Towards a Classification Framework for Social Enterprises

DENISE Crossan

e-mail: Da.crossan@ulster.ac.uk

Royal Irish Academy Scholarship Award Recipient

School of International Business, University of Ulster

N. Ireland

JIM Bell

e-mail: jd.bell@ulster.ac.uk

School of International Business, University of Ulster

N. Ireland

PAT Ibbotson

e-mail: pg.ibbotson@ulster.ac.uk

School of Business, Retail & Financial Services, University of Ulster

N. Ireland

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INTRODUCTION

The concept of the social economy has been used for many centuries and is said to have occurred in the earliest farming co-operatives in Ireland and Central Europe. However, to those looking at the subject afresh, it would appear as if it is a more recent discovery and in particular within the last 4 years has become the means by which governments, in the UK in particular, might find an answer to the issues of social exclusion, disadvantage and more sceptically, reduce long term public spending in key areas of health, transport and unemployment.

From personal experience as a Community Business Advisor, this awakening and transformation in government policy began between 1996 and 2002, and in Northern Ireland administrations was viewed as a mechanism to better utilise and distribute funds from Europe which might ensure sustainability after the funds had been depleted in 2006. The success of this strategy is still being evaluated. Since 1996 public policy makers have sought, with great difficulty, to define the social economy as a sector and thus struggled with the concept of adequate funding provisions, appropriate legal structures and supports.

As a Community Business Advisor I was made acutely aware of the difficulties faced by social enterprises, balancing the social mission and the aims and objectives of the organisation, with the hard business management decisions. At the same time I became interested in the role of the internet within the social economy and the potential for the sector to develop and potentially internationalise in the future. I have spent considerable time in reviewing these issues and have condensed them into the research questions below that I intend to investigate for my PhD research:

1. Is there a continuum of practice between the community and voluntary sector, the social economy sector and the private sector in NI/ROI?

2. Can social enterprises and private enterprises be classified along the continuum using identified variables?

3. Could such a classification inform government policy makers as to the type, duration and mechanisms of suitable support for the sustainability and development of social enterprises in the future?
4. What economic advantages can social enterprises learn from adjacent private enterprises on the continuum and vice versa?

The document consists of a review and definition of the social economy sector in the UK and ROI. This is followed by a review of the current continuum literature and a summary of the reviewed models. Following this the research case in outlined, stating the methodology, applications and timescales for investigation.

**REVIEW AND DEFINITION OF THE SOCIAL ECONOMY SECTOR IN UK & IRELAND**

The Social Economy sector, sometimes referred to as the Third Sector (community, voluntary and social economy sectors), forms a significant part of any country’s economy, and is traditionally by its nature, intertwined in the social and cultural fabric of the local communities it serves. It constitutes a significant movement worldwide, distinguished by its innovative, dynamic and eclectic nature. It is a movement covering an enormous variety of projects and activities, which put people, rather than profit, at the centre of its mission.

The origins of the social economy sector are firmly rooted within the community and voluntary sector. The diagram below illustrates the flow of development with the community and voluntary sector into the social economy sector.

The process begins within the community and voluntary sector, whereby groups who have identified their needs and objectives, turn to social enterprise as a way of generating income as an alternative funding source to community donations or funds provided by government and/or statutory bodies. The group must decide which form of enterprise to adopt.

*Fig1: Social Economy Agency 2000*
Having established the enterprise, all income that is generated through its activities are constituted to be reinvested into the business and into the community, which in effect provides the funds to allow the originating community groups to continue to meet its social aims and mission.

Whilst a relatively easy concept, the most significant issue facing the sector is the difficulty in agreeing a definition. Social Enterprise London comments that trying to define a social enterprise is like trying to “define an elephant blindfold -very difficult and rather pointless, because you certainly know one when you see one.” (SEL 2001)

The UK Government’s ‘Strategy for Success’ (2002) established an important milestone in the development of the social enterprise sector with the publication of the following definition:

‘A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximise profits for shareholders and owners’. (Social Enterprise: A Strategy for Success, 2002).

Social Enterprise London (2001) describes the types of social enterprises as follows:

<table>
<thead>
<tr>
<th>Type of Social Enterprise</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Owned Businesses</td>
<td>Create jobs and preserve jobs as part of economic development strategies</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>Community finance initiatives providing access to finance</td>
</tr>
<tr>
<td>Co-operatives</td>
<td>Associations of persons united to meet common economic and social needs through jointly owned enterprises</td>
</tr>
<tr>
<td>Development Trusts</td>
<td>Key actors in community based regeneration</td>
</tr>
<tr>
<td>Social Firms</td>
<td>Small businesses created to provide integrated employment and training to people with disabilities and disadvantages</td>
</tr>
<tr>
<td>Intermediate Labour</td>
<td>Provide training and work experience for the long term unemployed</td>
</tr>
<tr>
<td>Market Companies</td>
<td></td>
</tr>
<tr>
<td>Social Businesses</td>
<td>Non-profit businesses, often set up to support the work of a charity or non-governmental organisation</td>
</tr>
<tr>
<td>Community Businesses</td>
<td>Social enterprises that have a strong geographical definition and focus on local markets and local services</td>
</tr>
<tr>
<td>Charitable Trading Arms</td>
<td>Allows charities to meet their objectives in innovative ways</td>
</tr>
</tbody>
</table>

Table 1: Types of Social Enterprises, SEL 2001
Like households, Social Economy organisations can be viable at widely different levels of income essentially because many of them survive by adjusting to whatever level of income is available.

**SIZE OF THE SECTOR**

Within the EU Member States, the Social Economy is categorised under three forms (EU Enterprise DG): Co-operatives, mutuals and associations. The best estimate is that the Social Economy within the European Union “represents roughly 6.4 million jobs, of which 59% are in non-profit associations, 34% in co-operatives and 7% in mutuals.” This is equivalent to about 4.4% of employment in the EU (Social Economy Agency 2000).

According to the DTI Social Enterprise Units’ (2003) estimates there are approximately 5,300 social enterprises in the UK. This Report was prepared by ECOTEC Research and Consulting Limited in response to the lack of a comprehensive and consistent evidence base to support the on-going growth of the social enterprise sector at a UK national level, as acknowledged in the Government’s ‘Social Enterprise: A Strategy for Success’ in July 2002. Its recommendations are based on the review of the experience of 33 mapping studies which have all attempted to map social enterprise to some extent throughout the UK.

Amongst these studies was a survey carried out by NICVA and the Social Economy Agency NI in May 2000 (Social Economy Agency & NICVA 2000) showing that the community and voluntary sector in Northern Ireland constitutes 5,000 organisations, employees approximately 33,500 staff, relies on the support of over 80,000 volunteers. In addition and according to Colin Stutt Consulting (Stutt 2001), the Social Economy Sector in NI is estimated to involve at least 30,000 jobs or 5% of employment in the region, is directly comparable in size to the construction tourism sector and is twice the size of textile and clothing, food and drink, tobacco and agriculture and forestry and fishery.

The establishment of Social Economy Branch within DETI in mid-2002 marked the start of an important and long-term partnership process to work with the sector and with other Departments to promote the social economy and strengthen its contribution to the NI economy. To date the Branch has facilitated the establishment of the Social Economy Forum, launched in June 2003, and the development of the Social Economy Network and an Inter-Departmental Steering Group (IDSG) chaired by DETI to
discuss the development and support of the social economy sector in NI. The Forum plan to map the sector within NI and the next meeting of the group will be in February 2004.

In October 1997, the Partnership 2000 Social Economy Working Group was established in the Republic of Ireland, consisting of 38 Local Area Partnerships, community organisations and relevant government agencies, including FÁS. The Working Group was charged with the undertaking a detailed examination of the potential of the Social Economy, both in terms of employment, in the supply of services improving the quality of life in disadvantaged areas (Partnership 2000).

The Tanaiste for the Department of Enterprise, Trade and Employment ROI officially launched the National Monitoring Committee and the Social Economy Programme in Dublin on 18th September 00. The Social Economy Programme in ROI aims to support the development of social economy enterprises that provide employment opportunities for long term unemployed and other disadvantaged persons and aims to benefit the economic and social regeneration of communities. By December 2002 some 300 Social Economy Enterprises have commenced operations employing 1,800 persons. In 2003 the budget of 20.5m Euros in 2002 was increased to approx. 30.7 Euros in 2003.

It is currently estimated that there are approximately 250 recognised community businesses operating in Northern Ireland and approximately 300 in the Republic of Ireland.

**LITERATURE**

The literature review for this research to date has focused on the following areas:

1. A definition of the Social Economy sector, and social enterprise
2. A review of the Sector in terms of size and activities / including a process for mapping the sector regionally
3. A review of the literature describing individuals who are described as social entrepreneurs, and their utilisation of economic models to meet social objectives
4. A review of the literature that looks at the continuum between non-profit organisations and private enterprises, both in terms of structures and in terms of management practices

The aim of the review is to understand the definition and size of the sector in NI and ROI, to identify potential positions of organisations along a theoretical continuum that could be tested and expanded in the environment, and to identify a structure for the method of investigation, and the variables used to position the organisations on the continuum which could be applied to both non-profit and private enterprises.

The sources of literature originated from government publications, interest organisations currently researching and promoting the social economy sector and also some key literature contained in this review was recently presented at the ARNOVA (Association for Research on Non-profit Organisations and Voluntary Action) 2003 Conference by fellow social enterprise researchers and ARNOVA members, who kindly agreed to allow me to read their full papers. Before attending the ARNOVA conference I found it very challenging to identify appropriate literature on this subject and the ARNOVA conference was very useful in focusing my search.

DEVELOPING ECONOMIC ACTIVITY WITH NON-PROFIT ENTERPRISES / SOCIAL ENTREPRENEURSHIP

As shown is the section above, social enterprises are organisations that are driven by a social mission, aims and objectives, that have adopted an economic business model to achieve their social aims. With that being the case, the continuum of commercial activity might begin at the point where community organisations begin to generate income through some source.

According to Community Wealth Ventures (2001) this economic involvement begins after “traditional” forms of generating income are taken into consideration, as illustrated in the table below:
In Community Wealth Ventures definition, community wealth is not associated with fund raising or gifts or donations, but associated with actions taken by the organisation that leads to market development, non-restrictive income generation and decreased dependency on the external funding community.

Organisations should assess their potential for community wealth by considering their organisational capacity and resources, their marketable assets of the organisation and also the potential size of the market opportunity. The point at which these circles cross is described as the maximum scope of opportunity for “Community Wealth Zone”.

Likewise, the continuum will also have a point where reference should be made for those individuals who are driven by a social mission, who utilise business models to achieve their social aims.

A significant element of the literature describes individuals with social mission who operate independent of an organisational structure and/or individuals located within non-profit organisations and who are often the organisation’s CEO/Directors and are often described as “Social Entrepreneurs”. The literature tends to focus on describing a comparison of traditional entrepreneurs and social entrepreneurs.
One of the leading authors on the subject of social entrepreneurs is Gregory Dees (1998). Dees suggests a comparison between the traditional definitions of entrepreneurs and social entrepreneurs by saying that we should build our understanding of social entrepreneurship on this strong tradition of entrepreneurship theory and research. Dees suggests that social entrepreneurs are one species in the genus entrepreneur. They are entrepreneurs with a social mission. For social entrepreneurs, the social mission is explicit and central. Mission-related impact becomes the central criterion, not wealth creation.

Dees’ idealised definition of social entrepreneurship can be stated as follows (Dees 1998):

Social entrepreneurs play the role of change agents in the social sector, by:

- Adopting a mission to create and sustain social value (not just private value),
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources currently in hand, and
- Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

Social entrepreneurs, according to Dees, seek to provide real social improvements to their beneficiaries and their communities, as well as attractive (social and/or financial) return to their investors. Creating a fit between investor values and community needs is an important part of the challenge.

Interestingly Dees comments that when feasible, social entrepreneurs create market-like feedback mechanisms to reinforce this accountability to their stakeholders. They assess their progress in terms of social, financial, and managerial outcomes, not simply in terms of their size, outputs, or processes. They use this information to make course corrections as needed. (Dees 1998)

Dees’ description of the role and motivations of the individual social entrepreneur can be easily interpreted as the actions and motivations of a social enterprise as a group of
people. Perhaps the real challenge is in directing the group and ensuring that all work as one social entrepreneurial force to meet the organisations social mission.

**THE NON-PROFIT / FOR-PROFIT CONTINUUM – CURRENT THEORY**

The majority of social economy practitioners will agree that social enterprises operate along a spectrum of social and economic indicators. At one end of the scale, the focus for the social economy enterprise will have a more social and less economic focus, potentially only operating to generate enough income to survive, whilst at the other end of the scale social economy enterprises will operate and present themselves as businesses that aim to maximise profits to fund underlying social objectives (SEL 1999).

To this extent we have already tried to identify the starting point on the continuum for this commercial activity, and also perhaps, where social entrepreneurship might find its point on the continuum. The remaining literature reviewed deals with the continuum from different viewpoints which will all play some part in influencing the variables used to identify and place social and commercial enterprises in the field.

Social Enterprise London (SEL 2001) describes the continuum according to the organisation’s social ownership factors, income sources, social goals, development focus and market focus.

In terms of social ownership, SEL describes the continuum ranging between small social businesses with a small group of trustees who manage the business at one end of the scale, compared to an increased number of members involved with the organisation, such as the case with large co-operatives, at the other end of the continuum.

Likewise the continuum can be described in terms of income, at one end those organisations that rely on donations and funding and those who generate sales but remain social enterprises.
According to the SEL, the Body Shop, while not a Social Enterprise, is a ‘socially responsible business’. These businesses have a traditional ownership structure. They are actively aware of their social and environmental impact. Social Enterprises need to balance their social and economic aims. For example, to be successful, a Credit Union must not become a ‘poor people’s bank’, serving only the poorest in a community. While some successful community businesses deliver local services, i.e. community owned retailing or Credit Unions, some seek wider market opportunities. As with other businesses, finding a viable market is the key to sustainable community businesses. In the 1980s, it was common for community cafés to be established on housing estates. In contrast, Annabelle’s, a social firm, operates a restaurant in a fashionable west London area and recruits staff that has experienced mental health problems in the past.

In this context then, the SEL places the social economy sector firmly between the private sector and government sector as indicated on the table below:
Marwell and McInerney (2003) discuss the concept of “Mixed-form” markets i.e., markets for goods and services in which for-profit, non-profit, and government providers coexist. They present a five step theoretical framework which would create understanding in the dynamic relationship between for-profit and non-profit organizations operating within the same market. The framework is based on the concept that non-profits may sow the seeds of their own destruction by creating markets in which for-profit firms may displace them. They identify five stages to this process: market identification; market growth; increasing cost for goods/services; increasing price for goods/services; and cross-sector competition and they conclude that the dynamic interplay between non-profit and for-profit forms within markets produces three possible outcomes: stratified, displaced, and defended markets.

Thus, non-profits who move towards becoming increasingly commercialised identify a market and quite often the market is closely linked with the social mission of the organisation. This will not necessarily attract the interest of for-profit businesses at this stage, as the market will be socially specific and non-profits generally at this stage will not be making a significant profit.

Potentially the non-profit will be successful and this may attract the attention of other non-profit businesses looking for a successful market and business opportunity. This may give rise to increase level of service provision, or competition between non-profit enterprises, identified as the market growth stage of the framework.

As the non-profit market grows so does the costs to the non-profit in terms of resources, staff and space. This growth leads an increase in costs and to a more
complex internal division of labour as the non-profit seeks to meet growing service demands and management activities with its funders and regulatory bodies.

To offset cost increases, the non-profit must increase the price it charges for service or identify additional sources of donations or funding that will subsidise the increased costs. If the market bears an increase in costs, without the non-profit having to seek additional subsidise, for-profit enterprises may become interested in the market and begin to challenge the market share of the non-profit.

When a for-profit business enters the market predominately occupied by non-profits, the non-profits and the consumers have created an economic situation which is favourable to for-profits as they are often more flexible, cash rich and often perceived as offering better quality products and services.

Marwell and McInerney (2003) further suggest that the commencement of this cross-sectoral competition gives rise to three potential outcomes in any market that address a social problem called: the stratified market, the displaced market, and the defended market.

A stratified market contains both non-profits and for-profit businesses, but the consumer population is split in two with non-profits serving poor consumers whose costs of service are subsidized by funders, and for-profit businesses serve wealthy consumers who pay market rates for service.

A displaced market is one in which the non-profits that identified and created a market are pushed out by later-entering for-profit businesses. Funding subsidies to non-profits either no longer are forthcoming, or prove insufficient for non-profits to continue providing service. A defended market describes the scenario in which non-profits fight back against the take over of for-profit businesses, using any number of fundraising, regulatory, legitimacy, or other tools of defence.

This theoretical framework may be used to identify the general history and development of the market for non-profits and their attitudes towards competition. One question that to be investigated would be the relationship between the position of the non-profit on the continuum and its relationship according to the framework in the market with other non-profits and for-profits.
Billis (2003) suggests that there are three “pure” or “unambiguous” sectors (business, government and association) and that what is called “nonprofits”, or voluntary agencies, are hybrids of different sorts that mainly lie within the association sector. He describes the organizational nature of the “unambiguous” model of sectors in the table below. Billis suggests that each sector is defined by six questions which have distinctive answers and that each answer is logically linked to other answers; in total representing the “rules of the game” by which organizations operate.

<table>
<thead>
<tr>
<th>Core Features</th>
<th>Business</th>
<th>Government</th>
<th>Associations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Who owns the organization?</td>
<td>Shareholders</td>
<td>Citizens</td>
<td>Members</td>
</tr>
<tr>
<td>2. Underpinning governance principles?</td>
<td>Share ownership</td>
<td>Public elections</td>
<td>Private elections</td>
</tr>
<tr>
<td>3. What is basis of legitimacy?</td>
<td>Satisfying shareholders and customers</td>
<td>Satisfying voters about public services</td>
<td>Satisfying members about mission</td>
</tr>
<tr>
<td>4. What ideas drive priorities and activities?</td>
<td>Market forces and the need to make a profit</td>
<td>Public service and statutory obligations</td>
<td>Persuasion about distinctive mission</td>
</tr>
<tr>
<td>5. Distinctive human resources?</td>
<td>Paid employees in managerially controlled Firm</td>
<td>Paid public servants in legally backed Bureau</td>
<td>Members and volunteers in democratic elected Association</td>
</tr>
<tr>
<td>6. Where do other resources come from?</td>
<td>Sales, fees</td>
<td>Taxes</td>
<td>Dues, donations, legacies</td>
</tr>
</tbody>
</table>

Table 3: The “Unambiguous” Sectors, Billis (2003)

Billis suggests that hybridity of organisations results when organisations develop characteristics that are found across the sectors or columns above. Hybrid organizations have parents in one sector and are visitors in another sector/s. Billis suggests a model for this pattern of hybridity as follows:
The following summary gives a summary of each of the hybrids, in order to explain and illustrate their structure by example.

<table>
<thead>
<tr>
<th>Government-Association Hybrids (GA)</th>
<th>Quangos (quasi-autonomous non-governmental organisation), non-departmental public bodies (NDPB) or “local public spending bodies” e.g. great national museums and the BBC.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government-Business (GB)</td>
<td>Nationalised industries such as British Rail, Coal Industry, British Leyland.</td>
</tr>
<tr>
<td>Government-Business-Association (GBA)</td>
<td>Not for profit “public bodies”, such as housing associations, government audited, profit orientated with social mission.</td>
</tr>
<tr>
<td>Business- Government (BG)</td>
<td>Public Private Partnerships (PPP)</td>
</tr>
<tr>
<td>Business Association (BA)</td>
<td>Social Enterprises e.g. John Lewis</td>
</tr>
<tr>
<td>Business/Government/Association (BGA)</td>
<td>Private business with shareholders whose business heavily rely on government monitoring and give donations of funds through charitable partners e.g. the National Lottery / Camelot.</td>
</tr>
<tr>
<td>Association-Governmental Hybrids (AG)</td>
<td>Association orientated towards from government and using paid staff to deliver what we have called public services or local government has its representatives on the management committee of the voluntary organization.</td>
</tr>
<tr>
<td>Association- Business Hybrids (AB)</td>
<td>Charitable structures who have successful business spin-offs e.g. museums and museum shops, Charity shops.</td>
</tr>
<tr>
<td>Association Business Government (ABG)</td>
<td>Volunteer organisational structure that was heavily dependent on government funding becomes service provider to government e.g. Marriage Guidance Counselling charity recruiting staff and holding contracts with NHS/Government</td>
</tr>
</tbody>
</table>

Table 4: Billis 2003
Billis’ concept of sectors and hybrids allows for the beginnings of a characterisation of the continuum according to structure and purpose and assists the research by suggesting the identification of the parent sector would direct the position of the organisation along the continuum.

Michael Stull (2003) carried out an ethnographic study of a non-profit family services organization in the USA and investigated how both traditional and social entrepreneurship management approaches were used and how the dynamic tension between these differing approaches was balanced. He finds that traditional management and social entrepreneurship approaches can be blended through a “continuum of practice”.

The key questions asked by Stull were “how does a non-profit executive know when to be entrepreneurial, and when not to? How does that executive contend with the tension that is likely to result from the combination of two dissimilar models of practice? Is the social entrepreneur an innovator in the sector, or a competitor that adopts practices that clash with tradition (and the underlying social mission) in the non-profit field?

Stull further suggested that one end of the continuum is the traditional non-profit management approach, defined as having an intense commitment to the mission and tradition of the organization and a viewpoint of “that’s the way we have always done it.” At the other end of the continuum, representing social entrepreneurship non-profit management style is an opportunity oriented approach that attempts to integrate both mission and market views, where the non-profit’s mission is viewed as elastic in nature, able to be constantly evaluated and reinterpreted to meet the changing needs of the market and the organization.

Stull (2003) refers to the “Four-Frame Model” (Bolman &Deal, 1997) that helps managers to better understand and deal with management issues through the use of multiple organizational perspectives. The creation of a “continuum of practice” brings together different frames or vantage points along the continuum which allows the CEO to evaluate a wide range of significant issues and offers an array of options and flexibility. Through the use of the continuum the CEO is not locked into the “either or” dilemma but can be flexible according to the information internally and externally at that point on the continuum. Stull’s subject reported that there were
occasions in the management of the non-profit where he would have to act as an entrepreneur and other times as a social worker.

Stull describes the characteristics of the continuum extremes below:

<table>
<thead>
<tr>
<th>Traditional management characteristics</th>
<th>Social entrepreneurship characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission and tradition driven</td>
<td>Mission and market driven</td>
</tr>
<tr>
<td>Inelastic mission</td>
<td>Elastic mission</td>
</tr>
<tr>
<td>Client and internal process orientation</td>
<td>External market and outcomes orientation</td>
</tr>
<tr>
<td>Defined by funding sources</td>
<td>Unconstrained by funding sources</td>
</tr>
<tr>
<td>Administrative orientation</td>
<td>Entrepreneurial orientation</td>
</tr>
</tbody>
</table>

Table 5: Stull’s Continuum of Practice with traditional management and social entrepreneurship as relative extremes (Stull 2003):

Through his study, Stull was able to create a list of mediation or decision factors, projecting influence either internally or externally, on the non-profit manager which allow them to either adopt more social entrepreneurial behaviours or adopt more traditional management behaviours. The table below outlines Stull’s Mediation Factors:

Mediation Factors for the Continuum of Practice: Movement along on the continuum is influenced by various internal and external factors (Stull 2003)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Key characteristics</th>
<th>Nature of Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission elasticity</td>
<td>Flexibility of mission to be reoriented or reinterpreted</td>
<td>Internal</td>
</tr>
<tr>
<td>Timing</td>
<td>Time driven elements and timing issues between multiple factors</td>
<td>Internal and external</td>
</tr>
<tr>
<td>External environment</td>
<td>Key stakeholders, community perceptions and support, political environment, economic conditions, market trends, client perceptions and needs</td>
<td>External</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
<td>Internal/External</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Internal processes</td>
<td>Board role, staff involvement in planning and decision making</td>
<td>Internal</td>
</tr>
<tr>
<td>Internal assets and capabilities</td>
<td>Staff capabilities, existing assets, volunteer support, partnerships</td>
<td>Internal</td>
</tr>
<tr>
<td>Board of directors and advisors</td>
<td>Expertise, social capital, experience, level of support to executive, level of involvement</td>
<td>Internal and external</td>
</tr>
<tr>
<td>Funding resources</td>
<td>Availability of funding resources, source, demands and expectations</td>
<td>Internal and external</td>
</tr>
<tr>
<td>Decision making skills</td>
<td>Skills and experience of key executives, mediation and integration capabilities, creativity, innovation</td>
<td>Internal</td>
</tr>
<tr>
<td>Organizational culture</td>
<td>Nature of culture, level of embeddedness, receptivity to change</td>
<td>Internal</td>
</tr>
<tr>
<td>Opportunity potential</td>
<td>Current growth potential (high or low), long term potential, connection to social mission</td>
<td>Internal and external</td>
</tr>
<tr>
<td>Risk tolerance</td>
<td>Tolerance level of board and staff (low, medium, or high)</td>
<td>Internal</td>
</tr>
<tr>
<td>Management orientation</td>
<td>Risk orientation, experience, education, preferred management approach, values, proactive, reactive, entrepreneurial or managerial orientation</td>
<td>Internal</td>
</tr>
<tr>
<td>Executive self-monitoring</td>
<td>Individual self-awareness during decision making or planning processes</td>
<td>Internal</td>
</tr>
</tbody>
</table>

**Table 6: Stull’s Mediation Factors**

These mediation factors can be utilised in the research to inform the methodological approach and allow for evaluation of the Mediation Factors within social enterprises and commercial enterprises in NI and ROI.

Other authors (Austin et al 2003) take another perspective on the role of entrepreneurship within non-profits and examines a comparative analysis of commercial and social entrepreneurship based on an analytical model from commercial entrepreneurship, the PCDO Framework and presents an approach to the social entrepreneurial process to make it more systematic and effective.
Fig 5: PCD0 Framework (Austin et al 2003)

Each element of the PCDO framework is interrelated and dependent on each other. “P” or “People” is defined as those who actively participate in the venture. They include both those within the organization and those outside who must be involved for the venture to succeed. “C” or “Context” is defined as those elements outside of the control of the entrepreneur that will determine success or failure. “D” or “Deal” is the substance of the arrangement that defines who in a venture gives what, and who gets what, and when those deliveries and receipts will take place. “O” or “Opportunity” is a desired future state that is different from the present, and the belief that achievement of that state is possible.

Austin et al suggest that non-profit management must consciously manage the dynamic fit among these elements. They content that while the human and financial resources required for success are similar across commercial and social entrepreneurship, social entrepreneurs are often faced with more constraints, from limited access to the best talent, to fewer financial institutions, instruments, and resources, to restrictions that funds be used toward specific programmes and activities, thereby limiting the social entrepreneurs' ability to make investments in organisational capacity to achieve their mission.

In relation to context, again there are many similarities between commercial and social enterprises. The research points out that a social enterprise will often chose markets that are inhospitable in terms of traditional market opportunities where the emphasis is on profit. The authors point out that social entrepreneurs often choose to
pursue opportunities to address social change not despite of, but because of, an inhospitable context.

Another interesting factor that distinguishes a difference between for-profit and non-profit management is the idea that for-profit entrepreneur is replaced if the measures of progress, i.e. the generation of profit, is not met. Many social enterprises, that are inefficient or ineffective at delivering their services, often can continue for a long time as their funding body recognises the continuing need, and does not necessarily demand hard measures of performance.

In relation to deals, social and commercial entrepreneurs are all seeking investors to provide financial resources, as well as skills and talent to help them realize the value of the investments. For a social entrepreneur, the deals are great in number, varied, and complex and usual focus around the relationship with funding bodies.

Finally, differences are examined in relation to opportunities in social and commercial entrepreneurship, with key difference being that in the latter, the focus is on economic returns while in the former, the focus is on social returns. The scope of opportunities for social entrepreneurs is very wide because they are able to pursue ventures that are both economically viable as well as those that require subsidies.

Austin et al (2003) conclude that the social enterprise should focus on core skills, namely:

1. Enhancing capacity building through the establishment and maintenance of networks
2. Develop the ability to manage a wide range of stakeholder needs.
3. Develop ability to work collaboratively with other non-profits
4. Take stock of the environment and utilise strategic planning mechanisms for sustainability and growth

In comparing commercial entrepreneurship with social entrepreneurship without qualitative or quantitative consideration, the study succeeds in highlighting some interesting comparisons between the two positions on the continuum.
Paton (2003) offers the following social enterprise continuum (Paton 2003):

<table>
<thead>
<tr>
<th>Large Shareholder capitalism</th>
<th>National Trust</th>
<th>Government depts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large mutuals coops</td>
<td>BBC</td>
<td>Uniform services</td>
</tr>
<tr>
<td>Private hospitals &amp; schools</td>
<td>Universities</td>
<td></td>
</tr>
<tr>
<td>Financially focused small business</td>
<td>Not-for-Profit businesses in health wealthfare</td>
<td></td>
</tr>
<tr>
<td>Family firms</td>
<td>Arts Centres + museums</td>
<td>Endowed foundations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Small Worker coops</th>
<th>Economic goals/ Private benefits</th>
<th>Mixed</th>
<th>Social goal/ Public benefit</th>
</tr>
</thead>
</table>

**Table 7: Paton (2003)**

This model relates size of organisation to economic versus social goals and places a variety of social enterprises along the continuum. In order to determine the position of the enterprises along the continuum, he suggests that there are 6 recurring characteristics that distinguish social enterprises, as follows:

1. All Social Enterprises are established to achieve social aims. To place the enterprise on the continuum you must establish how ambitious are the goals of the enterprise and how they intend to pursue their goals, in other terms how will they manage economic goals and social goals. Likewise, how will they measure their success in achieving their goals?

2. Generally within social enterprises key staff have distinct orientations and value commitments. This may be derived from the organisations mission and or from their personal vocation or training.

3. Social Enterprises have complex governance arrangements – often involving stakeholder representation and lay elements and no clear separation from management.

4. Social enterprises rely on a diverse mix of resource streams
5. Social enterprises must succeed in two different environments, the commercial and institutional – the latter ensuring that they operate under close institutional supervision and oversight.

6. Social enterprises commonly operate in and through partnerships and collaborations with companies, government bodies, and other social enterprises.

If used in conjunction with the other models, this evaluation gives a clear pattern for the identification and placement of social and commercial enterprises along the continuum.

**CONTINUUM RESEARCH VARIABLES**

The DTI Report (2002) stated the lack of a comprehensive and consistent evidence base to support the on-going growth of the social enterprise sector at a UK national level was a critical factor affecting the development of the sector. Following from this report, DTI (2003) suggests a series of data or variables that may be incorporated in any exercise in mapping social enterprises regionally, based on a review of 33 mapping studies and consultations carried out throughout the UK. The variables are listed below:

1. Number of employees (temporary / permanent, volunteers, gender, age, ethnic origin and disability)

2. Profits/surpluses (before interest, depreciation and tax)

3. Wage and salary costs

4. Income sources, including proportion from each source

5. Geographical scale of market served

6. Additional trading activity of social enterprise

7. Asset base

8. Date of registration

9. Legal form

10. Measures of confidence e.g. whether turnover will increase or decrease next year
11. Measures of social / environmental impact

12. Other quality of work indicators, such as skill development and training of employees

Internationally, an additional study that is currently ongoing is the Stanford Project on Emerging Nonprofits (SPEN), undertaken by the Centre for Social Innovation, Stanford School of Business. A multi-year panel study, SPEN will examine the ways in which nonprofits start, organise, evolve, deliver programs, and assess performance. The research will develop frameworks for understanding the complex relationships between nonprofits and those organisations devoted to supporting the social sector, as well as share relevant data and tools practitioners can use to improve their organisational effectiveness. The research questions being asked include the following: (http://www.gsb.stanford.edu/csi/programs/spen.html)

- What are the characteristics of social enterprises, including type and timing of funding received, mission, founding conditions, business or revenue model, human resources policies, programmatic activities, and client base?

- What are the market and political environments in which these organisations operate, and to what extent do they collaborate with or compete with organisations that do not have a social mission?

- What impact do different types of philanthropic funding - traditional foundation grants, corporate grants, venture philanthropy, government grants, individual gifts, and mixed funding sources - have on the organisational development and behaviour of emerging social purpose organisations?

- How are non-profit organisations measuring their performance?

- What is the degree of cooperation or fragmentation in the community, as observed through joint projects, private-public partnerships, common funding sources, joint board memberships, or other measures?

- What local, regional, national, or international networks with individuals and institutions do non-profits create to conduct their missions?

The following table attempts to summaries the findings of the literature review in terms of the criteria given to allow for a classification or positioning of social
enterprises along a continuum. The table also illustrates the current mapping and research studies being undertaken.
## Comparison of Literature – Key Variables for Positioning Social Enterprises on a Continuum

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<tbody>
<tr>
<td>Organisational capacity</td>
<td>Social Ownership Factors</td>
<td>&quot;Mixed-formed&quot; Markets:</td>
<td>Core Features:</td>
<td>Mediation Factors:</td>
<td>People</td>
<td>Social aims</td>
<td>Number and type of employees</td>
<td>Characteristics including funding, structure, mission, business model, activities and client base</td>
</tr>
<tr>
<td>Market opportunity</td>
<td>Income Sources</td>
<td>Stratified Markets</td>
<td>Who owns the organisation?</td>
<td>Mission elasticity</td>
<td>Context</td>
<td>Distinct orientation of staff</td>
<td>Profits / surpluses Wages &amp; Salary costs</td>
<td>Market and political environment</td>
</tr>
<tr>
<td>Marketable Assets</td>
<td>Social Goals</td>
<td>Displaced Markets</td>
<td>Underpinning governance principles?</td>
<td>Timing</td>
<td>Deal</td>
<td>Complex governance arrangements</td>
<td>Income sources Geographical scale of market served</td>
<td>Impact of funding on the development of the organisation</td>
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<td></td>
<td>Development Focus</td>
<td>Defended Markets</td>
<td>What is the basis of legitimacy?</td>
<td>External Environment</td>
<td>Opportunities</td>
<td>Diverse mix of resource streams</td>
<td>Additional trading activities</td>
<td>Measurement of performance</td>
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<td></td>
<td>Market identification</td>
<td></td>
<td>What ideas drive priorities and actions?</td>
<td>Internal processes</td>
<td></td>
<td>Ability to succeed in commercial and Institutional environments</td>
<td>Asset base Date of registration</td>
<td>Degree of co-operation with other orgs</td>
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<td></td>
<td>Market growth</td>
<td></td>
<td>Distinctive human resources?</td>
<td>Internal assets and capabilities</td>
<td></td>
<td></td>
<td>Legal form Measure of confidence</td>
<td>Level of networks locally, internationally</td>
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<tr>
<td></td>
<td>Increased costs</td>
<td></td>
<td>Where do other resources come from?</td>
<td>Board of Directors and Advisors</td>
<td></td>
<td></td>
<td>Measure of social/environment impact</td>
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<tr>
<td></td>
<td>Increased prices</td>
<td></td>
<td></td>
<td>Funding resources</td>
<td></td>
<td></td>
<td>Quality of work indicators, training and skills development</td>
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<td></td>
<td>Cross-sector competition</td>
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<td>Decision making skills</td>
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<td>Organisational culture</td>
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<td>Opportunity potential</td>
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<td>Risk tolerance</td>
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<td>Management orientation</td>
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<td></td>
<td>Executive self-monitoring</td>
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Table 8: Literature Summary
SOCIAL COMMERCIAL ENTERPRISES AND COMMERCIAL SOCIAL ENTERPRISES – A CLASSIFICATION FRAMEWORK

On the basis of a review of the extant literature, I have created my own classification framework, illustrated below, which places community development, social enterprises and private enterprise along a continuum of economic activity.

The classification framework is constructed in order to illustrate the location of social commercial enterprises in relation to commercial enterprises that have a level of social focus which impacts on their management decisions.

The framework describes the continuum from social activity to economic activity, through moving from the public/government sector, through the not for profit sector and into the for profit sector.

At the point between social and commercial, there is an additional classification between those social enterprises that are outwardly social and those that are inwardly social, and likewise, on the commercial side, businesses who are outwardly social and inwardly social, and finally onto purely commercially driven.
### Social Commercial Enterprises and Commercial Social Enterprises Continuum – A Classification Framework

<table>
<thead>
<tr>
<th>Social</th>
<th>Not for Profit</th>
<th>Social Commercial</th>
<th>Commercial Social</th>
<th>For Profit</th>
<th>Commercial</th>
</tr>
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<tr>
<td>Govt</td>
<td>Quangos</td>
<td>Community Businesses</td>
<td>Housing Assoc Mutuials</td>
<td>Shareholder</td>
<td>Soletrader</td>
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<tr>
<td>Community &amp; Voluntary Charities</td>
<td>Charities with Co. Ltd G</td>
<td>Social Firms Co-operatives</td>
<td>Credit Unions</td>
<td>SME</td>
<td>Co Ltd G</td>
</tr>
<tr>
<td>(Outwardly Social)</td>
<td>Inwardly Social</td>
<td>(Outwardly Social)</td>
<td>Inwardly Social</td>
<td>Economic Activity</td>
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</tbody>
</table>

*Table 9: Crossan, 2004©*
METHODOLOGY

Reviewing the extant literature and utilising pre-existing prior knowledge has created the social commercial/commercial social continuum outlined above. The aim of the ongoing research is to evaluate the social commercial / commercial social continuum according to common identifying characteristics, such as aims, structure, funding dependency and business approach. The evaluation will develop the continuum theory and will allow social enterprises to identify themselves according to the classification, and provide information and guidance to funding bodies and policies makers to better target funding and support for potential growth social economy and small business sectors in NI /ROI.

To date, the research was been carried out on a preliminary/pilot stage and has adhered to the following research objectives:

1. To identify characteristic variables at 4 stages of the continuum, using cases from the border areas of Northern Ireland and the Republic of Ireland

2. To gauge the level social and economic focus within social commercial enterprises and commercial social enterprises along the continuum

3. To identify key characteristics and practices that could be exchanged between social commercial enterprises and commercial social enterprises

The completed research will be a descriptive study and will have 2 stages. The social commercial /commercial social continuum acts as the framework for the study. The research accepts the DTI (2002) definition of the social economy.

Stage 1

The first stage of the research process has involve secondary research to identify and describe homogeneous characteristic variables of organisations at each stage of the continuum.
Stage 2

The second stage of the research has involved carrying out a judgement purposive sampling exercise which selected cases that conformed specifically to the characteristic criterion identified in Stage 1. Two cases from each organisation structure along the continuum were selected, from either Northern Ireland or the Republic of Ireland, within either County Derry or County Donegal. The geographic location is appropriate as it allows for the sampling of social enterprises and for-profit businesses that are located adjacent to one another, within the two legal jurisdictions, whilst remaining outside a one hundred mile radius of a large conurbation, which could affect the economic perspective of the respondents. According to the social commercial / commercial social continuum outlined, 28 cases will be identified in total.

Primary qualitative research has been carried out in the pilot study with 3 cases in the form of in-depth semi-structured interviews. The semi-structure interview format will be informed by the work of Paton (2003), Billis (2003), Marwell & McInerney (2003) and Stull (2003).

Continuum Framework Questions

Following guidance from the literature, and taking into account the structure of the Continuum, the questions were divided into 3 broad indicator categories, as below:

1. **Descriptors**: characteristics such as the legal structure, staffing structure, volunteer numbers, and resource levels of the organisation etc

2. **Motivators**: the organisations mission, aims and objectives and management practices, attitudes towards social / economic objectives

3. **Behaviours**: the actions, overall ethos and awareness of the organisation with regards to the needs of the sector and community served.

The Continuum Framework question structure consists of 8 sections in total.
PRELIMINARY FINDINGS

The following preliminary findings were gathered during the pilot phase of the research, and reflect a small section of the overall responses from 2 case studies, based within the social commercial category on the continuum. The sections reported here correspond to the 3 categories outlined above: Descriptors, Motivators and Behaviours. The case studies below are discussed to give an example as to how the research will be assessed with the wider study.

CASE 1: ORGANIC AGRICULTURAL CO-OP

Descriptors

The founding organic group was established in February 1999 with the aim of developing and promoting organic production in the North West of Ireland. In April 2002 the group was registered as a Co-operative under Irish Co-operative Organisation Society (ICOS) rules and currently has offices based in Muff, County Donegal. The current membership Co-op consists of 16 Shareholders and 45 Supplier Associate Members from County Derry, County Tyrone and County Donegal, with 1/3 originating in the Republic of Ireland and 2/3 originating from Northern Ireland.

The Co-op is managed by a Board of Directors and Executive Management Committee drawn from its members and is representative of both the geographical area and producer types within the Co-op. The Executive Management Committee consists of 4 members who voluntarily manage the day to day business of the Co-op, and the Board of Directors meets monthly to oversee the business. Finances for the Co-op come from membership fees and levies earned from the sale of livestock and other products by members to their processing partners. The Co-op has no other sources of external income.

The Co-op is not primarily involved in added value production of foodstuffs. It is a Co-op representing and promoting the interests of its producer members. Members of the Co-op are involved in the production of range of raw materials for the food industry and some primary processing.
In February 2003 the Co-op commissioned the production of a detailed business plan to chart the way forward in a number of key areas, particularly in securing funding to create employment and increase awareness of organic produce and the activities of the Co-op within its catchment’s community.

Assessment

In relation to descriptors of the Co-op along the Continuum Framework, the Co-op would fall within the 4th section, commercial social. Whilst the activities of the co-op follow social and environmentally protective principles, the Co-op seeks to primarily meet the needs of its members, and does not have a policy for allowing a wider participation in the management or decision making processes at this time. Members who are not active on the Executive Committee are encouraged to undertake work on behalf of the Co-op and this is described as “volunteer” support. The decision making processes of the Co-op are relatively closed and managed on a day to day basis by a core team of only 4. Whilst the Co-op is social aware in terms of its relationship to the rural community and to other agricultural producers, it is also painfully aware of its member’s reliance on the success of the Co-op to sell on produce to markets, so that members can generate an income. With this pressure, the Co-op is forced to put the emphasis on the more commercially driven scale on the Continuum.

CASE 2: COMMUNITY RESOURCE CENTRE

Motivators

The community resource centre is based in Buncrana, County Donegal and consists of a renovated 18th Century corn mill which now provides accommodation for approximately 20 local community organisations. The resource centre hosts concerts, events, and exhibitions and has a particular focus on showcasing local talent.

The community resource centre is a company limited by guarantee structure and operates with a volunteer Board of Directors, and a series of volunteer committees to over see the ongoing community events managed within the mill.
The centre’s Board of Directors and Manager and staff have a clearly defined mission, aims and objectives stated which reflect the needs of the wider geographic community and pride themselves in the levels of volunteer support they receive throughout the year.

In the past two years the community resource centre has also been faced with a reduction in the availability of funding, and has carried out a review of its business plan strategy. This review has resulted in the decision to create a considerable expansion of the centre, to build an extension to the buildings, creating commercial and accommodation space which will be rented to both community and commercial clients. The expansion has required the centre to seek funding of approximately €2m (euros).

**Assessment**

The community resource centre is extremely socially motivated and clearly displays their social aims and objectives in all literature and marketing materials. The centre has a sound management system which is democratic and encourages and supports the management and utilization of volunteers for the ongoing running of the Centre. More recently, due to the pressures of securing funding and the undertaking a significant expansion programme, the centre has had to move towards illustrating that it can be self sustainable after the depletion of funding. This has meant the introduction of a more detailed and realistic business plan for the centre and strict controls administered by the Centre Manager. This change in focus from relying on mainstream funding to allow the deliver of social objectives, to the more commercial focus to ensure self sustaining at the end of the funding period has created a situation of dual management strategies for the Board and Centre Manager. On one hand the Centre has been established and sets out it mission to meet the social needs of its local community, on the other hand it is forced to face and manage the economic realities and pressures from external funding bodies to hit economic targets. The centre manager describes this as wearing two masks; the social community mask, and then the hard nosed economic mask, interchanged at a moments notice.
The community resource centre is placed within the 2\textsuperscript{nd} section of the Continuum Framework table, to reflect their strong sense of social objectives, and their growing need to be seen as a commercial and sustainable company.
Preliminary Findings on the Social Commercial Enterprises and Commercial Social Enterprises Continuum

<table>
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<tr>
<th>Social</th>
<th>Not for Profit</th>
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<td>Family owned Ethical Co ltd G</td>
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<tr>
<td>Govt &amp; Voluntary Charities</td>
<td>Social Firms Co-operatives</td>
<td>(Outwardly Social Inwardly Social)</td>
<td>(Outwardly Social Inwardly Social)</td>
<td>Social Activity Economic Activity</td>
</tr>
</tbody>
</table>

Key
- Organic Agricultural Co-op
- Community Resource Centre

Table 10: Preliminary Findings, Crossan, 2004©
CONCLUSION

The social economy and community voluntary sectors in Northern Ireland and the Republic of Ireland form a significant sector force, equivalent in the case of Northern Ireland, to the construction or tourism sector in terms of employees and turnover.

This study aims to understand the organisations that comprise the sector better, by identifying their key characteristics, practices and behaviours which give an insight into how they will be placed and interact along social commercial continuum.

Having started to carried out preliminary research through case studies it is clear that socially/commercial and commercially/social organisations can be placed along the Continuum according to key characteristics. However, the study also shows that there may be some difficulties occurring when gathering the data, such as the bias of the person providing the information on behalf of the organisation, who may be more commercially or socially motivated as a personal trait. However, the range of categories and types of questions will aim to overcome any bias.

It is true to say that there is a significant historical aspect to the study, and through the preliminary research it is clear that a development timeframe for the business should be developed to record how the organisation has moved along the Continuum from one point to another, recording whatever social or commercial push or pull factors involved. The full study will be carried out from between March and August 2005.
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