrant Economy (WAVE)** are to:

- Support job creation and help individuals to tackle barriers to participation in the workplace;
- Invest to regenerate communities and stimulate economic growth;
- Help businesses to grow and increase added value per job by:
  - Investing in transport networks and economic infrastructure

- Attracting more high value –added functions to Wales – offering support via Knowledge Bank for Business;
- Improving the skill base and use the opportunities created by the mergers to deliver more demand led training;
- Helping business to become more competitive – supporting drivers to business growth such as entrepreneurship, innovation, investment and trade;
- Ensure that all economic programmes and policies support sustainable development, in particular by encouraging clean energy generation and resource efficiency.  
(Adapted from WAG 2005a: 5).

However, although the potential contribution of the social enterprise sector to wider economic development is recognised in the WAVE document, the extent of this recognition is open to question. Whilst the principles and values inherent within the operation of the social enterprises clearly underpin many of the aims and objectives of the actions outlined in the WAVE document, it is interesting to note that the role of social enterprise is mentioned overtly only twice and then only in the context of tackling employment and economic inactivity in areas where other business development opportunities are absent. Social enterprise arguably has a role to play in achieving the other actions outlined in the plan, most certainly in terms of encouraging sustainable development; investing in and regenerating communities; and in stimulating local economic growth in these deprived communities. Additionally, the ability of social enterprise to add value in terms of adherence to a principle of a triple bottom line (profit generation, social impact and environmental impact) is not acknowledged. The WAVE document acknowledges the importance of the Social Enterprise Strategy to the development of the wider economy but does not fully recognise the potential of the sector, particularly in terms of its development as part of a fully integrated economy. If the recognition of the ‘new mixed economy’ suggested in Section 1 is to be realised it is important that key documents co-ordinating economic policy in Wales contain more than passing references to the role of social enterprise. Rather, Welsh Assembly Government strategy for the economy should clearly recognise the potential of social enterprise to:

- Promote economic activity in disadvantaged areas;
- Promote economic activity in disadvantaged populations;



- Contribute significantly to the development of the mainstream economy;
- Contribute directly to the raising of economic activity and GDP.

**Recommendation One**

**That the Welsh Assembly Government acknowledge more clearly the capacity of the social economy to contribute to mainstream economic development as well as its role in promoting economic activity in disadvantaged communities**

## 5 Emerging Themes

The research reported in this paper has been unable to uncover significant evidence of current collaboration in the three geographical areas of study. Despite this, evidence from interviewees, particularly those from the social enterprise sector, suggests that developing future collaborations is perceived as an 'inevitable factor' in generating the resource base necessary to sustain social outputs. The general feeling is that as social enterprises 'mature' they will need to become aware of this and start to develop along more business-orientated lines. Additionally, private sector respondents (on the whole) raised very few philosophical objections to collaboration, which they saw as an essential element in increasing future business opportunities, but they needed confidence in the ability of the social enterprise sector to deliver. Interview evidence suggests that one of the major barriers to successful collaboration of all types is a lack of a 'business-like approach' (whether perceived or real) on the part of social enterprises.

### 5.1 Summary of perceived benefits of collaboration from Interview data

The points identified below express many similar opinions in relation to the perceived benefits of, and barriers to, collaboration to those revealed by the literature review.

- Enhancing business opportunity for both sectors.
- Sectors can act as brokers for one another in order to gain access to services, sections of the population, etc that are not normally easily accessible, i.e. the private sector to disadvantaged sections of the population and for social enterprises access to partnerships with contractors, etc.
- Enhanced managerial skills: e.g. for the private sector experience of working with the voluntary sector, for the social enterprise sector up-skilling in terms of entrepreneurial skills.
- Enhanced marketing opportunities: this operates for both sides of the collaboration, in terms of Corporate Social Responsibility opportunities for business (sponsorship is an example of this) but also in terms of

social enterprises being able to access more costly marketing mechanisms.

- For social enterprises recruitment and retention of staff is easier if they become more sustainable via increases in income streams derived from vertical trading.
- Partnership can enable the private sector to gain access to communities and areas where people are naturally 'suspicious' of the private sector.
- In a strictly Welsh context in terms of benefiting organisations in line with policy initiatives, partnership between the private sector and social enterprises potentially facilitate the Welsh Assembly Government's front line anti-poverty programme, Communities First, in enabling effective partnerships between the statutory, voluntary and private sectors.

**5.2 Perceived barriers to collaboration identified in the interviews:** Interviewees identified a wide range of barriers which are sufficiently complex to require in depth analysis in this report. They are initially outlined in tabular form to provide an overview and are then discussed in detail;

<b>Government, Sectoral and Policy Barriers</b>	<b>Cultural barriers: The Perception Gap</b>	<b>Practical and Support Barriers</b>	<b>Global and Local economic factors</b>
Perceived lack of government departmental integration	A lack of recognition of the concept of social enterprise by the private sector	Time and resource Implications for both sectors.	Economic trends favouring global operations and markets.
Identification of social enterprise as a solely voluntary sector activity	A lingering mistrust between social enterprises and private enterprises	The scope of the Social Enterprise sector: the lack of 'mature' social enterprises within Wales.	Poor understanding of area-specific economic conditions.
Existing policy direction and content	Perceptions of a lack of entrepreneurial dynamism/ reactivity of social enterprise	A dearth of business support that thoroughly understands the concept of social enterprise and the sector's needs.	the dominance of micro businesses in parts of the Welsh economy
	Social enterprises' own recognition of their role within the business sector.	Lack of embedded systems of regional development	The lack of critical mass of both business opportunities and population in rural areas of Wales.
	Perceptions of differences in the Entrepreneurship and Risk-taking cultures between the sectors	A lack of provision of integrated premises and incubation sites	
		The need for more intermediary organisations to facilitate relations between private and social sector.	
		The difficulties of establishing and sustaining partnership.	

## 5.3 Discussion of Emerging themes:

### 5.2.1 Governmental, Sectoral and Policy Barriers

- Perceived lack of government departmental integration.
- Identification as voluntary sector activity.
- Existing policy content and direction.

Some respondents expressed the view that the responsibility for developing social enterprise should be placed within the remit of the Welsh Assembly Government's Department of Enterprise, Innovation and Networks. This was mainly based on the premise that positioning social enterprise within the Social Justice and Regeneration department served to encourage the view that social enterprise did not represent a genuine business model and that its placement encouraged confusion with voluntary and charitable activities. In relation to this concerns were expressed over the involvement of organisations such as the Wales Council for Voluntary Action (WCVA) and County Voluntary Councils (CVCs) in the support of social enterprise. Views expressed suggested that scarce resources for the support of the sector were being poorly utilised, spread too thinly and allocated to organisations with little real experience in the world of economic regeneration. Involvement of such organisations also served to further reinforce the perception that social enterprise is limited to the social inclusion agenda and that its development is limited to the role of voluntary organisations.

#### **Recommendation Two**

**The organisational location of social enterprise policy within the Welsh Assembly has an important bearing on wider perceptions of its role and contribution to mainstream economic development. The Welsh Assembly Government should review its location to ensure that the impact of social enterprise is integrated fully with mainstream economic policy and its impact is maximised.**

In terms of policy direction, some respondents expressed concern about the political emphasis on delivery of public services at the expense of encouraging economic integration with the private sector. To date much emphasis in policy has been on social enterprises developing Service Level

Agreements with public agencies rather than seeking collaboration with the private sector. Additionally, the lack of emphasis on the social enterprise sector within the WAVE document had not gone unnoticed by many respondents who felt that this indicated a lack of real understanding of the economic value of social enterprise at government level. However, there was also recognition for the efforts that had been made to encourage collaboration between social enterprise and public sector, for instance via the Sell2Wales website, and there was some indication of active encouragement of social enterprises to bid for tenders in collaboration with private sector enterprises.

### **Recommendation Three**

**That the current emphasis on provision of public services in current policy for social enterprises should be matched in future policy by promotion of private sector collaboration**

It was recognised that the development of social enterprise within Wales had been slow and that the development of the strategy had been delayed in comparison to the development of a strategy in England. However, overall the development of a strategy was seen as a positive, though limited, step forward in the process. The counter argument was also expressed that the delayed development of the strategy had been in part due to the WAG's commendable insistence that the strategy be developed in the spirit of true partnership. It was also acknowledged that resources within the Social Enterprise Unit within the Social Justice and Regeneration Unit has been limited and that this had hindered the development of the sector to some extent.

### **Recommendation Four**

**That the Welsh Assembly Government review its internal resource base for promotion of social enterprise to meet concerns that current resources cannot effectively promote a comprehensive development of social enterprise**

#### **5.2.2 Cultural Barriers**

- The existence of a 'Perception Gap' between sectors, including the following cultural barriers between sectors:
  - A lack of recognition of the concept of social enterprise by the private sector;

- A lingering mistrust between social enterprises and private enterprises;
  - Perceptions of a lack of entrepreneurial dynamism/ reactivity of social enterprise;
  - Social enterprises' own recognition of their role within the business sector.
- Perceptions of differences in the Entrepreneurship and Risk-taking cultures between the sectors.

Respondents expressed the view that in general the concept of social enterprise was not recognised by the private sector and when it was, it was poorly understood. This represented a major barrier to collaboration with the private sector. Partly this was seen as due to a lack of knowledge about social enterprise but was also partly attributable to a lack of effective marketing by the social enterprise sector with regard to its underlying social values. One respondent stated,

“They don't care that we are the social economy - all they want is a good landlord. Maybe we should be doing more to say that we are a good landlord because we are the social economy”.

A certain degree of mistrust was also expressed in relation to the private sector's potential motives for collaboration. The possibility that the private sector might exploit the business opportunity at the social enterprise's expense was seen as a potential barrier. However, most respondents felt that this could be countered via the development of clear and robust partnership agreements. There was speculation that for some community enterprises collaboration would comprise the, “...crossing of a sacred line”. However, the overriding view was that the motives of either sector did not matter as long as the collaboration resulted in sustainable local economic development. Some respondents expressed dislike for the term 'not-for-profit', and felt that this could be mistaken for a management ethos by the private sector and act as a barrier to integration. However, questions of difference in sectoral ethos were not the most problematic of the themes for the majority of respondents. Although some degree of suspicion regarding collaboration was expressed by the private sector, warranted mainly on the grounds of the perception of social enterprise representing unfair competition, it was generally agreed that as

long as there was the business opportunity they engage with the social sector. This was despite doubts being expressed about the ability of social enterprises to deliver effectively. Interestingly such views were not based on direct experience of collaboration.

#### **Recommendation Five**

**Much of the current mistrust and misperception between the sectors results from the low level of contact between them. The Welsh Assembly Government can assist greater contact by ensuring stronger social enterprise representation in economic forums and by promoting conferences and other events which encourage cross sectoral approaches to economic development. (See also discussion in Section 5.2.3)**

Linked to this issue is the idea that social enterprises aren't perceived as credible in the business world. There was general agreement from both sectors that credibility is an issue for social enterprises and that the image presented by many social enterprises needed to be re-worked to attract potential business partners. Here the development of prestige buildings was seen as important to reflect the ability of social enterprises to present a serious and modern business image. Past funding regimes have generally confined social enterprises to the use of community buildings as trading premises and have generally brought into use derelict and abandoned schools, community centres, institutes and chapels. Often these do not present a dynamic and vibrant 'business' image to potential private sector partners.

A related cultural barrier was the perception by the private sector that the bureaucracy they associated with the voluntary sector had become associated by proxy with social enterprise. Indeed, it was acknowledged by social enterprises that their need to develop in partnership and consultation with all stakeholders could take a long time, whereas the private sector was seen as more reactive and faster moving. Consequently, this issue of the reactivity of social enterprises was seen as a potential barrier to collaboration by both sectors. Some elements of the slower response times are clearly derived from the extended lead-in times associated with grant funded activities. Timescales



between the announcement of a programme and the actual award of a grant can often be over a year and this pace of response is not appropriate for private sector organisations who may wish to be involved in that process. Clearly one policy improvement could be the speeding up of grant programme response times.

**Recommendation Six**

**That the Welsh Assembly Government and ASPBs should improve response times for grant funded programmes to allow more rapid formation and development of social enterprises.**

One of the main components of the 'perception gap' was recognised by the social enterprise sector itself. Interviewees from the social sector felt that social enterprises needed to better recognise that they were essentially businesses. They also felt that this was often a question of the maturity of a social enterprise and believed that there was a developmental stage where this recognition took place and which needed to be reached before they could interact with the private sector in a 'meaningful' manner. Part of this process was the recognition that generating 'profit' did not per se undermine the organisation's achievement of its social purpose. Much of this 'developmental' process could be accelerated by effective training programmes and mechanisms for the exchange of best practice. The parallel here is the kind of support services offered to SMEs to promote growth, increased turnover and expansion. Similar needs can be identified in the social enterprise sector. It cannot be assumed that without external mentoring, guidance, training and support that social enterprises will naturally and automatically become more entrepreneurial and seek external relationships, expansion and diversification. Support is needed to underpin the change in values required in much the same way that sole traders and SMEs require support to grow. **(See Recommendation Seven and discussion in Section 5.2.3)**

Some respondents expressed the view that in a business sense, Wales was not perceived as having a 'risk-taking' culture, which manifested in two ways. Firstly that policy makers and local authorities were not encouraging 'risk' taking and secondly, that people from deprived areas tended to be risk

averse, which potentially affected the extent of development of social enterprises. In contrast, private enterprise was perceived as less risk averse and more likely to develop entrepreneurial behaviour which involved risk-taking. A key element of perceived risk aversion in disadvantaged areas is limited demand, due to low levels of disposable income and the inability of poor populations to purchase goods and services which might be more commercially viable in more affluent areas. Additionally, many activities which might form the basis of start up businesses are often adequately provided at lower prices by the informal economy or reciprocal exchange relationships within family, wider kinship and neighbourhood networks. However, it is precisely these patterns which make social enterprise a useful mechanism in disadvantaged areas and can provide opportunity for collaboration with the private sector to develop access to markets which might not be visible externally by conventional market research methods. To some extent the existence of such networks has underpinned the success in working class communities of specific trading mechanisms such as party plans, pyramid selling and 'agent' delivered methods. Similar mechanisms could be harnessed for greater community benefit if delivered through social enterprise and private sector partnerships.

### **5.2.3 Practical and Support Barriers**

- Time and Resource Implications for both sectors.
- The scope of the Social Enterprise sector: the lack of 'mature' social enterprises within Wales.
- A dearth of business support that thoroughly understands the concept of social enterprise and the sectors needs.
- Lack of embedded systems of regional development.
- A lack of provision of integrated premises and incubation sites.
- The need for more intermediary organisations to facilitate relations between private and social sector.
- The difficulties of establishing and sustaining partnership.

Respondents felt that it was important to recognise the resource implications of developing the social enterprise sector to the point where it was in a position to proactively collaborate with the private sector. Preparation was required to equip the sector to enable more entrepreneurially-inspired actions.

Additionally, the time it takes to establish good partnership should be recognised and appropriate resources be made available. Developing a trading relationship between any potential business partner is time consuming and may require specialist resources including lawyers and accountants. Often for small scale social enterprises and SMEs these are seen as too costly and not worth the investment. Specialist support of this kind offered by agents such as Business in the Community (BITC) has been highly valued by the social enterprise sector but it is not generally available to all organisations.

Respondents recognised that there were activities that are intrinsically un-profitable and that this represents a barrier in that no business opportunity will be identifiable. It was felt that the social enterprise sector would have to live with this fact. However, whilst such activities would never be profitable, it was felt to be important to recognise the importance of the concept of 'added value' and accept that some outputs are not measurable in conventional terms such as economic productivity or GDP. Such activities presented major barriers for direct collaboration and it is necessary to accept that not all social enterprises carry a capacity for direct partnership with the private sector. However, even in such areas of activity it may still be possible to find less direct mechanisms such as sponsorship, mentoring and support services perhaps provided in the context of a Corporate Social Responsibility policy within the private sector organisation.

Respondents felt that one of the current barriers to development of collaboration was the lack of a coherent system of business support available to either sector. There were particular issues in relation to the development of social enterprises which relate to the lack of real understanding of the concept of social enterprise in the wider business community. Many respondents expressed the view that this 'misunderstanding' extended to business support systems

This view once again raises the question whether the social sector needs separate business support services which are grounded in a thorough knowledge of the needs of the sector. This argument has some attraction, especially in the initial stages of the development of a vibrant social enterprise sector, when the development of a 'can do' culture is most important. Specialist advisors familiar with the attitudes and values of the social sector might be best placed to promote the social entrepreneurialism required to fully launch a social enterprise presence in Wales. .

The alternative model is to ensure that mainstream business support services provide thorough and knowledgeable support to all organisations that use their services. This would require training of existing business support staff in the conditions prevailing in the social sector as well as more active recruitment of experienced personnel from the social sector itself. The perspective identified in this report of building an integrated economy which seamlessly blends modes of trading suggests that this latter approach would be more fruitful. The deployment of a separate service for the social sector would reinforce its segregation from the mainstream economy and militate against collaboration. Unified support structures would be more likely to develop integrated responses to business needs reflected by both sectors. However, it is essential that this view is more thoroughly tested to derive evidence for the identification of the most appropriate mechanisms for providing support for social enterprise and for promoting collaboration with the private sector. It is clear that there is mixed opinion and further research of current practice in the UK would help resolve this issue and allow the design of more effective support services.

#### **Recommendation Seven**

**That the issue of support services for social enterprise is fully examined to determine, in an evidence based process, whether support needs are best met through specialist services for the social sector or by better integration of social enterprise support within mainstream business support agencies.**

The development of suitable business start-up premises was seen as essential to the development of the social enterprise sector, particularly in

rural areas. However, such premises were not regarded as being widely available. Additionally, our data suggested that there is little integration between social enterprises and private sector organisation in terms of shared premises unless one or the other is acting as the landlord. At the commencement of this project the prospects of the mixed occupation of the Porth Plaza social enterprise incubator development gave promise of potentially fruitful collaboration between the sectors represented in the proposed development. However, the demise of the proposal demonstrates some of the potential barriers and difficulties of bringing such ambitious projects to fruition and the ways in which some existing regulatory frameworks and funding regimes currently make such developments doubly difficult. This report strongly recommends that current and future incubator premises should actively encourage such mixed 'tenure' with premises available on equal terms both for profit based SMEs and social enterprises.

### **Recommendation Eight**

#### **That development of business incubator sites should promote joint occupation by both social enterprises and the private sector**

Some respondents felt that a pan – Wales structured framework of organisations that supported local economic development and created networks of local businesses was the only sustainable way of creating the conditions necessary to encourage social and private sector business collaborations. Creating lines of communication between potential partners was essential to this process, as was creating opportunities for these businesses to meet and discuss potential collaborations.

In particular, respondents felt that there was a need to create more opportunities for local business leaders and social enterprises to meet and establish liaison. The current level of the perception gap is sustained and amplified by lack of opportunities for representatives of each sector to meet and develop better understanding of the common ground which exists as well as how the differences between them might be minimised. As in other areas of joint working across traditional boundaries, the process has to begin with dialogue. In key areas such as recycling, energy production, and the

construction industry, there are advantages to be gained for both the social sector and the private sector. The creation of venues and events for dialogue to occur is an essential first stage of further development of collaboration (**See Recommendation Five above**).

Interviewees felt it was most important that the parameters of any collaboration were clearly set out and that this was done as close to the beginning of any partnership arrangement as possible. Expertise in the field of developing effective partnerships was essential in the process of developing collaborations and it was felt that smaller organisations from both sectors might struggle to access this level of expertise. It was acknowledged that even with an outside body such as the BITC setting up opportunities for developing partnerships that the logistics of sustaining partnership were problematic. Again, time and resource issues were perceived as major barriers to building effective partnership for both sectors. Additionally, changes in personnel were a particular problem (especially for the private sector organisations), because when staff moved on to another organisation the time investment in building the ties and professional relationships was often lost. Changes to key personnel also posed problems for establishing and maintaining collaborative relationships.

#### **5.2.4 Barriers relating to Global and Local economic structures**

- Global economic trends.
- Poor understanding of area – specific economic conditions.
- Scale of Welsh business development: the dominance of micro businesses in parts of the Welsh economy.
- The lack of critical mass of both business opportunities and population in rural areas of Wales.

Global economic trends were seen as increasing the likelihood that social enterprises would need to collaborate with larger businesses and corporations in order to sustain their operations and retain a competitive edge. It was also suggested that trends towards globalisation helped create the conditions

where the development of social enterprises became more important to counteract local economic decline or growing economic instability.

Long-term development of strong local economies was seen as key to the encouragement of a business climate in which organisations would be willing to collaborate. However, some respondents speculated that, within Wales, creating this type of climate would be difficult without a framework of support mechanisms embedded at regional level which understood the conditions of the local economy in relation to the demands of the wider economy. Economic development needed to be planned in relation to current business provision within the local area and take account of factors such as population size and geographical features. Part of the problem in creating this type of economic climate was that such structures did not exist in all areas and that understanding of local economies was poor in the population as a whole. In order to develop business opportunities it was essential that local populations understood their local economies and the impact of their spending patterns on it. In this sense, developing 'economic literacy' which promoted local patterns of consumption was seen as desirable.

A major barrier to collaborations was seen as the domination of the Welsh economy by micro-businesses, particularly in more rural areas. It was felt that these tended to struggle anyway and that they would have little time and energy to devote to developing collaborations. The lack of a critical mass of social enterprises in some areas was also cited as a barrier, and in relation to this Wales also lacks large urban centres where both sectors could profit from benefits of scale and proximity. It was thought by some respondents that geographical proximity between businesses was a factor in effective collaboration.

Respondents also felt that a lack of population concentration represented a barrier to the wider economic development in some areas of rural Wales and this in turn would work to prevent businesses collaborating. In relation to this lack of critical mass, some respondents felt that there was a related lack of expertise within some smaller businesses, which acted as a barrier to

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collaboration.



## 6 Identifying opportunities for collaboration

Whilst few examples of actual social/private sector collaboration in Wales have emerged during the course of this research there is limited evidence that such collaborations do exist and the views expressed by respondents do not suggest the existence of insurmountable barriers to their development. During the research process interviewees were very keen on the idea of developing collaborations with the private sector and were certain that examples existed, although they acknowledged that at the moment these were rare in Wales. Two often quoted examples of good practice were the Arts Factory and Pack-IT, and indeed both of these are covered in the DTI's Matchwinners report. However the following additional models of existing practice were identified and specific functions identified which could be replicated elsewhere as the sector develops.

### 6.1 Models of Collaboration

**Brokerage Function:** This type of collaboration sees social enterprises acting as facilitators for local economic development, for example Greenways tourism (<http://www.greenwaysholidays.com>) in Pembrokeshire where they are working with local Bed and Breakfast providers as a broker. The contracts are informal but the social enterprises look at developing the wider context for economic development by developing walks and cycle routes. Examples also included social enterprises acting as brokers between small contractors and potential apprentices in training schemes (i.e. the Ladder Project and the Build It project: The People and Work Unit).

**Landlord function:** Where appropriate assets are available social enterprises can act as landlords to private sector business. Planed (<http://www.planed.org.uk/>) in Pembrokeshire is an example of an organisation that currently operates in this way.

**The Developmental Function:** Social enterprises, particularly Development Trusts, have a role in developing the economy as a whole by targeting economic development on an area basis. Not only can Development Trusts perform the landlord function, they can cultivate small businesses in areas such as IT that can in turn service their own needs. They can also provide training in local economic awareness for local populations, which facilitate business development across all sectors. As part of this function they can produce directories of locally based businesses, including both social enterprises and private sector business, as Planned in Pembrokeshire have done. The developmental function includes the provision of business advice to all sectors through partnership working with both other third sector organisations and the private sector.

**Collaboration to gain contracts:** Successful collaborations in order to gain contracts for work from public sector organisations were also reported. One respondent to the research felt that it was imperative that social enterprises and private sector organisations be encouraged to collaborate in this way and that public sector organisations should be encouraged to formulate their tendering processes to ensure that the beneficial aspects for both sectors are recognised.

**Collaboration with local business partners in order to facilitate the development of social enterprises:** Examples were given where local Communities First partnerships were collaborating with local business partners to fund activities that could potentially develop into independent social enterprises. This is currently occurring to a limited extent in the Caerphilly area where collaboration is currently at a low level but which shows potential to develop further.

**Corporate Social Responsibility Function:** This was the most strongly evidenced area of collaborative activity in the areas studied and this is visibly due to the efforts of Business in the Community (BITC: [http://www.bitc.org.uk/what\\_we\\_do/where\\_we\\_work/wales/index.html](http://www.bitc.org.uk/what_we_do/where_we_work/wales/index.html)) who currently operate a system called Partners in Leadership through which managers from private sector businesses are able to work with local social

enterprises. BITC also operates the Wales Cares programme which enables employees from the private sector to volunteer within the community. The benefits of this sort of collaboration are well documented and apply to both the employees and managers in question and to the social enterprises involved. However, it is true that examples of these forms of collaboration mainly exist between social enterprises and managers from larger corporations.

## 6.2 Wider opportunities for collaboration in Wales

To date social enterprises have tended to emerge in key areas of activity:

- Community regeneration initiatives - often where the trading is a by-product of a regeneration activity rather than undertaken for its employment or surplus creating potential. For example, a crèche may be provided to support training activities and occasional surplus places may be traded to the general public. Other examples include community cafes and community centres (Adamson and Byrne 2003).
- Recycling schemes have developed a strong presence in the social economy in Wales exemplified by the Cylch network.
- Development Trusts have emerged as a key source of social enterprise activity.
- Intermediate Labour Market schemes are also well represented in the social economy, although less so in Wales than in England or Scotland.
- Social Firms have emerged to provide employment to specific client groups within a social enterprise model.

All these activities are currently developing a stronger social enterprise presence in Wales and in the 2003 study (Adamson and Byrne 2003), it was possible to identify a good range of activity with a significant contribution to the broader economy. The report identifies a social economy of some 600 organisations ranging in size from Tower Colliery with a turnover of £27m per annum to small community groups with funding of only a few thousand pounds. The following key features are identified:

- |                             |       |
|-----------------------------|-------|
| • Full time permanent jobs: | 2,750 |
| • Full time temporary jobs  | 259   |
| • Part time jobs (not FTEs) | 1,608 |

- Income/turnover £158,448,982

The figures presented are not modelled for the whole of Wales but simply represent the data offered by the organisations which provided relevant information to the survey (180 provided full financial data). The overall contribution of the social economy in Wales is likely to be between 2.5 and 3 times the levels identified by Adamson and Byrne in 2003.

This represents a real contribution to the Welsh economy and it is worth noting that it has developed without any key sponsorship or funding from government. No specialist funding has existed to date and much of the development has been from European funding sources deployed within imaginative schemes in both ESF and ERDF programmes. The development of a Social Enterprise Strategy for Wales now provides a policy platform which should facilitate more effectively the development of social enterprise activity. It is worth noting that some of the targets in the current strategy are modest in the light of this existing contribution to the Welsh economy. In particular, a target of £1million increase in turnover would represent a mere 0.63% increase on the very conservative estimate of achievements in 2003 reported by the survey (Adamson and Byrne 2003). It is important for the credibility of the sector not to set unattainable targets but equally the sector must be able to demonstrate more effective growth than this target would suggest possible.

This level of activity suggests that the patterns of social enterprise identified earlier present considerable opportunity for further development, and in the context of this study considerable opportunity for private sector collaboration. Whilst some of these areas are traditionally unable to bear a profit, others have considerable scope for joint initiatives which meet the triple 'bottom line' of social enterprises as well as the more conventional profit targets of the private sector.

In the first instance this report recommends focusing promotion of social/private sector collaboration where most experience exists of developing and running social enterprises. The areas of activity identified earlier in this

section possess a range and depth of experience which could easily move into a more collaborative framework. Many organisations already promote vertical integration with the public sector and the move to private sector integration is more achievable in the short and medium term. Such collaborations are already evident in some areas of activity including **energy production** (Arts Factory (<http://www.artsfactory.co.uk>), Bro Dyfi Community Renewables Ltd (<http://www.ecodyfi.org.uk/energy/energybdcr.htm>); **tourism** (Planed (<http://www.planed.org.uk/>)); **packaging** (Pack-IT (<http://www.pack-it.co.uk>); and **recycling** (Cylch (<http://www.cylch.org/>)).

One key area where considerable potential exists but where action has not developed is in the housing renewal agenda in Wales. The considerable potential for general economic regeneration, community regeneration and social enterprise in the emerging policy area merits separate consideration.

### 6.3 Housing Renewal and the Social Economy

A separate discussion of this potential area of activity is deemed necessary given the prominence it has been given during interviews and its major potential to unite the social inclusion and social justice objectives of the Assembly Government as well as the growth of SME, employment agenda and raising of GDP.

It is rare in social policy for such key objectives to coincide not only in time but also in the location of activity. The achievement of the Welsh Housing Quality Standard by 2012 is a primary policy of the Welsh Assembly Government and will, by various estimates, require expenditure of £3-4 billion. Such expenditure is unprecedented and is more remarkable in that it is to be predominantly spent in the most disadvantaged communities in Wales. Whilst the release of such funding is largely dependent on the Housing Stock Transfer process and successful votes for transfer by tenants in the participating local authorities, the Welsh Assembly Government has made it clear that the WHQS must be reached by 2012. Recent votes for stock

transfer in Rhondda Cynon Taf and Monmouthshire have added impetus to this process and established the urgency of creating structures and processes which can maximise the local economic impact of achieving the WHQS. Thus even if the current estimates of likely expenditure are not fully met, significant expenditure on the housing stock is inevitable. This provides significant opportunity for:

- Growth of the SME sector providing goods and services to the newly emerging housing agencies;
- Growth in employment in the construction industry and allied trades;
- Growth in social enterprise within the communities where the expenditure is occurring.

All of these outcomes provide fertile ground for collaboration between the private and social enterprise sector.

Linking the investment with the local economy has become a statutory regulation in any case of stock transfer; the WAG's stock transfer guidelines (currently under review) state that a local authority's housing strategy should indicate,

“how the transfer proposals form part of the authority's strategy for tackling social and economic problems and delivering sustainable community regeneration, including where appropriate linkage to the *Communities First* programme” (WAG 2002b: 3).

Clearly, this imposes a regeneration and social justice component on the stock transfer process in which social enterprise will offer potential for a substantial contribution to this requirement. There is also significant scope for housing associations to buy in services from the private sector. Additionally, some housing associations, particularly Community Mutuals (WAG 2004), will be based in specific localities and so will have greater opportunities to develop local initiatives to meet local needs and potential. This may also be underlined by a constitutional commitment to creating further social enterprise and local economic benefit from investment in the housing stock.

The procurement rules that can dictate the degree of collaboration between housing associations and the private sector to develop social outputs from investment are complex. Community benefit clauses within contracts must be applied in accordance with procurement rules; these essentially come from 3 levels: the EU, UK and local levels. These guide and restrict the procurement practices of housing associations in the UK. It is not relevant to go into the detail of these processes here; however there are a number of sources of information on this subject (see for example IDeA 2003; IDeA/WLGA 2003; Macfarlane and Cook 2002; ODPM 2003; DTI 2003).

However, what these sources point to is the possibility of housing associations operating in a manner that brings additional benefit for the local area over and above the normal benefit that could be expected from a contractual relationship. This provides a distinctive slant on the collaboration between the housing association and the private sector, particularly construction firms. While there are possibilities that many contracts will in the first instance be with larger construction firms, there is a general trend towards subcontracting within the sector so that there will be a link between housing associations and local construction firms. Long-term, there is an ongoing revenue stream from the maintenance of the housing stock, which creates opportunities for local private business. This is likely to operate at a smaller scale, but could provide a significant link between social enterprises and the local economy over a period of time.

There are key mechanisms through which there is the potential to develop the local economy and social enterprise through housing investment. These are generally based on procurement contracts, but they often have an input of funds from sources such as employment services and regeneration organisations to help support the training and employment outcomes. This therefore provides a useful intersection of potential collaboration between social enterprises and private businesses. The key mechanisms that are available include Local Labour in Construction (LLiC) schemes; Intermediate Labour Markets (ILMs); and Resident Services Organisations (RSOs).

### 6.3.1 Local Labour in Construction (LLiC) schemes

This approach works by specifying local labour requirements (normally focused on unemployed local residents) in tenders or contracts with builders and suppliers (see for example Macfarlane 2000; see also McGregor et al 1995). LLiCs link local job training, apprenticeship and job matching schemes to construction contracts.

This approach depends on partnership between the employer, training agencies and other regeneration programmes. Ideally, public sector agencies such as Jobcentre Plus should organise recruitment and offer job-matching services if an LLiC is to reach its full potential. Many schemes also subsidise costs to the employer from a variety of regeneration and employment creation programmes. The benefits from LLiCs will be further maximised by closely integrated local business linkages and supply chains, as well as favourable labour market conditions with suitable apprentices.

### 6.3.2 Intermediate Labour Markets (ILMs)

ILMs also aim to achieve economic and social regeneration through employment training and physical improvement. ILM schemes tend to focus on social housing estates, and seek to develop the standard of housing and the environment, while simultaneously producing training and employment outcomes. They do this by offering a bridge back to the world of work by improving participants' general employability through 'real world' work experience (see for example McGregor et al 1997; Marshall and Macfarlane 2000).

ILMs work through a subsidised work system, typically offering a 'benefits plus' system for a period of time for the trainee before paying the market rate for the job towards the end of the placement. While being paid, the ILM gives trainees on and off-site training; recognised qualifications; and work



experience. This enhances the employability skills of the trainee, leading to positive outcomes. Research elsewhere has shown that ILMs have costs that are comparable to other job training and employability schemes, with lower drop-out rates, enhanced job prospects and higher earnings potential for participants.

### 6.3.3 The Resident Services Organisation (RSO) model

RSOs are community-led organisations that aim to create employment from ongoing revenue sources such as taking on local repairs and maintenance contracts. Because of this, RSOs can set much longer-term goals and programmes (see PEP 1997; PEP 2002).

A RSO normally focuses on a particular neighbourhood, delivering services that are either needed but not being provided, or are being provided but inadequately and could be provided better by local people. RSOs work by employing local residents, and by targeting jobs and training at those who might otherwise remain excluded from the labour market. By doing so, an RSO aims to create transitional employment, offering some of its jobs as a stepping-stone to help trainee employees move on to other, more secure jobs either within or outside the neighbourhood.

RSOs could have a particular impact on the economic outcomes from housing investment due to the long-term impact on the local labour force. RSOs could be part of the 'exit strategy' of schemes such as a housing repair programme to become a successor organisation. RSOs could therefore complement LLiC and ILM schemes and act as a bridge between the major redevelopment and repairs programme and the ongoing management of neighbourhoods.

The RSO model therefore offers potential to link together local economic benefit and housing investment through the ongoing repairs and maintenance associated with stock transfer. The model is also particularly appropriate for

stock transfer through models such as the Community Housing Mutual Model, where there is a desire to offer community control of housing.

## 6.4 Implications of Housing renewal for Collaboration

Thus significant opportunities are presented by the housing renewal agenda in Wales. However, little has thus far happened to realise these opportunities. Whilst many respondents were aware of this potential, none could point to existing collaboration preparing for the forthcoming opportunities. Active discussion around this topic has taken place in RCT but to date have focused on community organisations and have not involved the private sector. Urgent action is therefore required if these opportunities are to be realised. It is difficult for the Welsh Assembly Government to act in advance of tenant ballots on Stock Transfer. However, infrastructural developments in the form of training programmes, SME support structures and funding for potential social enterprises are urgently required if this potential is to be realised. Delay in establishing such mechanisms could result in the bulk of the proposed expenditure being routed through multi-national companies who historically offer only minor local employment clauses. The opportunity to develop the local economy, grow the indigenous SME sector, develop social enterprise and promote collaboration will be lost. These issues are now recognised widely in Wales (Institute of Welsh Affairs 2006)

### **Recommendation Nine**

**The potential local economic development opportunities arising from stock transfer and spending on the achievement of the WHQS by 2012 require urgent action to develop local businesses, train local residents and create social enterprise which collectively can maximise local benefit. The Welsh Assembly Government should work closely with Further Education Colleges, Universities, Local Authorities and the social and business sectors to promote rapid development of capacity to engage locally with the process of housing renewal**

## **7 Conclusion**

Whilst this report has found only limited evidence of collaboration between the social enterprise sector and micro-businesses and SMEs in Wales it has demonstrated the considerable potential that exists. Throughout the research process it has been the sense of unrealised potential that has been most evident. The barriers outlined in this report present difficulties which are not easily overcome. However, none of the respondents have seen them as insurmountable. They are largely seen as cultural barriers which greater contact between the sectors can resolve. There are also support issues and as always critical issues of funding. However, even in the past absence of these, social enterprises have flourished. The Social Enterprise Strategy offers new opportunities for further development. Making the connection between those successful social enterprises and the private sector will contribute significantly to both sectors achieving their objectives and in doing so contribute directly to the economic regeneration and social justice objectives of the Welsh Assembly Government. Social enterprise has the potential to contribute significantly to overall economic recovery in Wales. Fully recognised and properly supported, it can contribute to mainstream economic targets and take its place in the 'new mixed economy' identified at the start of this report. Establishing the links between social enterprise and the business community is a vital ingredient in realising that potential

## **Table of Recommendations**

### **Recommendation One**

**That the Welsh Assembly Government acknowledge more clearly the capacity of the social economy to contribute to mainstream economic development as well as its role in promoting economic activity in disadvantaged communities**

### **Recommendation Two**

**The organisational location of social enterprise policy within the Welsh Assembly has an important bearing on wider perceptions of its role and contribution to mainstream economic development. The Welsh Assembly Government should review its location to ensure that the impact of social enterprise is integrated fully with mainstream economic policy and its impact is maximised.**

### **Recommendation Three**

**That the current emphasis on provision of public services in current policy for the social enterprise should be matched in future policy by promotion of private sector collaboration**

### **Recommendation Four**

**That the Welsh Assembly Government review its internal resource base for promotion of social enterprise to meet concerns that current resources can not effectively promote a comprehensive development of social enterprise**

### **Recommendation Five**

**Much of the current mistrust and misperception between the sectors results from the low level of contact between them. The Welsh Assembly Government can assist greater contact by ensuring stronger social enterprise representation in the economic fora in Wales and by promoting conferences and other events which encourage cross sectoral approaches to economic development.**

### **Recommendation Six**

**That the Welsh Assembly Government and ASPB should improve response times for grant funded programmes to allow more rapid formation and development of social enterprises.**

### **Recommendation Seven**

**That the issue of support services for social enterprise is fully examined to determine, in an evidence based process, whether support needs are best met through specialist services for the social sector or by better integration of social enterprise support within mainstream business support agencies.**

### **Recommendation Eight**

**That development of business incubator sights should promote joint occupation by both social enterprises and the private sector**

**Recommendation Nine**

**The potential local economic development opportunities arising from stock transfer and spending on the achievement of the WHQS by 2012 require urgent action to develop local businesses, train local residents and create social enterprise which collectively can maximise local benefit. The Welsh Assembly Government should work closely with Further Education Colleges, Universities, Local Authorities and the social and business sectors to promote rapid development of capacity to engage locally with the process of housing renewal**

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