
Social Enterprise
Brief

Freer Spreckley
2015

Social Enterprise Brief

This paper was originally prepared for a presentation at the
Practice of Sustainable Civil Society Organizations (CSO) Development in
Central Asia-2014 Conference
Held in Kyrgyzstan, November 2014

Contents

Forward.....	1
1 A Definition for Social Enterprise.....	4
2 Ownership and Economics.....	11
3 A History of Social Enterprise in the UK.....	15
4 Social Enterprise in the UK.....	17
5 Planning for Social Enterprise	19
6 Social Enterprise Organisation.....	23
7 Social Accounting and Audit	26
8 Legal Issues	29
9 Going Forward.....	30

Freer Spreckley

Local Livelihoods

United Kingdom

Email: info@locallivelihoods.com

Website: www.locallivelihoods.com

Forward

Social enterprise is the modern way to run business. Unlike corporate business, social enterprise combines shared ownership, trade and finance, social and environmental responsibilities in an integrated and mutually beneficial way.

This short 'Social Enterprise Brief' lays out the history, foundation, and description of social enterprise, and above all attempts to make the case that in order for social enterprise to flourish, as alternatives to corporate business; they need a strong and clear definition.

The world we all live and work in has outgrown the corporate and industrial structures of old. We should move on from the 19th century Yorkshire maxim "where there's muck there's brass" and seek to achieve the maxim of "where there's trade and shared ownership there's wellbeing". Can the world afford to support multinational organisations that continue to appropriate financial resources, skills and energy, and the natural environment for the benefit of a few individuals and small interest groups – the narrow elite? The trend to amalgamate ever smaller entities, both government and private, into single larger entities makes it more difficult for new entrants' to gain assets. The bigger the entity the less likely it is that most people will have the means to be involved and to gain any benefit. This trend towards enlargement results in a corresponding demeaning of individuals' worth and significance. This is a direct cause of social exclusion and inequality.

Inequality between the owners of assets and the rest of humanity becomes starker with each passing decade. Monopolistic asset ownership leads increasingly to more people finding themselves disenfranchised and powerless. Displaced communities continue butting-up against each other, precipitated by economic, social and environmental migration, causing friction, fear and in some cases war. At the same time, the acceleration of technological and scientific development is challenging our understanding and ethics to know how to manage the new robotics, biomedicine, artificial intelligence and space exploration. Science is racing ahead of human structures of governance and many commentators make the point that in the not too distance future science will overtake the human brain in deciding the future. The owners of the intellectual rights of the technology will, de facto, also own the future.

Now and in the future new types of organisation able to incorporate more complex responsibilities and sensitive interpretations of viability are needed as a counterweight to the existing narrow exclusive forms of corporate governance. Inclusive forms of organisation will have to be viable in their own right and as well as being a catalyst for creative destruction of the old narrow elitist approach.

Social enterprise's revolutionary contribution to society is in the way it combines trade and financial viability, social wealth creation, and environmental responsibility underpinned by common ownership and democracy. In combining and interlinking these four elements, social enterprise redefines organisational viability to encompass global concerns of inequality and facilitates actual involvement in decision making, ownership and governance by larger numbers of people. Social

enterprise spearheads social inclusion in a real and practical way. The four elements reinforce each other - the synergy creates financial, social and environmental viability and common ownership creates trust - the foundation of innovation and development.

In order to validate social enterprise it must be through the prism of the four elements and not from the standpoint of the narrow elitist profit motive alone.

Extractive institutions (those that function for the benefit of a narrow elite), where the four elements are perceived to work against each other suffer from a waste of human, physical and natural resources. Where institutions are extractive they exercise a narrow elitist power with few constraints, allowing the proprietor extreme control over the business, the employees and the use of resources. In inclusive social enterprise the integration of human, physical and natural resources to the point when mutual benefit occurs creates efficiencies and innovation. In social enterprise inclusive democratic control is exercised that is more constrained in its use of power and liberal in enabling members to also exercise democratic power and achieve benefits more broadly.

Inclusive organisations, such as social enterprise, offer people new ways of being viable, broadening the scope of opportunity for innovation and experimentation, not only in a technical way but just as important in an organisational way. Most innovation today is in technology and science. Social enterprise, on the other hand, is also innovative in ownership rights, democratic practices, concepts of viability and humanistic organisational systems. The exploration and experimentation of these new organisational systems can be carried out within existing legislation in most countries.

The very core of society is the lawful universal right of ownership. The current corporate system is underpinned by legally enforceable ownership rights; every individual has such rights and to, in any way, advocate an alternative is unthinkable. Like a multinational corporation a social enterprise must use the law of ownership to assert its values. Any real change towards an inclusive society must use the law to structure ownership in its support. As I said many years ago; in social enterprise the main change is from a legal right of “capital hiring labour to labour hiring capital” – this fundamental change is achievable using existing company law.

Social enterprise started in the late 1970s as a definition of good practice in cooperatives and commercial organisations that adopted Social Accounting and Audit as part of their normative annual measurement. The principles of trade and financial viability, social wealth creation, environmental responsibility and common ownership and democracy which formed the criteria for Social Accounting and Audit are now more widely known but still frequently unused.

Social enterprise is not determined by geography, culture or level of education; intentionally though, is essential – people have to want to be involved in the responsibilities and work of a social enterprise. Once labour hires capital and owns assets, alternative ways to creating wellbeing become possible. Once social enterprises and communities own land, buildings, intellectual rights and machinery how the owners of the social enterprises combine the four elements, share the work

and gain the fruits of these resources shall become the innovation of the future. People don't just have to have a job to earn income, both how people 'earn' and what constitutes 'income' changes.

Democracy is inherently progressive as it frees thinking and invites, from the widest group of people, ideas, critique and learning – that is what makes democracy also exciting and necessary. In 1994 the principles of the Social Accounting and Audit were transcribed into the “Triple Bottom Line” and later on the United Nations transcribed it into ‘People, Profit and Planet’ as a way of describing their sustainability agenda. The significant positive feature today is that social enterprise is good business; customers, traders, banks and public authorities want to trade with social enterprises as long as the enterprise can prove its performance against the Triple Bottom Line and its ownership and democratic structure are transparent. The critical question for the future of social enterprise is how the relationship between human behaviour and the four elements needed for inclusive and thriving institutions in the 21st century is realised.

1 A Definition for Social Enterprise

Social enterprise is a form of commercial enterprise where ownership, control and wealth distribution are more evenly spread, and people and the environment are an integral part of planning and accounting leading to a more inclusive and fair society.

Social enterprise is attractive to employees because they part own and democratically control the enterprise and know that the use of any profits, from their labour, is under their control. Social enterprise is also attractive to customers the value added a customer receives from purchasing from a social enterprise is in knowing that the organisation has acted in a responsible way and some of the profits are used for social and environmental purposes. Investors and trading partners also recognise the long term viability of social enterprise and will want to secure good working relations.

The reason for a social enterprise definition is simply because it will represent a real entity that is recognised in law and by customers and traders. Registering social enterprise is an important way of sustaining their structure and commercial viability. Defining a social enterprise in law and in principle will create a visible entity enabling it to function within the world of commerce and ethics, and will guarantee members' their rights of ownership and control.

Since the late 1970s, the following definition of social enterprise has been used:

- **A social enterprise is a legally registered organisation owned and controlled by its members based on the value of equity in ownership. It trades viably for financial independence and gain, creates social wealth and operates in an environmentally responsible manner.**
- **Social wealth and environmental responsibility are created as an integral part of a social enterprise's operation, and as part of its profit distribution.**
- **A social enterprise is measured by its success in achieving the triple bottom line of profitability, social wealth creation and environmentally responsible operations.**

Social enterprise has four elements that comprise the definition:

1. **common ownership** and democratic control – one member one vote
2. **independent financial entity** through trading viably
3. **creates social wealth** through the way it structures its organisation and commercial operations, and by using financial surpluses for donations to social benefit
4. **environmental responsibility** is governed by the plans and the way social enterprise carries out its operations and in the way it manages its supply and market chains

A neat and clear definition may not be a hundred percent true in all cases of how a social enterprise operates. A definition, enshrined in law, facilitates and empowers new ways of operating that engenders social and environmental values constitute an important opportunity for real and actual change where it's needed – in the workplace and in living communities. In the late 1970s, social

enterprise was the innovation in extending the concept and practice of the definition of viability within a free market economy framework. At the time social enterprise extended the social economy beyond public sector and cooperative forms of organisation into embracing a wider social and environmental set of responsibilities.

The concept and definition of social enterprise is itself spawning many new inclusive institutional forms such as social impact measurement, social investment, the Social Value Act, Social Accounting and Audit, Community Interest Company, social firms, community enterprise, etc.

Social enterprise defined in this way has resulted in a global spread of new ideas and practices design to make commercial and none commercial organisations responsive to new discoveries about the damage being done by traditional organisational forms. The single bottom line is no longer adequate to plan strategy, make decisions or measure performance. The world has become too inclusive and complex to think that all commercial endeavours are about extractive behaviour in terms of financial profit maximisation. All organisations, private and public, impact on society in some way; they are therefore responsible for knowing what the impact is and doing all they can to mitigate any detrimental effects when and where it occurs.

The meaning and definition of social enterprise have always been based on the four elements. I don't mean to claim that the words 'social' and 'enterprise' have not been used or combined before. With the advent of the internet a researcher will be able to find precedent for everything. But the four elements ascribed to the term social enterprise in the late 1970s should not be confused with any previous use of the term that are mere curiosities in the timeline of social history.

Generally speaking the uses of the term social enterprise prior to when it was defined in the late 1970s had little or nothing to do with changing the structure of business from an extractive to inclusive system. In more detail the four elements are explained below.

1.1 Element 1 - Common Ownership and Democracy

Common ownership by members of a social enterprise means that each member holds one equal valued share and has one equal vote in decision making. Common ownership underpins the democracy and equity that distinguishes social enterprise from private/corporate business – founded on the universal and legal principle of 'who owns controls'.

The reason for common ownership and democratic governance is to embed the legal structure within a truly humanist ethic. People and communities need to acquire ownership of assets and land to have the legal right and control, to self-determine their lives and the lives of future generations. There is evidence from the 1970s/80s that those early pioneers of social enterprise that legally registered have survived and thrived and those who worked within someone else's enterprise based on 'good will' have subsequently gone bust or been transferred to a private business.

Unless ownership is in the hands of members there is no real change, there is just good will, and over time that good will breaks down and then there is just a private business.

Ownership is the stuff of ultimate power, control and benefit since, in the UK, the signing of Magna Carta eight hundred years ago. Who owns, controls, who controls makes decisions, each member has one vote only and, therefore, the social enterprise operates democratically at the level of governance. The decisions made at the level of governance can and may decide to deepen democracy and devolve democracy to operational decision making.

Social Enterprises:

- are owned by members equally on the basis of non-equity shares
- membership is determined in the organisation's charter/constitution; such as, open to employees, community residents, customers and/or users
- decisions are made democratically on the basis of one member one vote

Common ownership confers on members a share, this share has a vote in decision making and can have a financial value or be a nominal share without financial value. Shares have two purposes, one is to legally register ownership over the social enterprise and all its assets by members, and the other is to confer a financial value to the shareholders of either a nominal value or a value stipulated in the charter. Within the legal charter social enterprise can stipulate a number of rules and can formulate the type of ownership that is suitable for the situation.

Any form of Joint Stock Company, for example, in just about any country can be legally formulated to guarantee the four social enterprise elements within the legal charter. A legal charter is made up of a Memorandum of Understanding (where the objectives are stated) and the Articles of Association (where the operational rules are stated). It is possible to define in the Memorandum of Understanding the commercial, social and environmental purpose and aims. In the Articles of Association the rights, obligations and limitations of members should be stipulated to conform to the principle of one member one vote, profit distributions should be broadly specified and the requirement to conduct regular social and environmental accounts, as well as financial accounts, can easily be stated.

Individuals can either own an equity share of the total value of an enterprise or they can be a non-equity member where the value of an enterprise is held by the enterprise collectively.

The type and scale of the social enterprise will determine the way democracy works. For example, some social enterprises operate traditional management system's equivalent to a corporate board representing members, who employ other staff, in others there is more participative democracy in the way management is devolved. Each social enterprise is at liberty to decide its own organisational structure and management system with the broad membership of one member one vote.

1.2 Element 2 - Trade and Viability

Viability means to trade to make a profit over and above the costs to produce and service what is sold. Financial viability creates independence and enables the members of a social enterprise to be fully in control of the organisation and all the decisions it makes. Social enterprises can be a mixed receipt organisation; they can receive earned income from sales and receive grant funding for specific projects.

Social enterprise operates in the macroeconomic system as do private business, they can borrow money, they can sell none-equity shares (a debenture stock), and they can use financial mechanisms to arrange favourable trade terms. They also have to pay the same tax and national security and they can arrange their own pension schemes for staff.

Social Enterprises:

- trade for profit and pay taxes
- reinvest profits in the organisation and/or use it for social or environmental purposes
- can reduce prices for some on the basis of customer need
- can increase expenditure to foster and achieve the social and environmental principles
- can provide dividends to workers and other members

Being viable is being independent within a market economy where people and legal entities can freely trade and earn their livelihoods without interference by the state or large corporations. Once common ownership is legally apportioned the sharing of the responsibility for, and benefits of, viability will sustain the enterprise as it will be independent of the individuals who will come and go, the enterprise, if viable, will endure.

How profits are distributed is up to the members to decide. To impose rigid structures on profit use would be anti-trade and not relevant to some social enterprises and inimical to others. It is advisable, however, to set the policy or apportionment for how profit distribution will function well before a social enterprise makes a profit – as part of the original planning or at least as part of the annual review and planning.

Members are at liberty to decide how profits are used and how much will be allocated to each use. Profits are usually distributed in three ways: reinvestment in the enterprise; dividends for workers/members; and/or, donations made to social and environmental benefits/projects.

1.3 Element 3 - Social Wealth Creation

Social wealth is enhanced if individuals, families and communities cooperate and come together to create mutual benefit. Social enterprises enable social wealth creation through democracy, common ownership and control, and its use of financial surpluses for community wellbeing.

Social Enterprises:

- are committed to creating social wealth, not private capital
- undertake commercial trading and social actions (sometimes combined into one activity)
- create social wealth through the democratic governance of the enterprise
- operate Fairtrade in its supply chain
- donate surplus profits to good causes and projects

Social wealth is people coming together to further their mutual interests that cannot be achieved independently. Coming together at work, in the local community and in the wider sphere enhances individuals' wellbeing, families place in community and networking globally generates creativity, innovation and platforms for self and community expression.

Trust among people is further enhanced if they share common interests and have the means to undertake that sharing. Social enterprise's democratic governance enables members to discuss and decide on important issues such as how to spend the financial profit, how to support the local community and how to improve biodiversity. These and other areas of importance create a platform for debate, learning and decision making that can have a powerful influence on building trust and mutual aid.

Mutual aid, the voluntary reciprocal exchange of resources and services, is the nub that characterises the social wealth of social enterprise. The voluntary participation in the legal structure of social enterprise and membership creates social wealth as a form of shared resources and services. Social wealth creation contributes to the commercial success of an enterprise by interacting with customers, suppliers and the community. Fairtrade exercised in the supply chain is another such way social enterprise creates social wealth.

1.4 Element 4 - Environmental Responsible Operations

Each social enterprise has a responsibility to enhance environmental wellbeing through managing its energy use, materials, transport and processes in the way that least create waste and pollution, and where possible actually sustain biodiversity.

Social Enterprises:

- include consideration of how any agreement and investment made in its operation affects the environment
- are measured using financial and social audits on their commercial, social and environmental performance
- manage supply chains in line with good environmental standards

The world is being surprised and confused by the consequences of human caused climate change. The political and corporate response is dull, ineffectual and frankly in denial. Every individual, business, public body and nation is responsible for illuminating and curbing the cause of climate

change. Social enterprise is no exception and is, therefore, committed to doing everything it can to reduce all forms of pollution and waste and enhance biodiversity in every way possible.

The Four Elements Combined

Each element creates a type of wealth in its own right related to its topic, when business focus on one topic of profit it is often at the cost of other areas such as social spaces for individuals, environmental degradation, or low salaries for employees. When, in social enterprise, these elements are combined in the system of a single organisation the four elements exponentially create new forms of wealth. The problem with combined wealth is that it is less easy to quantify and measure than say financial wealth, and thus difficult to prove. Nonetheless, far from being an impediment, as some commentators suggest, the combined and interlinking four elements actually boost trade, grows learning, and offers alternative and innovative ways to restructure the way many people earn their living.

Common ownership and democracy, enhance commitment and responsibility by workers/members to increase productivity and feel enabled to participate in a wider range of activities. The ownership boosts self-esteem that leads to personal improvement. Democracy is learning to work together and share in decision making and resource allocation. Empowerment of workers/members through involvement in the social enterprise will lead to personal and family improvements and work enjoyment, best practices and care for the local community in which the enterprise is based.

Trade will provide income and use the increased productivity to increase profits and standard of living. Profits will be used to invest in the enterprise and in the purchase of assets for community wellbeing. Increased productivity and income will also boost tax revenues for the state.

Social wealth is gained from people working together and creating more than they can create on their own. A well-functioning social enterprise will be empowered to invest in customer service and good ethical supply chain management. Working together will enable workers/members to invest in environmental best practices and to support others in also applying new environmental technologies and practices.

Environmental responsible action integrated into the workplace and in the community will lower energy and material costs, enhance community wellbeing and biodiversity. To practice what the enterprise advocates will engender customer trust and increase sales and reduce pollution costs to the state and society.

Combining common ownership and democracy, trade and finance, social and environmental good practices create a learning organisation, an enterprise that has the knowledge of how the future will operate and how the different elements work together in an integrated way. Building integrated organisational systems is part of the role of social enterprise, the combined whole being greater than the individual elements - this is part of what a social enterprise sells and why customers buy.

Organisations that adopt and combine the four elements will thrive in the future as they will attract investment, customers and trading partners, and those that do not, will wither. Social enterprise is setting the trend for the next millennium in how organisations are structured, the modern principles by which trade is governed, and how enterprises operate and manage their responsibilities within the highly interconnected world of the 21st century.

2 Ownership and Economics

Ownership

Ownership is history itself; it defines the nature of history and tells a story of society reaching back well over 13000 years when Neolithic farmers started to bury their dead family members in elaborate graves to mark their territory and stake their claim over the ownership of the land they cared for and which gave them food and substance. Ownership is perhaps the oldest institution known and that would explain that in every country ownership is at the very heart of the legal system and from which most other laws relate. It is in our heritage and defines who we are, what we have and our relationship to other people and other bodies. To roll back inequality and spread fairness, shared ownership is essential. It is the easiest, most efficient and effective way fairness is achieved.

As the industrial world moves rapidly to post-industrial connected automation the concentration of ownership of physical assets and intellectual patent rights will further divide and disenfranchise the many while consolidating and strengthening the power of the few. We will have then a world where a few people will own most assets, some people will have jobs and income, and the many will have no jobs and no assets. Economists call this 'hollowing out' where there will be jobs at the high end managing assets and at the low end of the skills' chain where it will be cheaper to employ cleaners than buy a robot, but in the middle, it is forecast, is where automation will be applied and most jobs lost.

There will become a time, in the not too distant future, that the only scarcity left will be assets available to be owned - whether these be physical or intellectual.

Ownership confers rights and privileges, status, influence, opportunity, beauty, respect and self-esteem that in direct proportion deny the same rights and privileges to those who are ownerless - ultimately denying ownerless people the opportunity of ownership.

Owners of social enterprise are workers, communities, customers and partners, thus broadening asset ownership to more people, securing income and assets for people and communities. Social enterprise improves the microeconomic conditions of members and their families, and the local community in which the enterprise is located.

The essential change, social enterprise makes is not so much in the viability of the business, not the social care bestowed on staff and community and not the responsible environmental behaviour, it is the ownership of the assets by the many members and their ability to influence and shape their communities. In a way and without the dramatics before it's too late, there is an urgent need for alternative forms of ownership being adopted globally. Social enterprise is predicated on common ownership.

Economics of Social Enterprise

Local Economics

Economics affects everyone, many economists will tell us that it is a fiendishly difficult discipline to understand and control, and we the populace should count and save our pennies and leave the economists to look after the economy. Given the continuing boom and bust economic cycles this seems bad advice.

There is the classic and in its day revolutionary idea of Adam Smith's notion of trade and accumulation of wealth is good not only for the owners like the baker, but also for the baker's assistant, the more bread the baker sells the more assistants' get jobs, and the more jobs the more bread is bought and so on. Economics based on scarcity and supply and demand might well confirm Smith's thesis of trickle-down economics, China's recent economic growth attests to that thesis. Notwithstanding examples of growth, in the world of automation and post-scarcity it is more the case of existing algorithms creating new algorithms where supply and marketing - and not supply and demand - is the dominant economic model.

This is weird economics. People work to buy stuff, people buy stuff to keep the economy going, people keep the economy going to support employment, and people support employment to work. As automation replaces people and takes over the work this cycle breaks down. Without owning any assets, people become dependent on the good will of asset owners - an even more precarious and fragile economic situation than the present one.

Social enterprise arrests this downward spiral by owning assets and making them available for local use to strengthen the local economy. Having a strong local economy increases income, local spending, local grant giving and access to assets and facilities leading to strengthening the local economy. Local spending leads to an increased 'multiplier effect' in that more of the expenditure circulates and stays local; building stronger local economies. Strong local economies enable communities to purchase assets and create new forms of ownership and innovative ways of sharing and benefiting individuals and families.

At the microeconomic level social enterprise, in accordance with the four elements, will retain surpluses and invest them locally in the enterprise, community and local assets. Local asset ownership will provide resources and facilities accessible to local people to share. These might have to be paid for or they may be used free of charge, but in any event the opportunity to share resources through common ownership reduces the need to buy so much and broadens out the use value for those who cannot afford to purchase the items.

Sharing is seen by some as an antithesis to trade, but commonly owned assets are there to be shared. One of the aims of social enterprise is to accumulate assets for the purpose of sharing. The economics of sharing is financially efficient and at a number of levels socially rewarding and environmentally responsible. Shared assets and resources, is value added economics.

The notion of community economy within national and international economies is perfectly realistic once social enterprise becomes a widely used form of business organisation. Using surpluses for local investment rather than using them to be sequestered away to shareholders would greatly enhance the community economy. A community economy doesn't exist in isolation, it is part of a wider economy, but because it retains wealth that would otherwise be removed, it bolsters local trade and commerce and supports new ventures, employment and asset accumulation for local use.

The economics of shared resource utilisation is inexpensive to operate and administer, admittedly users of shared resources have to learn to take responsibility for items that are not theirs. Although this is often cited as to the reason why sharing doesn't work this is, however, where social enterprises influence change in supporting awareness of the economic, social and environmental benefits of sharing assets and resources and in the development of innovative ways of human behaviour that leads to efficient sharing.

Social enterprise with its emphasis on wider profit distribution makes it possible for local economies, everywhere in the world, to become stronger and self-determining.

National Economics

At the national economic level, there is little difference between social enterprise and private enterprise. They both pay the same taxes, insurance and pensions, and are governed by the same national legislation. There is a difference, however, in the way social enterprises use their resources and some of their profit to pay for social and environmental good practices, that would otherwise be paid for by the state and borne by society.

Raising investment finance for social enterprise in many cases is the same as for private business, the main difference is that social enterprise doesn't offer voting shares in addition to the one vote share. One important difference is that social enterprise is ineligible to use the national Stock Market to raise funds as it uses voting shares as the mechanisms to raise finance. Social enterprises can offer debenture stock (a type of stock that makes fixed payments at scheduled intervals of time, but carries no voting rights). The recent innovation in online crowdfunding, community investment, and revolving loan funds means that social enterprise has access to a range of financial instruments from which to raise finance. As social enterprises grow and the demand for financial services also grows further innovation in financial mechanisms will be developed. For example, the current research being undertaken, in the UK, in designing a social enterprise Stock Market.

Individual intellectual property rights over innovative products will need different types of contract. In the private sector an inventor of a product will hold most of the shares guaranteeing those most of the control and profits. In social enterprise this is handled differently, to attract inventors of products to set up or work in social enterprise instead of holding a majority share they would be given licences for their invention being paid a licence fee for every product sold. They would, therefore, be paid their salary and, in addition, a fee for their invention. As demand for this type of arrangement grows, we can expect further innovation in legal arrangement and patent payment systems.

Recruiting staff/members will be as competitive for social enterprise as it is for private enterprise; the benefit of the former is that in addition to salaries members will also receive bonuses as a dividend on their shareholding. Salaries in social enterprises tend to be on the high side for the sectors and the differential between the lowest and highest paid staff is narrower than in similar private companies. Some social enterprise practice parity salaries, every worker receives the same amount regardless of their position, in such cases investment in training and job rotations are prioritised. Not only are there greater opportunities for work interest and skill acquisition, but that job satisfaction increases substantially and staff retention is consequently improved.

3 A History of Social Enterprise in the UK

The origins of social enterprise and cooperative forms of organisation are founded in the early social struggles of the 17th century. In the UK groups styled the Diggers took over land and cultivated it in common, organised themselves around the idea of one person one vote and equal distribution of wealth. This first experiment in cooperative forms of organisation established the idea of integrating social and commercial activities. What the Diggers lacked was ownership of the land they had taken over and thus they were eventually driven off.

Much later on Cooperative forms of organisation began to appear; in 1830 a number of unemployed millers took over the operation of an old mill in Hull to provide flour for their families and other members of the community who were in need. As with the Diggers two centuries earlier their aims were more social than profit orientated, and like the diggers they did not own the mill and were finally moved out.

As private ownership business gained ascendancy pioneers such as Robert Owen (1771-1858) urged the working classes to set up groups of producers with common ownership of the means of production. He advocated the idea of cooperatives not solely for commercial purposes, but as social enterprises reaching out to the community and integrating community and commercial values. Owen's ideas were extremely popular. As a result, many cooperative societies and shops were founded, "Labour exchanges" were set up, and the concept of socialism was developed.

The Rochdale Society of Equitable Pioneers (1844) extended their influence beyond the immediate consumer to the wider interests of the community, the ideas on democratic management and voting rights were part of their doctrine; and many of the areas of the welfare state in the UK today were originally inspired from the cooperative societies and promoted through their free meeting halls; such as free education for all children was first practiced in the cooperative meeting halls. Since then many thousands of cooperatives have been set up in developed and developing countries.

The first major principle of the traditional cooperative movement is open membership to all on a voluntary basis. This created, however, a large unwieldy consumer membership which over time lost sight of its core principles. In many countries cooperatives became uncompetitive and ceased trading or annexed as part of the state's instrument for organising small producers and exporting commodities such as coffee and cocoa.

In the 20th century, cooperative enterprises based on collective forms of ownership by the workforces emerged in the UK and other European countries. These were known as Workers Co-ops and were joined by employee ownership companies under the auspice of ICOM which in 1976 successfully promoted the Industrial Common Ownership Act in the UK Government.

What had gone wrong in the traditional co-op movement, in the UK and many other countries, to my thinking, was that there had been no measurement of their social goals and that was the spur for the Social Accounting and Audit ideas put forward. The term social enterprise was originally used to

describe a cooperative or other business that used Social Accounting and Audit to plan and measure its social and environmental performance.

In 1978 at Beechwood College in Yorkshire, UK, (a workers cooperative college) the concept and structure of social enterprise were firmly established and defined. The then new social enterprise had the basic rules of cooperative and common ownership businesses, each member owning one share and each share giving each member one vote in the general governance of the enterprise. Notwithstanding the importance of cooperative forms of ownership, at Beechwood College there was added the Triple Bottom Line whereby the enterprise took on responsibility for not only being financially viable, but for creating social wealth and being environmentally responsible in the way it operated and from where it sourced its supplies.

In the UK, social enterprises are supported by Social Enterprise UK, a national think tank and support agency that works with regional social enterprise support agencies around the country. Together they have been responsible for mainstreaming social enterprise in the UK and driving the Social Value Act through Parliament. Today the Social Value Act enables public bodies to use social value as part of their contract award criteria when procuring services.

In the European Union a similar directive on public procurement was issued to cover the period 2004/18 which entered into force in April 2004 to include public works contracts, public supply contracts and public service contracts. It directs Member States to include clauses in their public procurement processes on social and environmental good practice. Research into how different countries in Europe interpreted and used the directive has been undertaken that show a mixed response. The one finding most often cited is the lack of clarity and definition of a social enterprise. Without an agreed social enterprise definition, it has not been possible for Public Authorities to legally contract with social enterprise. One finding suggests:

“Due to the informality of the definition of a social enterprise, across Member States, public officials are rightly concerned that in issuing tenders and awarding contracts to social enterprises they may be challenged by competitors who were unsuccessful on the grounds of bias.”

What is needed, the research concludes, is for social enterprise to better adopt a clear and agreed definition and formulate legal charters in such a way as to represent that definition. Furthermore, to use some form of social accounting and audit to plan and measure performance in order to prove that the social enterprise actually fulfilled its stated purposes.

4 Social Enterprise in the UK

Social enterprises can trade in any commercial area and/or support any type of social or environmental endeavour. Social enterprise can be cooperatives, associations, charities which also trade, community enterprises, common ownership and employee ownership types of businesses. They can be large or small membership organisations; and can choose from a range of legal incorporation options, as is appropriate to the needs of the organisation, in the UK the regulatory options include: Company Limited by Guarantee; Community Interest Companies; Industrial and Provident Societies; Charitable Status; Incorporated Associations; and Joint Stock Company limited by equal share holding.

In each country, the regulatory framework will be different and will determine the type of legal structure social enterprises can use. Most regulatory systems will use charters (constitutions) that allow groups to describe a social enterprise by designing legal clauses in the charter to represent the four elements of a social enterprise. For example, it is possible to use a joint stock company (a traditional private sector business model) by writing in the charter specifically who can be shareholders, such as only staff, or residents in a defined community, and limiting their share value to a nominal value so that all net profits are re-invested thus creating the basic defining elements of a social enterprise from a traditional business model. Also, in many countries, there are legal forms for associations and cooperatives that are legally registered and can trade, these are usually suitable for small social enterprises and community enterprises.

Some Types of Social Enterprise in the UK

Social enterprise has become an umbrella term to define a range of different types of trading and social provision organisations and companies. In the UK there are many thousands of social enterprises from large department stores and supermarkets employing tens of thousands of staff to very small specialist support agencies employing 2 or 3 staff. Across the world, in Europe, Asia, Africa and the Americas social enterprise is on the agenda and they are starting to emerge as an important microeconomic force in establishing new types of enterprise.

Social enterprises are registered trading enterprises that adhere to the triple bottom line. Within this context, there are four main types that are commonly used in the UK and internationally. The common characteristics are the way they are equitably owned and governed, trade and have some form of social and environmental objectives.

The four types are:

Trading Enterprises

Worker/employee owned trading enterprises, cooperatives and collectives. These are sometimes very large enterprises such as John Lewis Partnership in the UK and the Mondragon Cooperatives in Spain, to medium sized enterprises owned by their staff with traditional management hierarchies and pay differentials to small worker cooperatives with only a few director/employees who work in

less hierarchical ways and practice wage parity. Within the trading enterprises there are employee own enterprises and membership owned enterprises.

Cooperative Societies, first established in the UK in the 1830s, are trading organisations that usually have large memberships from their customer base who receive dividends as a percentage of the amount spent over a year. Many have strong commitments to social and environmental good practices.

Financial Institutions

Saving and Loans organisations such as credit unions, microcredit organisations, cooperative banks and revolving loan funds are membership owned social enterprises. Credit Unions were first established in the 1850s in Germany and spread internationally. Cooperative Banks have likewise been around since the 1870s, owned as a subsidiary of a membership cooperative. In recent times microcredit organisations have sprung up in many developing countries to great effect. Local currency exchanges and social value exchanges are also being established.

Social Impact Stock Exchanges are emerging in Europe and Asia and social enterprise are eligible to tap into these for raising finance.

Community Organisations

Many community organisations are registered social enterprises; community enterprises, housing cooperatives and community interest companies with asset locks, community centres, pubs and shops, Associations, Housing Associations and Football Clubs.

These are membership organisations that usually exist for a specific purpose and trade commercially. All operate to re-invest profits into the organisation and the community. They have large memberships who are customers or supporters of the organisation's key purpose. There are examples of village cooperative in Pakistan, India and Bangladesh that were established as far back as 1904.

In the UK there are many multifunctional community based organisations with a geographical membership of local residents, usually holding assets such as buildings, land and equipment, which use these to provide social care support to local residents and as assets against which finance can be leveraged.

Civil Society Organisations (CSOs) and Charities

There are many CSOs and charities that operate a commercial consultancy and training enterprise, or subsidiary trading enterprises, such as Oxfam in the UK, which receive surpluses from a large number of second-hand clothe shops. The profits are used to provide salaries for people who provide free services to specific groups of people or to further the social or environmental aims of the organisation. The charity or CSO acts as a holding company owning trading companies which carry out trading activities and invest all surpluses as a donation to the holding company; in some countries tax free.

5 Planning for Social Enterprise

There are many ways of starting a social enterprise: to have a product or service idea; to have identified a particular customer group who has a need or disposable income; to have the finance or time to research for commercial ideas to invest in; or, as a solution to a problem, for example local unemployment, local facilities closing down or as a way of providing new services not locally available. In addition, individuals or groups may have inventions they wish to commercialise. Social enterprises are also started as social entrepreneurship ventures to support social causes or to raise funds for development assistance such as a trading entity for a charity or CSO.

Planning is the process of trying to work out where in the future you want to be and how to get there. The planning process is used to test if the idea is financially viable and socially and environmentally responsible. Planning is also a way of bringing together a potential group of members to develop the organisation and learn about business methods. The information gathered can be written up as a feasibility study and planning document which will be used to attract investment and other forms of support.

As a social enterprise is a collective form of organisation it is essential that potential members are engaged in its development and in the important decisions. The planning process is an ideal way of engaging potential members in open discussion, exploring the options and making decisions: this is a form of action learning that builds confidence, and by being involved in making decisions empowers members as owners to be responsible for their actions.

Planning should be an on-going process that is at the heart of managing a social enterprise. The original plan should be used after one year of trading as part of an annual review of performance and the results of the review will inform the planning for the next period – the process of planning and reviewing is continuous and one of the most informative exercises a social enterprise undertakes.

The original Social Enterprise Plan will cover a period of 2 to 5 years and state the practical steps required to achieve the planned objectives; this is broken down into time periods of one year with annual financial information. This is referred to as medium term planning. Strategic planning can cover a period of up to 20 years with less emphasis on the practical steps necessary to achieve the plan and more emphasis on having an agreed long term vision.

The Social Enterprise Plan will also be the instrument that is used to promote the new social enterprise; however, it is often the case that further information is required to answer the many questions that will arise from the planning process itself. This will require further research and investigation as part of building the knowledge and skills to manage the social enterprise once it has commenced operations.

If at the end of the planning stage the group thinks that the idea for the social enterprise is unfeasible, then either the idea needs changing or the plan should be abandoned. This is not a

failure, it's good practice to have done the research and know that the idea is not a good one before you even start – this will save lots of time and money. If, however, the idea looks feasible the plan should then be thoroughly reviewed to improve and sharpen the ideas and to make them as consistent and tight as possible. The plan will then be used to raise finance, if required, attract other types of support and to establish a plan against which performance can be measured and accounted for.

Planning for Social Enterprise

In the Social Enterprise Planning Toolkit¹ it starts at the very beginning of planning to set up a social enterprise. This begins an ongoing planning process so it is important to do it in a way that a) provides both strategic and operational plans, b) prepare targets that can be reviewed and measured, and c) conclusions from reviewing the plan that can enable the social enterprise to start planning for the next period.

The process of developing the Social Enterprise Plan is an excellent way to bring together a group of people to share ideas, learn from one and other and learn from the research findings, feel ownership over the social enterprise and be responsible for making it successful. Depending on the circumstances, it will then be necessary to identify stakeholders and customers and/or the product or service first: sometimes both happen at the same time.

The planning process is sequenced in a particular order to help build the research to gather the information required. The information gathered is used to test the feasibility of the enterprise ideas as the plan develops. At the end of the planning process there should be sufficient information to write the Social Enterprise Plan.

It is also important to recognise that as the ideas develop they may change and the end results may be quite different than the original ideas. This is normal, so it is essential to be flexible and creative and open to discovering new ideas as the process of developing the social enterprise plan moves forward.

As part of the planning process that will focus on the product, the market the finance and the physical aspects there will be a need to consider how the social enterprise will organise and structure the management. Take the opportunity to investigate and decide how each aspect of the social enterprise is managed in order to design the overall management and decision making methods.

Sequence for Planning

The planning process follows the sequence below that provides a logical step by step approach.

¹ See website for free download www.local livelihoods.com go to Publications and then scroll down to Social enterprise Planning Toolkit.

1. Starting

Start with a product/service idea; an identified customer need; an innovation; an opportunity; or, a problem to be solved. Establish a focus to start and be prepared to change it as the planning develops and new information and ideas become apparent.

2. Identify your Stakeholders and Customers

Identifying and analysing stakeholders and potential customers will give the group a context and understanding of the environment where they will be working. This will also provide a good understanding and guidance in planning the research and how to engage with stakeholders in soliciting their ideas and support for the social enterprise startup.

3. Develop the Social Enterprise Idea

Once the group has a general understanding of the potential supporters and customers, and their own skills and interests they will be in a good position to think of the product or service they wish to provide that is commercially viable and socially and environmentally responsible. This process will also help in knowing what equipment, premises, skills and the like will be needed. Sometimes step one and step two are combined into one step repeatedly going back and forward shaping and sharpening the commercial focus.

4. Marketing

As the commercial idea and customer base is developed the relationship between the two starts the marketing step. Marketing is about getting the mix of the product/service and the customer right. It helps to learn about the commercial context in which the social enterprise plans to operate in and how to design the product/service in such a way that it continually attracts an increasing customer base.

5. Product and Service

Once the commercial idea is developed and the market for the product or service identified a more thorough analysis of the immediate and long term provision and demand should be assessed. It may be that the commercial idea needs altering or the potential customers need to be refocused, either way at this stage, design the process of producing and delivering the product or service. Include the type of equipment, premises, skills, transport and storage needs and their capital and maintenance costs. At this step the existing potential members need to assess their skills and skill gaps.

6. Finance

Once the information is collected on customers, product/service idea, etc., and if it is commercially saleable then it is necessary to thoroughly investigate the finances; how much it will cost and how much can the social enterprise expect to receive from sales. This step will also look at how to keep good records of all financial transactions and start planning cashflow and budgets that will become part of the continuous financial management of the social enterprise.

7. Social Enterprise Organisation

Once the commercial plan is drafted and looks achievable it will then be time to design the organisational structure and management system for the social enterprise that will include: membership; governance; team working; organisation; structure; and, management.

8. Social Accounting and Audit

As a social enterprise it is important to have some way of measuring the financial, social and environmental operations. The social enterprise is obliged, by law in most countries, to undertake a financial annual audit; in addition to this social enterprise should also measure the stated social and environmental objectives. The method of social accounting and audit will need to develop over a number of years to make sure it is useful, efficient and that the social enterprise has the necessary skills.

9. Legal Issues

It will be necessary to identify or design a legal structure for the social enterprise, depending on the regulatory framework in the country; the group can either use an existing legal charter or adapt a standard charter to the needs of the social enterprise.

Once the planning has reached the end and those involved have concluded its feasibility it is essential to thoroughly review the whole plan and update information and test the financial section to make sure it covers the entire enterprise costs and income. This planning information should then be written up into a Social Enterprise Plan that covers, in detail, the first two years and then strategically a longer term plan for up to 20 years. This document should be carefully designed and printed so that it can be used to solicit financial and other types of support.

6 Social Enterprise Organisation

Working in a social enterprise has got to be enjoyable. Social enterprise organisation should be humanistic, efficient and inclusive. The way it manages the four elements of trade, social, environmental and membership need innovative methods to combine them into an organisational system that is mutually beneficial for the members and their customers.

The structure (legal and procedural) should be as flat as is possible for the type of social enterprise to enable staff and other members to be involved and gain benefit. Staff rotation, training and opportunities for innovation is built into the structure and these should be part of the consideration when planning. In fact planning is one of the most important procedures for engaging staff in the management and decision making.

Each social enterprise will be different and organised to reflect the type of commercial product or service and the potential customers. How the social enterprise is owned and how the legal structure is designed to enshrine the democracy and the social and environmental aims will also influence the organisational and management system. For new social enterprises, it is important to put in place an organisational system and structure that is relevant for the current size and scope of commercial and social activities and that can accommodate diversity and growth as the enterprise expands and grows.

Most social enterprises attempt to flatten organisational systems, enabling more people to be involved in more responsibilities and decision making. Each social enterprise will have different needs and abilities in achieving inclusive organisational operations and consequently organisational structures and management systems will vary considerably from one enterprise to another.

Many social enterprises emphasise the need for members to be involved in a number of areas of daily work, governance and social and environmental projects. To facilitate members' engagement social enterprise will have to invest time and resources in training and time spent learning to fulfil these responsibilities. Not only will this investment reward social enterprise in being well governed and managed but also provides interesting working conditions and career paths for workers/members.

6.1 Membership

Who can be a member of social enterprises is decided upon and written in the legal charter which sets out how members are recruited, their roles and responsibilities, and their entitlements. Members are owners of the social enterprise and can either have no financial stake in the enterprise which is then owned collectively by all members in common (called common ownership) or members can have a financial stake in the enterprise as an employee co-owner. Having a financial stake does not bestow extra voting rights. Regardless of the amount of financial investment a member has made their vote is still one member one vote.

Membership is either limited to paid workers or a mix of workers and external members; in the case of community enterprise external members are usually local residents; for traditional retail cooperatives external members are customers and trading partners and for organisations like football clubs members are the fans. There are also marketing cooperatives where external members are trading partners, such as agricultural producers. Membership should always be designed to suit the circumstances of the social enterprise.

To protect the enterprise and secure fair shares for members' social enterprises can include clauses in their legal charter that prohibits the sale of assets for personal gain, known as an asset lock. An asset lock is used when community enterprises acquire assets for the community in perpetuity.

The two common factors are:

- each member only has one vote in the decision making process, and
- only members can be owners of the social enterprise.

6.2 Governance Statement

Governance means to run the social enterprise according to the rules and principles the membership has decided upon and established. For democratic organisations, like social enterprises, it is good practice to clearly establish the guiding principles, objectives, rules and values of the organisation. This is best done in a form of a Governance Statement, which sets out the philosophy and values for the social enterprise and provides procedural protocol for operational management. Newly established social enterprises will gather policy statements, define purpose and value, and set targets as part of their planning. The Governance Statement will define the social enterprise and determine how it should operate.

The commercial, social and environmental aims and objectives will then become part of the Memorandum of Association in the legal charter that will be drawn up for the social enterprise. By stating these in both the Governance Statement and in the legal charter it will make it much easier for the social enterprise to legitimately claim tax deductible expenditure on any costs associated with furthering the social and environmental aims. Also, by establishing them now it will provide the operational guidance for the social enterprise and can be useful in positioning the enterprise as part of managing the commercial marketing.

6.3 The Role of Governance and the Role of Management

Social enterprises are managed in two ways: the first is via the membership which has overall responsibility for the Governance of the enterprise, the second is the operational management undertaken by appointed and paid staff (who are also members).

The Governance Statement is used to guide the overall management of the social enterprise. It is decided upon by all the members at their annual general meeting (AGM). It does not involve itself

with operational issues. Governance defines expectations, grants powers, prepares organisational roles and verifies performance. Operational management responsibility is delegated to managers.

The biggest challenge facing social enterprise is the old fashion concept that organisational forms have to be rigidly hierarchical. Social enterprise is different; it aims to alter the way people own, control and benefit from work; it aims to create inclusive methods of organisation. Inclusive forms of organisation are when members are enabled to actually be involved in areas of responsibility and work; sometimes they are the same and other times they require different skills and approaches.

The level of hierarchy in the management structure is dependent on many influences, but generally social enterprise tries to 'flatten' management, reducing the hierarchy and increasing the opportunities for workers, and other members, to be engaged in decision making and learning. Inclusiveness is an important principle of social enterprise.

7 Social Accounting and Audit

Because social enterprise is to achieve the triple bottom line (commercial, social and environmental objectives) it is essential to have in place some form of measurement mechanism that corresponds to those aspirations. Unless these areas are measured they cannot be proved and the worth of the social enterprise will be in doubt. Social enterprises are often constrained in the way they describe their purpose and how they plan for their operations if they only use a financial accounting and audit model.

A Social Accounting and Audit system is designed to help social enterprise plan the objectives in a comprehensive way, combining commercial, social and environmental aims. Sometimes they are integrated into the operations of the social enterprise and other times they are external and are supported through profit distribution and labour contributions in terms of projects.

There are a number of methods available to social enterprise for carrying out the social and environmental measurement. Social Accounting and Audit² was originally designed for social enterprises to engage with its stakeholders in soliciting their views as to the plans and results of performance. It was the first non-financial measurement methods used and was designed to be participatory and engage stakeholders in planning and measuring performance.

Since that time a number of other methods of social and environmental measurement have been developed. There is Social Impact which uses the theory of change to set targets in a hierarchy of progressive levels of achievement and measures each level against the final horizon. Social Return on Investment (SROI) is a type of cost benefit analysis which converts all values into financial values and then measure the cost and the benefit of performance in financial terms. Finally, there is the Scorecard a simple method of using a set of questions against which to score performance. Each social enterprise will have to investigate suitable systems and choose one that is appropriate for their needs and organisational structure. The above methods are designed and should be used as a management planning and performance measurement tool and also as accountability and reporting tool, in that order. They should not be used to 'police' a social enterprise, but to help it improve performance.

Corporate Social Responsibility (CSR) was developed and quickly usurped by large corporations who used it as a marketing tool; it has now largely been discredited and is no longer trusted as a measurement tool. There have been types of social measurement that just focus on parts of an organisation, for example, looking at the results of grants made, but not looking at the ownership or structure of an organisation. These again have been largely discredited as any social and environmental measurement must take in the whole organisation, not selected parts of one.

² Social Audit Toolkit - 4th Edition 2008 is available as a free download from:
<http://www.local livelihoods.com/cmsms/index.php?page=publications>

Social and environmental planning and measurement must, however, be intentional. The method adopted must deliver management information and learning on its performance; and, then as a method for reporting and being accountable to stakeholders.

Social and environmental measurement, whichever type is used, is undertaken regularly i.e. every year or two years, should use the same methods each time and apply the results and learning in the next round of planning. Learning lessons and incorporating the results is the way organisations improve performance.

A definition of social and environmental measurement:

A Social Accounting and Audit is a systematic, regular and objective accounting procedure that enables social enterprises to establish social and environmental values, plans and criteria against which they can measure performance alongside their financial measurement.

Financial auditing is required by law; social accounting and audit it is undertaken voluntary and should be done, primarily, to assist social enterprises in achieving their stated objectives and values. It is sometimes considered burdensome to have to measure non-financial performance, but in reality nearly all organisations do to some extent and it is more efficient to conduct a social audit than try to be accountable in other ways.

The social accounting and audit comprise four values and relate to the four elements of the social enterprise principles previously described.

- **Value One** – Governance Statement and Achievements
Common Ownership and Democracy
- **Value Two** – External View and Stakeholders Involvement
Trade and Viability
- **Value Three** – Internal View and Organisation Performance
Social Wealth Creation
Environmentally Responsible Operations
- **Value Four** – Social Accounting and Audit Reporting
Undertaking the accounting and auditing the results

Social Audit enables organisations to explore and generate their own values which form the basis for setting criteria for measuring performance; these will be established in the Governance Statement. It will provide a coherent and clear image of an organisation, and the planning and execution of social and environmental objectives in a transparent and fair way. A Social Audit gives equal weighting to the three key objectives: commercial viability; social wealth creation; and, environmental responsibility. It can be as limited or comprehensive depending of the needs of the enterprise and the ability and interest of the members. It is important that social enterprises when

starting to use a social measurement should start using a core and limited system and build it up over a few years as members become more skilled.

The Social Accounting and Audit is carried out by a separate team of members who will manage and verify the Audit, this team can be made up of someone from the social enterprise, someone from the Board or management and an external stakeholder(s).

Financial independence; social wealth creation; and, environmental responsibility should guide the planning, operations, and be the criteria for measuring the combined performance.

8 Legal Issues

It is necessary to consider the legal formation of the social enterprise, the insurance requirements and any laws pertaining to the specific operations of the enterprise. In each country the legal systems and legislation will be different.

However, in general company law is similar in most countries. Company law is based on a standard legal charter whereby the company is owned by those who buy shares and is controlled by voting rights based on the number of shares owned by an individual or corporation. In a social enterprise the key difference is that members are shareholders and each member only has one vote. There are some forms of social enterprise where shares are distributed in unequal numbers, but still each member, regardless of the number of shares, only has one vote.

In some countries, such as the UK, there are a range of legal charters available which are specifically designed for social enterprises and cooperatives; in other countries there is no specific legal charter available for social enterprise. However, there is usually some form of legal charter that can be amended to provide a suitable structure for social enterprises. The Joint Stock Company, the Co-op Act, or some form of registered Association is available in most countries and these can be easily adapted for use as a registered social enterprise.

In order to boost and sustain social enterprise it is my opinion that there is a need for a new Act that recognises and enshrines in law a new type of commercial structure, based on constitutional pluralism as defined by the four key elements, previously described.

9 Going Forward

If corporate society (the dominant large multinational corporations) continues on its path of monopolism, automation and fixation on the single bottom line civil society will suffer. National governments, WTO, trade unions, consumers and even protest and agitation will not prevail against, or offer any counterbalance to, the combined might of monopolistic corporatism. In the long term this unhealthy and unequal state of affairs will damage everyone and everything. There is clearly a need for a realistic and sustainable alternative. Social enterprise is one such counterbalance that provides a fair and more just way of running a business that fulfils our human rights. We need new ways of organising business, our environment, ourselves, and our communities.

Social enterprise at a macroeconomic level maintains much of the market economy of free and equal trade, pays the same taxes as corporate business, is guided by the same laws and policies, and provides income and livelihoods for its members. In addition, social enterprise invests in social and environmental good practice, is innovative in its commercial trade, and radically changes the microeconomic environment for members and local communities.

Social enterprise recognises the value of free market economy as a macroeconomic system that enables everyone to be involved in commerce. At the microeconomic level social enterprise overcomes the inequality caused by monopolistic practices and counters the danger of civil society being reduced to no more than labour for hire and customers to purchase the goods and services.

Social enterprise represents the creative destruction of corporate greed with a practical replacement that over many years has proven to be sustainable and equitable.

Social enterprise operates within a free trade environment, but changes the relationship between labour and capital. From capital hiring and controlling labour to labour hiring and controlling capital. It does this through social enterprise being owned by its workforce, its community and, in some cases, by its customers. Both the workforce and communities have a completely different orientation as to how they see the purpose and objectives of trade as being something to enhance their families, communities, and the environment as a mature and modern form of business.

In looking forward what should the horizons be for social enterprise?

- Formulate a clear and legally binding definition and have it, to begin with, accepted as a European Social Enterprise definition.
- Formulate a range of Social Accounting and Audit methods that fulfil the triple bottom line principles that are practical and workable by social enterprises, and are acceptable to Generally Accepted Accounting Practice (GAAP) and equivalent accounting standards in individual countries.
- Formulate a Social Enterprise Company Act that, at a European level, with model charters (constitutions) and clear guidance on registration.

- Determine the types of social enterprise, such as community enterprises, financial credit facilities, housing organisations, trading enterprises and not-for-profit structures.
- Develop a programme of embedding social enterprise in education institutes, public procurement bodies, trade unions, business advice agencies and research bodies.
- Prepare a range of educational courses for social enterprise that range from modules for secondary schools to Master diploma courses and PhD subjects.
- Negotiate with international bodies, WTO, Regional and International Banks, UN Agencies, Regional Trade Blocks and international development organisations to include social enterprise in their services.
- Develop research funds to enable researchers to investigate the social enterprise organisation, financing, macroeconomics, asset transfer and asset lock methods, and group ownership systems.