

Whole Worth - Social Enterprises' Four Elements Combined

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Aristotle said, “the whole is more than the sum of its parts”. The combination of shared ownership, financial viability, social wealth creation, and environmental responsible operations, the four elements of social enterprise, results in an emergent value of its own for which we as yet have little conceptual understanding and adequate measurement tools. The four elements are:

The Shared Ownership Element

Shares in social enterprise are based on one member one share and each share account for one vote in the enterprises' overall decision making. The financial value of a share will vary from nil to a percentage of the enterprises total worth, the essential point is that each share only carries one vote regardless of the financial value.

Ownership is considered a societal aspiration, so being a member or shareholder and owning and controlling a part of the social enterprise is considered of value and as having prestige, particularly if the member-owner is based within the same community as the enterprise. Shared ownership enhances commitment and responsibility to increase productivity that underpins financial, social and environmental viability

Democracy is developed through learning to work together and share in decision making and resource allocation. Empowerment of member-owners 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.

Shared Ownership and participating in decision making over policy, strategy, profit distribution and recruitment is not only good for the individuals involved but importantly for their families and communities. It is unlikely that until there is a 'real' change of ownership there will be no real change.

The Financial Viability Element

The basis of financial viability is straightforward: profit and loss measurement is well established and every trading entity is obliged by law to report their financial transactions. Everybody knows how to interpret the results. Profits will be used to invest in the enterprise and increased productivity and income will also boost tax revenues for the state. Ultimately, financial viability ensures independence for the member-owner of the enterprise in their decision making.

Alongside the baseline of financial viability, many social enterprises seek to pay good salaries and provide other forms of financial benefit for staff and members. Many social enterprises have policies for distributing a percentage of their surplus as donations to charitable ventures

and/or local community development, or in the purchase of assets for community wellbeing. Some social enterprises use their trading position to leverage advantage to their suppliers through networks such as Fairtrade, making sure original producers of the goods are well paid.

The Social Wealth Element

Social wealth is created through the existence of an environment where people either individually or in groups, come together to create, through networking, more than they can create on their own or to do something they would otherwise not be able to do.

How a social enterprise creates the enabling setting for social wealth to flourish can be done in many different ways. Through financial contributions, by way of organisational structures and systems, networking with other organisations in creating opportunities for individual or group mobility and in using its own resources for value added initiatives. Training and rotating work roles and tasks are often used in social enterprise to enhance social wealth and opportunities for workers and members.

Social wealth can also be created through its trading practices, purchasing direct from small scale producers, Fairtrade agreements, networking with suppliers and trade customers, the support of the local multiplier effect, and in joint investment initiatives. The value of social wealth is easy to appreciate, understand and measure.

The Environmental Responsibility Element

As the world becomes more aware and more knowledgeable about the harmful effects of doing business, environmental responsibility has become a critical factor in our society and increasingly influences our economy.

Responsible environmental practices can sometimes be financially more costly, initially, and take longer to operate. Social enterprises, often set organisational policy to invest in ways that reduce their carbon footprint, reduce harmful emissions and the amount of waste they produce.

Environmental responsible action integrated into the workplace and in the community will, in the longer term, lower energy and material costs, and enhance community wellbeing and natural biodiversity. Expression of this value can engender customer trust and increase sales whilst reducing environmental costs to the state and society.

Social enterprise is one of the most efficient ways of inverting a vicious cycle of poor wellbeing to a virtuous cycle of good well-being when using the four elements that create inclusive institutional frameworks.

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. Organisations that adopt and combine the four elements will thrive in the future as they will attract investment, customers and trading partners. Setting appropriate and relevant policy is a crucial part of this and the policy decisions guide best operational practices and management decision making.

When all four of the elements are synchronised in an integrated, mutually reinforcing manner, as in social enterprise a new type of wealth is created. Based on Aristotle's phrase "the whole is more than the sum of its parts," we might use the term 'whole' to describe a new type of wealth, a Whole Worth which becomes in itself a fifth element of value. This is a summative and aggregated wealth that emerges as the other values combine into inclusive values.

A synergistic 'whole worth' may not be obvious, but it is being envisaged and realised in subtle and unrecognised ways. With any business, it is no longer sufficient just to make a profit. Society is continually evolving new forms of the 'whole' from the sum of its parts.

A Fifth Element – The Whole Worth Value Element

How might a fifth element, the results of fusion between the four elements of social enterprise, express itself? All four elements are interdependent; they create value independently of each other and in various combined configurations. A fifth summative element, or whole worth value, is a hybrid; it is dependent on the other four, or on any combination of the other elements, but not necessarily all of them. Whole worth opens up opportunities for new, and as yet, undefined values or combinations of values. These might be physical, emotional, societal or natural and they will be expressed in myriad ways.

Whole worth is greater than the sum of the functional values of each of the four elements. The summative value of whole worth lies in the energy generated from the interaction and mingling of the mutual benefits created within one organisation.

The absence of appropriate indicators and measurement values for each element and their hybrid benefit doesn't mean the values don't exist, it means only they are yet to be adequately formulated.

Exactly what is meant by whole worth? Is it tangible, is it emotive, is it rooted in a step-up - a form of leverage that result in impact? Partly, the answer lies in a combination of these factors and will, in some cases, be clearly discernible. The whole worth value is likely to be as much about tangible benefits as conscious feelings of wellbeing and happiness. Here are some examples of how whole worth is created.

Towards zero pollution

In order to achieve zero waste and emissions in organisations, there is need of social attitude and behaviour to change, financial resources to pay for the initial investment, an environmental plan to know what zero pollution looks like, and ownership to have the decision making power.

Improving the use of technology

Learning new ways and combinations of using existing equipment and machinery, applying new technology in innovative ways, making better use of renewable energy by learning how to control and manage the use of, say, lighting and heating through combining the technology and changes in human behaviour.

Enabling and improving the way people work together

Through democratic practices, social enterprises and their stakeholders will learn better ways to connect, communicate and make decisions. Social enterprises can enlarge the network hub and range in engaging ever wider groups of people who are looking to be employed or involved in

undertaking work or volunteering. Better use of job sharing and part time working and shorter working hours are just some examples of social wealth benefits that can be achieved.

Reducing the financial cost of utilities and building upkeep

How and what type of building is used to house the enterprise will change as we develop control over building materials, siting of buildings to face south, use of renewable sources of energy, lighting, furniture and the physical materials used to enable people to carry out their work. Zero waste can easily be the norm once people, buildings, transport, working practices and behaviour changes are agreed in an inclusive and democratic way.

Inspiring happiness and self-awareness

Having a sense of integrity - acting in unison with one's own beliefs, and with others, will translate into a human emotion of satisfaction and a sense of wellbeing. In an inclusive environment greater opportunities for individuals and subgroups are available and resources exist to support innovative human development. Trust and empathy will underpin new and innovative initiatives based on sharing and democracy.

Opening opportunities for the enterprise and the local community

Being in and part of the local community will enable stakeholders to come forward with ideas and problems that together the enterprise, and community, can work on to develop and implement new solutions to old problems.

Spreading the wealth widely

To achieve whole worth, the impact of a social enterprises' outcomes, would naturally spread beyond the confines of the enterprise and be experienced more widely in the community and beyond. To achieve impact requires time and the involvement of wider participation of stakeholders, because social enterprises commit resources in a planned way and use simple, but effective, theory of change methods achieving impact is more assured.

Exactly how and what type of whole worth will be created out of the combined four elements is difficult to predict. Starting with simple and in many ways obvious connections, as previously described, through feedback loops and the emergence of more complex connections new and in many ways unforeseen benefits will ensure. These are likely to be experienced as humanist and emotional gratification as well as technological and tangible outcomes.

Planning

For any organisation planning is indispensable, it is the start of the action learning and improvement cycle. Social enterprises need first to measure the four elements separately before attempting to measure their combined synergistic value. More so than a private business, the democratic nature of social enterprise, and the need to keep all staff and members engaged, means everyone needs to know, in advance what is going on.

It is necessary to plan for the desired results of the four elements that create the value of social enterprise in order achieve whole worth outcomes and impact. Planning is used to provide direction and to engage with staff/members/and stakeholders in a creative and thoughtful way. Participative planning engenders ownership and responsibility. Plans, however, need to be measured in order for

them to be meaningful. Measuring plans are normal business practice, in order to understand how the plans worked and how to improve performance in the future.

Planning is also a crucial part of learning how to improve the quality of social enterprise. It sets the benchmark for measuring actual performance against the plans that enables managers, not only to know what is working well and what is not, but underpins the learning of how to best govern and manage social enterprises. The action learning about planning, implementing and measuring is a fundamental learning tool that social enterprises apply.

There have been many attempts to create and develop ways to measure, and hence learn how to manage better an organisation's whole responsibility. There has been Social Accounting and Audit to set the plans, describe milestone indicators and measure upon completion; Social Return on Investment has been used to convert social benefit into financial indicators; and, Corporate Social Responsibility has been used in many large corporations as part of their annual reporting to shareholders.

Measurement

Measurement, whether formal or informal, helps the member-owner know what is going on and how to improve on the current situation. To measure something is to know more about what is being measured; whether it is how long a piece of string is, or if someone is happy working in a social enterprise. Measurement is a learning tool. It can also be used as an accountability tool and as an enforcement tool. It depends on who is managing the measurement process, which is why social enterprises need to own, control and manage their own internal processes, to know about their performance and to improve it where they can.

Planning and measuring results in social enterprise is variously called 'Social Accounting and Audit' (social audit). Over the years, this process has gone through a number of permutations, some complicated and complex and some simple and easy to operate. Because in social enterprise, unlike corporate business, the plans are as much about change as about target planning, and more about the four elements than profit maximisation, they have to be straightforward and easy to use otherwise they will not be used. At present there is no appetite for compulsory social accounting and audit, however, many organisations undertake it voluntarily, even if not wholly.

A social audit system uses traditional financial accounting methods and the international standard project planning method of the 'Theory of Change'. They both use the same, simple to grasp and use, underlying methodology of:

- **planned** change/target;
- **accounting** actual progress/result;
- **analysing** the variance between planned and actual results;
- **measuring** success and failure; and,
- **applying** learning and improvement.

The process of the theory of change can be a single column of steps or can be in a matrix of four columns, known as the Logical Framework. Either way, it is important to complement each planned step with an indicator that enables the step to be measured. When preparing the plans it is usual to start at the end result, the top of the hierarchy at the impact level, and then work backwards to the

inputs. It is important to know “where we are going” as to know “how to get there” – knowing where we are going is half way to being there. Furthermore, the theory of change includes the important addition of assumptions that always need to accompany plans in order for them to be whole as opposed to being half baked.

If a social enterprise wishes to use the results of the measurement as a form of accountability to members, customers or the general public, they will need to have their results independently verified. This is necessary to instil trust in the reported results.

In conclusion

Because changing things and changing behaviours to manage the things in new ways is fraught with difficulties, the assumptions made in the planning, the correct use of measurement indicators, the understanding of the analysis, the ability for individuals and groups to mentally change, require pluralistic and inclusive organisation. Otherwise, we achieve outputs and outcome, but not impact. If we don't achieve impact, then the outcome and outputs, over time, revert back to the old ways and no changed or benefit will have taken place - the vicious cycle is maintained.

The four elements which comprise social enterprise constitute a degree of pluralism that is the cornerstone of inclusive institutions. Single element corporations, ones that extract profit only, give very little in return for your money. Whereas pluralistic social enterprises not only increase the return on the customer and client expenditure, but also engender trust and inclusivity in the goods and services sold. With the addition of ‘whole worth’ (the fusion and impact of the four elements) social enterprise uniquely reaches a new paradigm in operational behaviour and organisational performance.

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