

THE EMERGENCE OF SOCIAL ENTERPRISE POLICY
IN NEW LABOUR'S SECOND TERM

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Declaration

In line with University of London requirements, I hereby certify this work is my own.

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Abstract

This doctoral research explores New Labour's foray into social enterprise policy-making. In 2002, New Labour established the first ever Social Enterprise Unit and launched a series of policies in an effort to establish what it described as an 'enabling environment'. This doctoral research characterises this unique time period as a first wave of social enterprise policy-making, when the policy idea is rooted in social enterprise as an alternative business model and anchored in the Department of Trade and Industry.

This thesis is a comprehensive policy study that examines first how social enterprise became included in New Labour's social policy agenda and analyses the way different policy entrepreneurs from inside and outside of the Labour Party championed the idea for myriad reasons. It then investigates the distinction between the rhetoric the Party used to describe social enterprise and the way it actually went about creating policies to embed notions of social entrepreneurship across Whitehall Departments. The final portion of the research investigates the implementation dynamics of this vast agenda and how regional and local government officers interpreted the various policy messages and objectives handed down from the centre.

It is a case study that charts the development, design and initial implementation of social enterprise policy during New Labour's second term in office, and relies on a combination of documentary analysis, participant observation, interview, and survey data to shed light on this phenomenon.

Table of Contents

Declaration.....	2
Acknowledgements.....	3
Abstract.....	5
List of tables, illustrations and figures.....	11
Chapter 1: Introduction.....	14
1.1 Overview of research questions and hypotheses.....	14
1.2 Positioning the research.....	20
1.3 Research design.....	20
1.4 Developing the methodology.....	22
1.5 Data collection methods and triangulation.....	25
1.6 Structure of the thesis.....	33
Chapter 2: Literature review.....	36
2.1 Introduction to the social enterprise academic literature.....	36
2.2 Overview of the chapter.....	40
2.3 Defining social enterprise.....	41
2.4 Social enterprise- extending or reforming capitalism?.....	59
2.5 Putting forward new definitions: ‘state sponsored’ social enterprise and ‘civil society-based’ social enterprise.....	60

2.6	Towards a definition of state sponsored social enterprise.....	62
2.7	Understanding the role of the state in relation to social enterprise.....	67
2.8	Conclusion.....	85
Chapter 3: Agenda-setting and policy formation.....		87
3.1	Introduction to chapter.....	87
3.2	Connections between social enterprise and the Labour Party historically.....	89
3.3	The prevalence of Third Way thinking as a lens through which potential policy ideas were evaluated by decision makers.....	93
3.4	The increased use of Special Advisers in the Cabinet Office under Prime Minister Blair (insider interests).....	99
3.5	Outsider interests and how social enterprise leaders formally organized themselves.....	113
3.6	Insider and outsider organized interests.....	117
3.7	Kingdon's model of agenda-setting as a way to understand social enterprise's inclusion in New Labour's policy agenda (as a heuristic device).....	128
3.8	The changing role of the state and the impact on the policy process: how remnants of corporatism may help explain the rise of social enterprise in the importance of ideas.....	136
3.9	Conclusion.....	144

Chapter 4: Cross-cutting reviews as a component of policy design.....	146
4.1 Introduction.....	146
4.2 Analysis of sector review <i>Private Action, Public Benefit- A Review of Charities and the wider Not-for-profit sector</i>	154
4.3 Mapping the ‘non-charitable not-for-profit’ sector.....	162
4.4 Identifying barriers to the sector’s growth.....	164
4.5 Analysis of HM Treasury’s review <i>The Role of the Voluntary and Community Sector in Service Delivery</i>	172
 Chapter 5: The launch of the ‘enabling environment’ for social enterprise.....	182
5.1 Introduction.....	182
5.2 Analysis of New Labour’s <i>Social Enterprise: A Strategy for Success</i> , Department of Trade and Industry.....	186
5.3 The modernization agenda as an influencing factor in social enterprise policy design.....	197
5.4 Identifying New Labour’s policy objectives for social enterprise.....	201
5.5 Barriers to social enterprise growth.....	205
5.6 The role of intermediaries and other organizations (outside organized interests).....	214
5.7 New Labour’s social enterprise strategy and the role of Europe.....	215
5.8 How other cross-cutting reviews undertaken by New Labour influenced the design of the Government’s <i>Social Enterprise: a strategy for success</i>	217

5.9	How New Labour viewed the role of the regions in bringing the social enterprise agenda forward.....	218
5.10	The role of zeitgeist in social enterprise policy design.....	225
5.11	New Labour’s action points arising from the <i>Social Enterprise: a strategy for success</i>	226
5.12	DTI’s ‘ <i>A progress report on Social Enterprise: a strategy for success</i> ’.....	231
5.13	The transition from first to second wave policy making for social enterprise.....	237
5.14	The key components of the <i>Social Enterprise Action Plan</i>	239
5.15	Conclusion.....	241
Chapter 6: Implementation dynamics at regional and local level.....		242
6.1	Overview of chapter.....	242
6.2	Findings from study: Implementing Innovative Policy: Local Government and Social Enterprise, 2005-06.....	244
6.3	Mapping the local government response.....	250
6.4	The influencing role of the centre?.....	252
6.5	The emergence of a local agenda.....	257
6.6	Social enterprise development in London 2005-06, LA Connects.....	270
6.7	Phoenix Development Fund- Department of Trade and Industry.....	283
6.8	Neighbourhood Renewal Fund.....	285
6.9	New Deal for Communities programme.....	287
6.10	Different approaches to local authority engagement with social enterprise..	298

Chapter 7: Appraising New Labour’s ‘enabling environment’ for social enterprise.....	309
7.1 Overview.....	309
7.2 Kingdon’s policy window and the emergence of social enterprise: the historical context.....	310
7.3 The reframing of policy problems as cross-cutting themes.....	313
7.4 Devolution as a mechanism for increased participation in the policy making process.....	314
7.5 New Labour’s ‘mainstreaming’ of social enterprise.....	316
7.6 New Labour’s structural reforms of the wider charitable sector.....	317
7.7 The case of ‘state sponsored’ social enterprise.....	318
7.8 Reflection on the process: balancing insider access and scholarly research.....	330
7.9 Contributions to scholarly literature.....	332
7.10 Concluding thoughts.....	334
 Bibliography.....	 336
 Appendix 1: Questionnaire distributed for England-wide local government survey.....	 354
 Appendix 2: List of expert contributors.....	 361

List of Tables, Figures, and Illustrations

Table 1.1	Summary of key events for participant observation
Table 2.1	The structural-operational definition for nonprofit organizations
Table 2.2	Organizational types within the social economy
Table 2.3	EMES Network working definition of social enterprise
Figure 2.4	Spectrum of social entrepreneurial activity: state's view
Table 2.5	Characteristics of 'state sponsored' versus 'civil society based' social enterprise
Table 2.6	The Keynesian Welfare National State (KWNS)
Table 2.7	Four patterns of welfare regimes, using the KWNS
Table 3.1	The variability of prime ministerial power: supports and constraints
Figure 3.2	The core executive in Britain
Table 3.3	Examples of Tony Blair's Special Advisers in the Policy Unit, 2000-2005
Table 3.4	Key players within Government who helped shape the social enterprise policy agenda 2001-2002
Figure 3.5	Emergence of distinct themes within the policy discourse for state sponsored social enterprise
Table 3.6	Overview of working groups for policy formation: participating civil servants and organized interests
Table 3.7	Composition of Working Group: Business Support/ Training
Table 3.8	Composition of Working Group: Finance/ Funding
Table 3.9	Composition of Working Group: Impact/Evaluation/Social and Economic Indicators

Figure 3.10	Diagram of Kingdon's three streams and the development of SE policy in 2001-02
Table 3.12	Differing views on Corporatism
Table 4.2	The broader policy context for social enterprise 2001-2006
Table 4.3	Governance shifts: propositions
Figure 4.4:	Government strategy towards charities and the wider not- for-profit sector
Table 4.5	Anderson's model of differing categories of public policy
Table 4.6	The case for prioritising VCOs in public service delivery.
Table 5.1	Mapping social enterprise development activity across Whitehall in 2002
Table 5.2	The Role of Government in the enabling environment
Table 5.3	New Labour's internal tasks relating to the enabling environment
Table 6.1	Participating councils across England, 2005-06
Table 6.2	English council survey participation by regional development agency, 2005-06
Table 6.3	Whitehall Departmental influence over local social enterprise policy formation
Figure 6.4	Local authorities active in social enterprise development by Regional Development Agency catchment area, 2005-06
Figure 6.5	Size of the local social enterprise community
Table 6.6	Six potential drivers of local council take-up of New Labour's social enterprise agenda
Table 6.7	Year local authority officers in LA Connects initiated work on social enterprise
Table 6.8	Snapshot of London area council-level social enterprise champions
Table 6.9	Range of social enterprise development budgets held across London Councils, 2005-06

Table 6.10 Sources of public funding for local social enterprise development: London case study

Figure 6.11 The Neighbourhood Renewal Delivery Framework

Table 6.12 Greater London Social Enterprise Support Infrastructure 2005-06

Figure 7.1 Futurebuilders Evaluation Strands and Logic Chain

Chapter 1: Introduction

1.1 Overview of research questions and hypotheses

In 2002, New Labour launched its first social enterprise strategy, titled *Social Enterprise: a strategy for success*. In it, Tony Blair explains, “Our vision is bold: social enterprise offers radical new ways of operating for public benefit. By combining strong public service ethos with business acumen, we can open up the possibility of entrepreneurial organisations - highly responsive to customers and with the freedom of the private sector - but which are driven by a commitment to public benefit rather than purely maximising profits for shareholders...I believe it is important that the Government seeks to do all it can to help the future development of social enterprise” (DTI, 2002, p.5). Patricia Hewitt, then Secretary of State for Trade and Industry, follows, “There are very real opportunities...to promote social enterprise as a key component in the process of modernising and reforming our public services” (DTI, 2002, p.6).

With these introductory remarks, New Labour initiated a wide reaching policy framework to support the growth of social enterprise across Britain. At the time of its launch, social enterprise was defined as an amalgamation of alternative business types. The Government, along with key activists from within the UK third sector, framed social enterprise to encompass cooperatives, fair trade organisations, trading arms of charities, social firms, development trusts, and social businesses. This was created within an environment in Number 10 that promoted innovation in policy-making and sought to disrupt

established models, opening up and re-defining how stakeholders within and outside of government could participate in the policy-making process.

In their first term in office, New Labour heavily prioritised re-investment in public services. During New Labour's second term, challenges remained about how to translate the objectives of 'The Third Way' as political philosophy into the machinery of day-to-day government operations. Questions remained as to how to design equity and efficiency into how the public sector, as a collection of institutions, functioned. Social enterprise, as promoted by New Labour in 2002, became a vehicle through which key debates, such as devolution and the modernization agenda, were carried out and experiments in the design and implementation of public policy were encouraged.

The introduction of New Labour's social enterprise agenda came about during this time period, and it is a policy theme that has continued to evolve and become embedded in UK social policy across the Blair, Brown, and now Cameron Governments. Yet, it remains an area that is still understudied, particularly from a politics discipline. The lack of academic research in this area is due in part to how new a phenomenon it is, and because it has been positioned within higher education internationally as an interdisciplinary subject. Scholarly work has grown considerably over the past several years. However, the majority of research is produced through journal articles with only a handful concentrating on policy studies. Those that do investigate social enterprise policy tend to do so by investigating specific initiatives, rather than undertaking an analysis of the direction of policy-making as a whole.

As a response, this doctoral research explores New Labour's foray into social enterprise policy-making. In 2002, New Labour established the first ever Social Enterprise Unit and launched a series of policies in an effort to establish what it described as an

‘enabling environment’. This doctoral research characterises this unique time period as a first wave of social enterprise policy-making, when the policy idea is rooted in social enterprise as an alternative business model and anchored in the Department of Trade and Industry. This thesis is a comprehensive policy study that examines first how social enterprise became included in New Labour’s social policy agenda and analyses the way different policy entrepreneurs from inside and outside of the Labour Party championed the idea for myriad reasons. It then investigates the distinction between the rhetoric the Party used to describe social enterprise and the way it actually went about creating policies to embed notions of social entrepreneurship across Whitehall Departments.

This research also investigates the implementation dynamics of this vast agenda and how regional and local government officers interpreted the various policy messages and objectives handed down from the centre. It is a case study that charts the development, design and initial implementation of social enterprise policy under New Labour during their second term in office, and relies on a combination of documentary analysis, participant observation, and empirical survey data to shed light on this phenomenon.

The starting point for this case study is the creation of the Social Enterprise Unit in the Department of Trade and Industry in 2001, and the research concludes in 2006, with the migration of the Social Enterprise Unit to the Office of the Third Sector in the Cabinet Office. The time period under scrutiny focuses on what happened primarily under Prime Minister Blair and under the stewardship of Blair’s policy advisors. This research seeks to characterize this period of time as the first wave of policy making. Once the Premiership changes to Gordon Brown, initial programmes conclude, new initiatives are put into place, and policy language begins to change. Programmes to support social enterprise expanded

under Gordon Brown, and were then arguably extended by the current Coalition Government. By investigating the origins of social enterprise policy-making in Britain, it is hoped the lessons learned can help inform future decision-makers in this growing field.

Specifically, this research asks, how can one characterize New Labour's initial approach to social enterprise policymaking? In order to address this question, several key issues are investigated:

1. How social enterprise became a part of New Labour's policy agenda. The research explores the role of insider and outsider organized interests on the agenda-setting process, and investigates the role policy-makers, civil servants, regional and local government officers, and advocates within the third sector played in shaping the agenda.
2. The extent to which the historical relationship between the Cooperative Party and the Labour Party meant that New Labour was the most likely party to put initiatives in place to support social enterprise.
3. How 'The Third Way' as a guiding approach to social policy-making may have influenced how social enterprise policy was conceived and designed.
4. The implementation dynamics as the social enterprise agenda moved out from the centre and into the various levels of public governance. Was the agenda driven from Europe, the centre, or regional or local government? To what extent were initiatives championed by those within the public sector versus those based in civil society?
5. The extent to which innovation was a theme within social enterprise policy design and delivery. Where did initiatives follow more accepted models for programme design,

and where did they differ? Can any lessons be learned from this specific period of time and its efforts to promote experimentation?

6. To what extent policy-makers under New Labour may have intentionally or unintentionally created incentives for a new form of social enterprise, distinct from that based in civil society and one that is a vehicle for delivering primarily state aims.

In addition, a description of the initiatives and measures that encompassed the first wave of policy-making under New Labour is assembled. To date, these have not yet been comprehensively researched and analysed.

A historical analysis is used to capture the key events between 2001 and 2006. By focusing on this period of time, one can study a specific context within which New Labour championed social enterprise. What was it about this period of time that lent itself to ideas of social entrepreneurship, and informs how New Labour approaches the subject matter? As Pierson explains, “Attentiveness to issues of temporality highlights aspects of social life that are essentially invisible from an ahistorical vantage point. Placing politics in time can greatly enrich both the explanations we offer for social outcomes of interest, and the very outcomes that we identify as worth explaining” (Pierson, 2004, p.2).

In focusing on the events that took place between 2001 and 2006, insight is gained into what a state actively promoting social enterprise looks like. What lessons can be learned from New Labour’s efforts? By using a historical case study design, these various issues can be explored, and the unique characteristics of the period of time in which these activities took place can be factored into the analysis as variables themselves. This will help future decision-makers in thinking through the extent to which specific policy initiatives that are introduced

in one period of time can be readily replicated in another. Further, a series of questions can be raised and investigated, even if they cannot be completely or satisfactorily answered. The act of raising them in the first place and incorporating them into the policy analysis will enrich the quality of discussion researchers and scholars can engage in.

There are several hypotheses relating to the research questions posed. First, the work presents the idea that New Labour frames social enterprise in its own terms, and in doing so potentially establishes a new form of social enterprise. It is suggested this new form of activity should be described as 'state sponsored', as the aims of these organisational types as described in policy rhetoric appear to serve state motives over those of organisations based originally in civil society. It is maintained that New Labour's re-casting of social enterprise as an instrument of the state was intended to extend the reach of welfare provision at a time when resources were perceived to be increasingly scarce, and that this itself became an endeavour which met with mixed results.

Second, it is argued that the way in which New Labour framed the social enterprise agenda under what it calls the promotion of 'an enabling environment' created a space in which decision-makers across the public governance system were empowered to experiment in policy design and delivery. In some instances, this led to unexpected innovation, and in other cases, there were disappointing results. The third hypothesis is that in engaging in the promotion of social enterprise, New Labour was actually using the agenda in many cases as a means to impose structural reform on Britain's third, or independent sector. By initiating a wide-ranging social enterprise agenda that prioritized trading activities over what were previously cast as charitable ones, the result was that New Labour significantly altered the future trajectory of the size and shape of Britain's third sector.

1.2 Positioning the research

The phenomenon under study in this doctoral research is the emergence of social enterprise policy under New Labour, in what this work characterizes as a ‘first-wave’ of policy-making, from 2001-2006. As such, the research questions are best suited to a case study design, where a snapshot can be taken of a fixed period of time, and a range of factors occurring simultaneously can be observed (Robson, 2002; Burnham, et al, 2004). However, there is an acknowledgement in the field of social research that observation alone isn’t enough. Applying a critical realism perspective to this work, the objective is to identify the causal relationships at play, and to understand the relevant underlying structures and mechanisms at work. Simultaneously, the goal of the research design is to employ an empirical lens, in order to generate information that can be tested and investigated over time. As explained, “the aim of the research is to generate new knowledge about the phenomenon and to apply, test and refine theories to explain its occurrence and operation” (Burnham, et al, 2004, p. 31). Further, it needs to be acknowledged that the real world is the social scientist’s laboratory setting, and as a result, while evidence can be gathered, and conclusions can be drawn, the context is *everything*. It is for this reason that the following research design was constructed.

1.3 Research design

New historical institutionalism is the central theoretical lens used to frame the design of the study. However, as will be explained further in the literature review in the next chapter, several different existing theories are used to explain the observations and data generated by the data collection process. New historical institutionalism, as summarised by Burnham et al,

focuses on “one of the central concerns of the study of politics...an emphasis on path dependency resulting from key historical choices made by states. Critical moments create branching points from which historical development moves on to a new path...Thus for historical institutionalists, ‘the basic point of analytic departure is the choices that are made early in the history of any policy’” (Peters, 1999, cited in Burnham, et al, 2004, p.19).

New Labour’s second term in office took place during a time where everything seemed possible, and there was a deliberate opening up and disrupting of the accepted and maintained policy process. As will be expanded upon further, New Labour’s framing of an ‘enabling environment’ for social enterprise, and the measures contained therein, was itself a departure in how Governments had previously approached the third sector in Britain. So much of what New Labour put into place in terms of social enterprise policy design was unprecedented, that the time period and setting become themselves variables in understanding what took place.

This research remains pertinent now when there is a Coalition Government between the Conservatives and Liberal Democrats in power. David Cameron’s articulation of the Big Society and mainstreaming of social enterprise warrants further investigation of the origins of state involvement in this field. This is done in order to provide a context through which such actions can be evaluated and understood. In fact, it will be difficult to offer any meaningful analysis in the future of advances in the subject area if the beginning isn’t clearly and thoroughly investigated, for there will be no basis from which comparisons can be made. Further, state support for social enterprise is also continuing to develop outside of the United Kingdom, and beyond Western liberal democracies, making the study of the role of the state in the social enterprise agenda an even more important one. Japan, China, South Korea,

Brazil, Argentina, and India are examples of countries where social enterprise is gaining prominence and public policy-makers have shown great interest. Building a comprehensive case about New Labour's initial involvement may help inform how other political parties in other states take social enterprise further.

1.4 Developing the methodology

There have been two main challenges to undertaking and designing this research project. The first is the timing and unfolding of the phenomenon being studied. The second pertains to the origin of my role in relation to the subject matter, having started not as an impartial observer, but rather as an opinion-maker, in the centre of shaping the public debate. There were two difficult tasks; defining the parameters of the story that was interesting to observe, analyse, and tell, and designing a study that took advantage of my insider role but was not then unduly biased by it. In the end, the greatest obstacle was understanding how to make amends with my insider status while engaging in scholarly research.

On the one hand, because I had this privileged access, I was able to see from inside the policy-making vortex how different interests were battling each other to frame the debate and strove to position social enterprise to satisfy different interests and agendas. It was a complex and fascinating vantage point to occupy. I have always juggled my 'practitioner' hat with my academic research one and these two identities collided here. To some extent, my desire to somehow remain 'neutral' or 'unbiased' led to a rigorous research design which emphasizes multiple methods in order to ensure the data is triangulated and robust. The result is in some parts of this thesis, the way the research is presented can seem overly impartial, as

I became self-conscious of my role as an opinion-maker and responded by overtly removing my voice from some parts of the analysis.

In the end, I decided the best way to handle the tensions I experienced because of the two roles I served was simply first to acknowledge them. While there are portions of this work where I prioritise the data collected as a way to promote neutrality and independence within the analysis, there are other sections where I allow myself to use that insider perspective to shape strong views held. Overall, these tensions remain largely unresolved and I suspect this will be the case for a large portion of my academic career. There is something powerful about sitting on the border between theory and practice that remains uncomfortable. However, it is my hope that this same perpetual discomfort will further refine my critical lens and continue to influence my scholarship over time. Second, in the concluding chapter, I offer some additional reflections on the process of carrying out the research as shaped by my insider status. I have deliberately chosen to insert these reflections in the conclusion so they may enhance the research story, rather than detract from or weaken it.

It is the intention here that by explaining clearly how the methodology evolved, readers can come to their own conclusions about the process of researching this new phenomenon. Any design factors that are based heavily on insider access, or the specific period of time and context are also acknowledged in order to address issues that may come up when replicating methods in future studies.

As in all research undertakings, the design has evolved. This research began in 2004, when the Government was two years into implementing the first wave of social enterprise policy and while I held the post of Director of Policy and Development for Social Enterprise London. Social Enterprise London in 2004 was one of the leading advocacy and capacity

building organisations for social enterprise and it operated on a national and European level to promote support for social enterprise.¹ As Burnham explains, “the researcher observes a phenomenon that he or she feels is interesting, puzzling, neglected or difficult to understand, and then speculates about its possible causes. Naturally the researcher’s training and culture helps that person to develop a number of possible explanations...” (2004, p. 31). Burnham’s observations describe how this research originated and evolved.

From my early vantage point in 2004, the considerable amount of policy-making activity, network building, and advocacy taking place warranted further investigation. A critical lens began to develop. What was driving this, what appeared to be, sudden burst of activity? Was it coming from outside or inside organized interests? To what extent were advocates formally organised? What direction would policy support under New Labour take? Would social enterprise become mainstreamed as part of the Government’s business agenda, or would it change direction and move into social policy? Would it represent a momentary interest, or would it become embedded within the public machinery and the way public services were conceived?

Several questions remained unclear when the doctoral work began that made the research design particularly challenging, and pertained to the specific period of time in which the work was undertaken:

- How would the story of social enterprise and New Labour unfold? Would there be a substantive policy agenda in the end that warranted study, or would this be seen as a temporary flash in the pan in terms of the Government’s social policy agenda?

¹ Social Enterprise London began in 1998 and merged with Social Enterprise UK in July 2012.

- To what extent would social entrepreneurship be seen as a side effect of New Labour's modernisation agenda, with the emphasis placed on social enterprise as a mechanism to reform the British third sector, and as such be written off as part of reforming public services rather than something more meaningful?
- Where would the story unfold in terms of implementation? Would this be an agenda carried out mainly outside of the public sphere, or to what extent would it be led from a specific level of government, i.e. European, central, regional, or local? What implications would this have on data collection?

There remained two additional significant barriers to undertaking this study at that time. First, academic research into social entrepreneurship in 2004 was nascent and minimal, with all the repercussions the development of new academic areas of study carry with them. There was a tremendous energy in the emerging field, but a lot of personal time was spent building a critical mass across higher education that created its own complexities when it was time to design the research. Second, in 2004, I was a lone political scientist operating in what is essentially an interdisciplinary field whose early champions hailed from business, accounting, and organisational theory backgrounds. A lack of relevant academic literature, definitional debates and language became the next critical challenges to overcome. The context and challenge of language around social enterprise and social entrepreneurship is explained further in chapter two as part of the literature review.

1.5 Data collection methods and triangulation

When designing the data collection methods for this research, triangulation became increasingly important. As this was a new phenomenon being investigated with little peer-

reviewed scholarly material or formal independent policy evaluation to draw from, it became increasingly important to ensure that claims made were robust, and supported by data collected from more than one source. As a result, the early part of the PhD work was dedicated to establishing a baseline, rather than moving into higher levels of analysis. Because social entrepreneurship was a new area of study, much emphasis within the research community at the time was focused on proving the size and the shape of the phenomenon. Hence, this doctoral work began with a mapping study.

The data from the study is included here as it was the first stage of data collection for this work. In the autumn of 2004, in the first term of my doctoral studies, I designed a research study with my then supervisor, Professor Nirmala Rao, funded by the ESRC.² The objective of the study was to map the extent of local authority support for social enterprise across England and the role of pan-London organisations in promoting social enterprise across the capital. The study also sought to examine variations in local policy and practice, and to assess the impact of regeneration policies and partnerships, including local strategic partnerships on social enterprise programmes, and finally to explore the contribution of local stakeholders to policy development. Data collection took place between 2005 and 2006.

In order to study the effect of social enterprise policy-making on the regions, it was decided to focus solely on England for any empirical work because devolution was in full swing and there were many significant changes taking place in the various regions that would have made comparisons at that time difficult. Also, this first wave of data gathering was to get a glimpse of how local councils were responding to central government policies and

² The project was given award number RES-000-22-1250-5k-3, and the findings were published by the ESRC under Rao, N. & Somers, A. (2006) *Implementing Innovative Policy: Local government and social enterprise*: research report to the ESRC, available for download from the ESRC and Young Foundation websites.

incentives for social enterprise, and specifically, to get an early indication of themes that the doctoral work should focus on more generally.

The survey was administered in two rounds, with an initial testing round. In the testing round, informal interviews were carried out with key stakeholders to generate survey question topics. Next, these questions were tested on a sample of users, to make sure the language was both clear and neutral. The survey, once finalised, was administered in two waves across England. In the first wave, surveys were sent to the Chief Executives across all English local councils.³ This was done purposefully to test the hypothesis as to whether or not policy activity at local level was taking place in regeneration departments or within chief executive offices. The initial response rate was low. Therefore, the survey was administered a second time, addressed to the heads of regeneration departments and here the response-rate more than trebled. This in and of itself shed light on where activity was concentrated across councils in total, of the 395 councils across England, 89 participated in the survey. The findings from the survey are explained within chapter five.

The findings from the English-council wide survey were informative, but they highlighted that other layers of public institutions were playing a meaningful role in shaping the social enterprise agenda, and that more data needed to be collected to tell the implementation story accurately. Therefore, the next goal of the research design was to gather data that would capture this activity, and to triangulate the data already gathered.

Key questions emerged from the survey that still needed to be addressed; Was social entrepreneurship as a policy agenda a short-term idea, specific to a unique moment in British political history where the boundaries of policy making were being purposely dismantled and

³ Contact details for all councils were gathered using the Municipal Year Book Listings for 2005.

disrupted, or was there a wider significance underlying this agenda, that would ultimately have more meaningful consequences for the relationship between the modern state and British civil society? What did the zeal with which policymakers across party lines embrace social entrepreneurship indicate and what might the implications be for the welfare state? To what extent did the ambiguity of language create a space for political compromise? What aspects of this phenomenon were most suited for doctoral study, and what shape should the project ultimately take so that it could make a worthwhile contribution to scholarly work in this area?

In order to answer these questions, a series of elite stakeholder interviews were carried out, along with participant observation of policy forums and a documentary analysis of the key policy statements of the time. The resulting methodology for this doctoral research is a mixed method case study, blending quantitative and qualitative data collection methods, applying an empirical lens. The data collection methods used are detailed below in the order in which they were carried out:

- A. Participant observation of key policy formation conferences and events (2003-2007) at European, regional, central and local government levels
- B. Local government mapping survey carried out across England (2005-2006)
- C. Participation observation of LA Connects, a pan-London forum for councils engaged in promoting social enterprises, from its initiation through to covering one year of work (2004-2005)
- D. Conducted a series of elite interviews with key stakeholders (2004-2008)
- E. Documentary analysis of all main policy statements from 2001-2006, and a review of final policy evaluations of key programmes (Futurebuilders, Neighbourhood Renewal

Funding, and New Deal for Communities). Most of these studies were published around 2010.

The various methods above were used as a means to triangulate the data, which is defined by Robson as “the use of multiple resources to enhance the rigour of the research” (Robson, 2002, p. 174). There are four accepted types of triangulation, and this study uses three of them in order to answer the research questions; data triangulation where more than one method of data collection is used, methodological triangulation when quantitative and qualitative methods are combined, and theory triangulation which is when the researcher uses multiple theories or perspectives to explain the phenomena under study (Robson, 2002). The only type not used here is observer triangulation, where more than one observer is utilised.

1.5.1 Documentary analysis

A review took place of all key New Labour social enterprise initiatives between 2001 and 2006 to identify trends. The list of key documents analysed is listed below:

- Department of Trade and Industry, ‘Social Enterprise: A Strategy for Success’ (2002)
- Department of Trade and Industry, ‘A progress report on Social Enterprise: A Strategy for Success’ (2003)
- Bank of England Report: ‘The Financing of Social Enterprises: A Special Report by the Bank of England’ (May 2003)
- Cabinet Office’s Office of the Third Sector: ‘Social enterprise action plan: Scaling new heights’ (2006)

- HM Treasury and Cabinet Office, ‘The Future Role of the Third Sector in Social and Economic Regeneration: Final Report’ (2007)

1.5.2 Participant observation of key policy forums

In 2003, I was preparing my doctoral research proposal for admission the following academic year, and knew the subject under study would be New Labour and social enterprise policy-making. I chose to attend every relevant policy-making forum available and took background notes to inform the development of this research, which is a practice that continued until data collection completed in 2007. As the Director of Policy and Development for Social Enterprise London, and then as a Consultant for the New Economics Foundation,⁴ a think tank, I had access to the main high profile policy-making development meetings taking place during this time period.

The purpose of the table above is to demonstrate the range and breadth of policy activity that took place during this time period, and to acknowledge how participation in these events enabled the research to analyse implementation more thoroughly. While it cannot be claimed that every single policy event held in England was attended, it is clear that a significant number of key events were participated in, providing an overview for how policy themes were developing and changed over time. Themes generated from participant observation are explained in the later empirical chapters of this research.

⁴ For more information on the New Economics Foundation, go to www.neweconomics.org [Accessed 12th August 2012].

TABLE 1.1 SUMMARY OF KEY EVENTS FOR PARTICIPANT OBSERVATION

*Listed according to level of policy-making, International, European, National, Regional, and Local

Name of Event	Date(s)	Description	Location
Skoll Forum	World March 2005 March 2006 March 2007	International week-long event run by the Skoll Centre for Social Entrepreneurship at University of Oxford- for practitioners, funders, and researchers	International
LNET	24-25 November 2004 (London) 10-11 February 2005 (Milan) 31 January 2006 (London) 7 March 2006 (Brussels) 11 December 2006 (London)	European Commission funded policy exchange between five European cities on enterprise development in deprived urban areas (with a dedicated social enterprise stream)- Hamburg, Prague, Milan, Amsterdam and London	European
Social Firms UK	November 2003	Annual conference for members	National
UK Social Enterprise Research Conference	June 2004 June 2005 June 2006 June 2007	National conference for researchers investigating social enterprise	National
Voice 05	January 2005	National practitioners conference run by the Social Enterprise Coalition	National
Social Enterprise East Midlands Conference	June 2005	Regional social enterprise support organization held one-day awareness raising event for local voluntary sector.	Regional (East Midlands)
Yorkshire Forward Social Enterprise Investment Readiness project	March-May 2005	Participated in telephone interviews and consultations, drafted research and policy development reports for Regional Development Agency on social enterprise investment readiness. Through the new economics foundation.	Regional (Yorkshire)
Social Enterprise Conference	September 2003	London region Business Link awareness-raising conference on social enterprise for publicly funded business support officers	Regional (London)
London Social Enterprise	Quarterly events 2003-	London-based networking event for social	Regional

Network	04	entrepreneurs	(London)
Greater London Assembly Scrutiny Session on Social Enterprise	April 2004	Assembly Members investigating the role of the GLA in supporting social enterprise development	Regional (London)
LA Connects	Quarterly meetings Spring 2004- Summer 2005	Run by Social Enterprise London to support the work of local authority officers engaged in social enterprise	Regional (London)
Highlands and Islands Social Enterprise Conference	June 2005	Regional community-based organizations held a one-day awareness-raising event.	Regional (Inverness-Highlands and Islands)
PULSE meetings	May and September 2004	Sub-regional network meeting for social enterprise in West London	Local
Cross River Partnership	Quarterly 2003-04	Sub-regional network meeting for social enterprise in central London	Local
Camden Social Enterprise Conference	November 2004	Camden Council sponsored a one-day awareness-raising event for the local voluntary and community sector.	Local

LA Connects is a forum mentioned separately in the preceding section because of the insight gained from participation. Established by Social Enterprise London in 2004, it was a direct response to a significant rise in enquiries received by London-based local councils, requesting support to develop social enterprise strategies. London is a useful microcosm to study when it comes to local government because of its history and the fact that it is in essence an amalgamation of 33 separately governed towns operating in one small geographic area (Pimlott and Rao, 2002; Young and Rao, 1997). In terms of studying the implementation dynamics of policies around social enterprise development, it is compelling because differences in the design and execution of policies can be seen so clearly. LA Connects was the attempt by Social Enterprise London to develop one body to provide support for London councils interested in supporting social enterprise, rather than repeating the work many times

over. It also meant that representatives from local councils could develop their plans together, taking advantage of their geographic neighbours and create opportunities for partnership work. Therefore, the participant observation completed with LA Connects charted everything from the setting up of the group through to its first year of work, with attendance at every meeting.⁵

1.5.3 *Elite interviews*

To supplement the other forms of data collection already mentioned, the England-wide survey, participant observation of key policy-making events, and the documentary analysis of policy initiatives, interviews with stakeholders at all levels of implementation were used. Many of the interviews were held off the record. The notes have been recorded and anonymised as a result.

In total, it may appear that an abundance of data collection methods were used. However, again the time period for the case study is important to bring into consideration here. In the beginning, it was unclear how significant social enterprise would become in terms of New Labour's social policy agenda. While social enterprise *seemed* very important, in reality, the rhetoric was significantly greater than the actual amount of government resource invested. Further, New Labour initially carried out a range of comparatively small initiatives. Attempting to investigate the implementation of New Labour's first wave of social enterprise policies in any sort of robust or comprehensive terms has been similar to tracing sauce through a sieve, little tenants moving across the vast public management system. Yet, in order to create any sort of baseline, or even to sufficiently characterize how these

⁵ It should be stated that this author was the person within Social Enterprise London responsible for generating the idea of LA Connects and setting it up. However, once leaving the organization to transition to academic work, meeting attendance was strictly carried out as an observer.

initiatives may have shaped what we know now to be a flourishing and seemingly established sector, a great research hunt had to be executed.

1.6 The structure of the thesis

This thesis is organised into seven chapters. Chapter two presents the literature review, which analyses the relevant literature to date. Key topics include demarcating what is meant by ‘state-sponsored’ social enterprise versus ‘civil society-based’ social enterprise. Further implementation theory, institutional theory, and state theory is reviewed for their explanatory power in interpreting the findings from the empirical work.

Chapter three is the first of four chapters that present findings from the primary research. In this chapter, an analysis is conducted of how social enterprise as a concept made it onto New Labour’s policy agenda. The work explores the role that insider and outsider organized interests played in shaping the agenda, and puts forth potential explanation as to why the historical context may have played an important role in determining the kind of policy framework for social enterprise that was ultimately produced.

Chapter four analyses the strategic reviews New Labour carried out as a pre-cursor to developing the resulting ‘enabling environment’ framework for social enterprise. Two main cross-cutting reviews are explored and the role of the review process across Whitehall and with consultation across civil society based stakeholders becomes an important variable in understanding how social enterprise policy was then developed.

Chapter five is a review of the two key strategies that formed the basis for the ‘enabling environment’ and covers the coordinating work programme of the Social Enterprise

Unit in the Department of Trade and Industry during its span as an organisational entity before being dismantled in 2006. Chapter five provides an overview of the policy framework for social enterprise New Labour put into place, and includes a discussion of the range of initiatives that comprised the 'first wave'. This is where the breadth and range of measures introduced is presented, including the extent to which one can identify innovation in policy design. Questions are posed, including, to what extent was innovation an intentional consequence of the enabling environment, or did it happen somewhat accidentally? Where there is evidence of innovation, what are the lessons learned? And as important, where are there areas where the policies were less successful in achieving their objectives?

Chapter six presents the implementation dynamics, and focuses on what it looked like to be at the delivery side of the first wave of social enterprise support at local and community level. The work of LA Connects and its members is highlighted here, and the role of the local economic development officer as champion is detailed. Chapter seven concludes the thesis and presents the overall lessons learned. The chapter puts forth the main conclusions about New Labour's role in initiating social enterprise policy and offers up a series of research questions to take the analysis further by examining what comes next under Prime Ministers Brown and Cameron. The chapter ends by also considering the implications of what has been put into place so far, and where theory generation and research more generally need to be extended within the nascent field of social entrepreneurship in academic and scholarly terms.

Chapter 2: Literature Review

2.1 Introduction to the social enterprise academic literature

Social enterprise is still in its infancy in terms of scholarly examination, with the majority of published work to date less than ten years old. To further complicate things, the work that has been completed is interdisciplinary in nature. This has led to niche works across a range of fields. The majority of these are concentrated in business studies with an emphasis on organisational and institutional theory. There have been considerable debates amongst academic researchers as to whether or not social entrepreneurship should be researched as a new field unto itself, or rather as subsets of other established disciplines (Haugh, 2005; Mulgan, 2006; Hockerts, 2006b; Austin 2006; Peattie and Morley, 2008; Muñoz, 2010). Much of this early work focuses on defining social enterprise and social entrepreneurship, with a significant amount of the literature concentrating on a UK setting (Dees, 1998; Dees, Emerson and Economy, 2001; Dees, Emerson, and Economy, 2002; Pearce, 2003; Ridley-Duff and Bull, 2011; Nicholls, 2006; Mulgan, 2006). This is due in part to the support lent to social enterprise by New Labour in its second term, with branches of the public sector commissioning initial research. Literature from 2001-2006 largely examines how social enterprises, as organisations, operate (Borzaga and Defourny 2001; Paton, 2003; Bode, et al 2006; Drayton, 2006; Nicholls, 2006). Much of the existing research emphasises field-building challenges and opportunities for growth alongside a repeated call to academic researchers to generate theory to explain this emerging phenomenon (Robinson, 2006a, 2006b; Anderson, 2010; and Dees, 2006).

This section is intended to give an overview of the relevant literature for this doctoral research. Because of the emerging nature of social entrepreneurship in academic terms, much of the scholarly work under this heading warrants explanation. While there has been an explosion in terms of quantity over the past six years, much of the literature is repetitive, as not enough time has passed for work to evolve where researchers can build on what has come beforehand, or to take a more critical stance. In terms of content, more attention is paid to attempting to size up the phenomenon- describing how many organisations there are, the industries they operate in, where commercial opportunities may lie, which organisational forms are considered part of the field, where social enterprises begin and charities end- to the extreme that more meaningful questions remain largely unobserved (Lyon and Sepulveda, 2010). There is very little literature available that examines the role of public policy and social enterprise to date, and nothing that characterises New Labour's role in supporting this new agenda.

When reading about the growth of social enterprise in the United Kingdom during the past ten years, key questions arise- *why* is there a sudden proliferation in these alternative business models? *Who* is funding and pushing this agenda? Is this flutter of activity the result of something specific happening in civil society, or to what extent is this boom being driven by political parties in power who are serving their own agenda? When reviewing the social enterprise specific literature to date it is interesting that much of it is devoted to field building. This, in and of, itself begins to shed some light on who the power brokers are and how they are influencing the growing field.

Another theme that emerges from the existing literature, which is linked to social enterprise's position as a new field of study, is a generic and problematic call for theory

generation. It is evidenced in Helen Haugh's article in the first edition of the *Social Enterprise Journal* in 2005 titled, "A research agenda for social entrepreneurship". This is a theme that exists through to Volume 8 of the same journal with a 2012 article by the same author titled, "The importance of theory in social enterprise research."⁶ This repeated call for theory generation in the social enterprise literature becomes problematic in that it misunderstands the role of theory in explaining the phenomenon and the distinctions between theory testing and theory generation in social research (Robson, 2002, pp. 61-65). The concern has been to encourage academic scholars to become interested in taking up social enterprise as an object of study. However, arguably, one should not design a research project to generate theory. Rather, research projects should be designed with genuinely meaningful and worthy research questions, from which either theory testing or theory generation (as in a grounded theory project) will logically emerge. It is in this way that social enterprise, as an emerging academic discipline, reveals how much sponsorship it has had from the funding community, albeit the public sector or charitable foundations.

The field is being structured in many ways from the top down, which raises questions about the long-term sustainability of social enterprise as a distinct area of academic enquiry (Osberg, 2006; Cho, 2006). Already, there are signs of backlash from active researchers as to the exertion of influence by funders into this area, as the main academic research conference has recently been re-branded from the Social Enterprise Research Conference to the International Social Innovation Research Conference.

Herein lies a significant problem within the academic social enterprise literature to date- much of the early work on the subject was sponsored by the foundation and

⁶ Based on H. Haugh's keynote address to the 2011 International Social Innovation Research Conference, of which I was a participant.

philanthropic community, and early centres of academic research were established in business schools. As a result, the topic has been largely understudied by those hailing from politics, social work, sociology, or anthropology. Those with a social research skill set for the most part have not yet engaged with the subject matter. A dominant theme amongst the active research community is the lack of relevant theory to apply to studying social enterprise (Martí, 2006). However, it could be argued that while theories in business studies are not readily applicable to social enterprise, there exists a large theoretical base in politics from which social enterprise could be studied more comprehensively. This has been one of the unusual challenges of developing this doctoral research. As often a lone voice hailing from the politics discipline but participating in an interdisciplinary research community attempting to study the same phenomenon, the conceptual starting points are vastly different.

Scholarly work has been produced which has begun examining social entrepreneurship from a social scientist's lens, and it is not the intention here to minimize this important work or the skill of the dedicated academics involved, but rather to characterise the emerging literature as a whole. There has been some compelling and relevant work to date, namely the work of the Third Sector Research Centre (Alcock, 2010a; 2010b; 2012b; Teasdale, 2010; Teasdale 2011) , and the work of the EMES European Research Network. Many of these works are cited in the remainder of the literature review in this chapter. However, the important point is on the whole, under the banner of social entrepreneurship research, much of the work remains descriptive rather than explanatory in nature, with an emphasis on cataloguing policies and events, rather than investigating why they have come about. Very little research to date has been produced by scholars with training from a politics background.

Working across the two fields of social entrepreneurship and politics is challenging. In the one, there is much passion for the topic, but little scholarly work undertaken beyond the descriptive. In the other, theories abound that can help explain what is occurring and why. This doctoral research attempts to bridge this enormous gap, by offering up a comprehensive, multi-year study of the emergence of social enterprise as it appears for the first time in policy terms, generating empirical data to shed light on the phenomenon, while also using established theories from political science to help explain and characterize what is happening. In this way, it is hoped that this thesis will make a meaningful contribution to the still nascent social enterprise scholarly discourse.

2.2 Overview of the chapter

The remainder of the literature review is structured in the following way. First, social enterprise is defined to explain how it is used within the framework of this study. In describing how social enterprise is used in the existing literature, two new definitions extend concepts already in use. As this thesis is concerned with social enterprise as promoted by the New Labour government, ‘state sponsored’ social enterprise is offered up as a new term to describe activity taking place under the auspices of the public sphere, and as distinct from previous concepts of social enterprise, which are framed here as ‘civil-society based’ social enterprise.

After defining the terms and placing social enterprise in context as it pertains to the empirical part of the study, relevant literature about the British third sector and civil society is then presented. Finally, state theory is explored for its value in explaining the emergence of ‘state sponsored’ social enterprise under New Labour. First, Weber’s work is reviewed

followed by the recent work of Bob Jessop. This project attempts to explain why social enterprise may have been attractive as a policy idea, how it was included in the agenda in New Labour's second term, the way it was framed and ultimately implemented. The order of the review is to move the reader through the main arguments of the literature in parallel to the timings of the stages of the story the research aims to tell. "If the appeal to the concept or abstraction of the state serves to sensitize political analysts to the need to *contextualize political agency and agents* institutionally, then no less significant is its role in sensitising political analysts to the need to *contextualize the present* historically. Indeed the two are intimately connected" (Hay and Lister, 2005, p.12). Ultimately, because this is a historical case study and an interdisciplinary work, the presentation of this literature review is of a selection of the most relevant academic sources across a range of themes that can be used to explain the data presented in the remaining chapters.

2.3 Defining social enterprise

Many of the sources within the social enterprise literature spend time concerned with definitions and the origins of various terms. The recent book by Ridley-Duff and Bull (2011) is the best source to date that comprehensively examines the origins of social enterprise conceptually, historically, and geographically, and an entire chapter of the book is dedicated to definitions alone. Ridley-Duff and Bull offer a brief catalogue of the main definitional debates. In addition to this work, after reviewing the social enterprise literature as a whole, I argue there are three main geographic determinants for how social enterprise is defined; the United States, Britain, and Continental Europe.

In the US, the term *social entrepreneurship* is first used by Bill Drayton in the 1980s, and popularised in academic circles through presentations at the conferences of the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA).⁷ Bill Drayton is the founder of Ashoka, established in 1981, which is an international organisation dedicated to identifying and supporting social entrepreneurs. It is important to acknowledge what is often not highlighted enough in the existing literature, that a region's legal and institutional history has a lot to do with determining the way in which social enterprise develops structurally, and the function it plays in relation to that geographic area's third sector. This does become clear in the work of the EMES Network and in Janelle Kerlin's (2009) comparative work, but is less acknowledged in the literature generally. Kerlin's latest publication (2012) builds on her earlier work and applies historical institutionalism as a means to understand the variation in social enterprise across countries.

For Ashoka, social entrepreneurs are defined as “individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change” (www.ashoka.org). The US perspective places emphasis on the role of the individual entrepreneur as the change-maker, while the Continental view highlights the role of the organisation as holding within its structures to protect, uphold, and advance the values of a group or community. Britain, maintaining its mid-Atlantic vantage point, promotes both. This is reflected in New Labour's framework for social enterprise, detailed in chapter four, where public funding goes towards supporting individual change makers and helping them establish their ideas along with changing the regulatory framework to create a space where social enterprises as organisational entities can operate smoothly.

⁷ More information is available at www.arnova.org [Accessed on 5th August 2012].

Beginning with the US context, J. Gregory Dees provides the most frequently cited definition of social entrepreneurs as change agents in the social sector by:

- Adopting a mission to create and sustain social value (not just private value);
- Recognizing and relentlessly pursuing new opportunities to serve that mission;
- Engaging in the process of continuous innovation, adapting and learning; and
- Acting boldly without being limited by resources currently in hand, and exhibiting heightened accountability to the constituencies serviced and for the outcomes created (Dees, 2001, p.4).

The framework presented by Dees is considered the starting point for conceptualizing social entrepreneurship in an academic context. What becomes clear from these early readings is that many of the accepted attributes of entrepreneurs are transferred onto those of social entrepreneurs, and this serves as an example of theory extension. While borrowing from the general entrepreneurship literature is a useful lens through which to view some social entrepreneurs, it doesn't give a full description of the range of activity taking place under this banner.

There are questions as to whether or not social entrepreneurship is something undertaken by individuals or organizations. There remains a wide range of forms of socially entrepreneurial activity taking place in the real world, while only some of this is captured in the academic literature. There is the notion of the "heroic" entrepreneur whose single vision transforms whole communities. Even more recent is the acknowledgement that social entrepreneurs are becoming key agents for advancing global objectives such as the Millennium Development Goals (Grenier 2006; Cho 2006; Seelos, Ganly and Mair 2006). There are also critical perspectives emerging, which question the rhetoric that surrounds early

academic writing in social entrepreneurship (Dart 2004; Cho 2006; Mair 2006). True critical analysis in the field is still emerging.

As research goes on to demonstrate, a lot of socially entrepreneurial activity is spearheaded by groups of people, rather than exclusively individuals operating alone. Doug Foster in his article “Social entrepreneurship: Exploring a Cultural Mode Amidst Others in the Church of England” (2006) challenges the positioning of social entrepreneurship as something aligned with mainstream entrepreneurship studies. Foster’s article is a tour de force of ideas, where readers are asked to examine the role of vicars as social entrepreneurs, given the 1990s financial crisis the Church of England faced. Something alluded to although not expressly stated in the article is that social entrepreneurship is not about an individual serving as a lone hero, the way perhaps originally positioned by Bornstein (2004) and Leadbetter (1997). Rather, it can function as an aspect of one’s character that can be developed or applied to a given set of circumstances, where one can take on socially entrepreneurial attributes for a specific project or period of time, and with support from their organisation or community.

Further, as the community development and regeneration literature sheds light on, the over-emphasis of the heroic individual can lead to confusion when it comes to attempting to replicate a social change project or programme of work (Taylor, 2003; Dorey, 2005). Over-reliance on the individual as the change agent means many of the other critical components of change are overlooked, for example, a team of competent managers to run a programme or a technical skill set, the existence of bonding or bridging social capital amongst stakeholders involved in the change process, and most importantly the role of the community (Putnam, 2000; Taylor, 2003).

It is clear from the literature that there are different types of socially entrepreneurial behaviour. Some individuals act similarly to entrepreneurs in the private sector, while others take on certain attributes in order to achieve a time limited project or set of objectives. Dees acknowledges that confusion exists as the concept means different things to different audiences. He maps the landscape by explaining that for some, social entrepreneurship is about not-for-profit organizations starting for-profit or earned-income ventures, includes anyone who starts a social change organization, and extends to business owners who incorporate social responsibility into the work they do (Dees 1998) and Kerlin significantly broadens our understanding of how social enterprise emerges in different country contexts (2012).

Whilst the contributions of different disciplines to early discourse have meant it is a rich and diverse one, there is still much work to be done to move towards common ground. There is consensus that social entrepreneurship is about using a range of skills to create social change through market mechanisms (Dees 1998; Dees, Emerson and Economy, 2001; Dees, Emerson and Economy, 2002). Another interesting definition put forward by the Asian Institute for Management is “social entrepreneurship involves the promotion and building of enterprises or organizations that create wealth, with the intention of benefiting not just a person or family, but a defined constituency, sector or community, usually involving the public at large or the marginalized sectors of society” (Dacanay, 2004, p. 6). One critique that can be made from reading the literature is that in both Dacanay’s and Dees’ definition, the role of stakeholders in the process of creating social change is absent. Further, the literature can often overstate the starting point of the socially entrepreneurial activity as the individual leader or visionary. Whereas in practice, many social ventures emerge out of a community-

identified need and are built around a community's varied intangible and tangible resources to make change happen (SEUK, 2011).

The Continental perspective is vastly different from the idea of the heroic individual as the leader of change and is encapsulated in the EMES Network's framework for defining social enterprise. The EMES Network began as a cross-country academic research programme in 1996 through the 'Targeted Socio-Economic Research' (TSER) programme of the European Commission.⁸ The purpose was to examine the emergence of social enterprise across Europe. It explores social enterprise as a descriptor for a range of organisational types concerned with work integration, social inclusion, and community empowerment. Here the emphasis is solely based upon the role of the organization as the instigating force for social change.

Because the EMES Network begins as a comparative research project, the first round of research catalogues the different approaches to social enterprise across Europe. The findings are published in Borzaga and Defourny's (2001) edited book *Social Enterprise*, and include chapters on all fifteen member countries of the time; Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, The Netherlands, and the United Kingdom. The approach of these researchers was to first locate social enterprises as an evolutionary part of the European third sector, or "socio-economic initiatives which belong neither to the traditional private for-profit sector nor to the public sector" but then to study the entrepreneurial aspects and the extent to which this behaviour could be deemed social (Defourny, 2001, p.1). Five operational features of social enterprise as put forth by the network are:

⁸ The EMES Network name is an acronym from the group's first research project, "the emergence of social enterprises in Europe", as explained in the website www.emes.net [Accessed 5th April 2012].

- An activity launched by a group of citizens;
- Decision-making power not based on capital ownership;
- A participatory nature involving those affected by the venture;
- Limited profit distribution; and
- An explicit aim to benefit the community (Spear and Bidet, 2003, p.8).

The EMES research discusses social enterprises in specific country contexts. One of the key themes from this cross-country study is that where a community identifies an opening for entrepreneurial activity, it is often due to a lack of provision or example of market failure by the existing welfare state. This is an entirely different way of thinking about social enterprise than the US conceptual framework. The majority of researchers in the network are economists and the analysis is undertaken from this discipline. Yet even in this landmark work, the question of politics remains largely unaddressed. The theoretical section of the book examines theory as it pertains to social enterprises at organisational level, rather than tackling why social enterprise as a concept may be attractive at a given moment in history.

The EMES research makes three main contributions to the knowledge base that can inform this thesis. First, it begins to explore the environment in which social enterprise emerges, looking at the relationship between a country's regulatory environment and the shape that social enterprise activity takes as a result. Second, it sheds light on country and regional differences. Third, the research demonstrates the variety of organizational structures social enterprises take and the many service areas in which it operates.

To ground their work conceptually, the EMES researchers began by locating what they identify as social enterprise as it operates within the 'third sector'. To some extent, this group of researchers is unique in taking this step so explicitly, whereas other academics are

still contesting the extent to which social entrepreneurship ought to be aligned to any specific sector or industry. For the purposes of understanding the way in which social enterprises are providing public goods and engaging with the state generally, the EMES Network starting point of examining where they fit into the range of organizations that operate in the third sector is the most useful for the purposes of this study.

The EMES researchers defined the third sector as socio-economic initiatives that belong neither to the traditional private for-profit sector, nor the public sector. The third sector is also described as being, "...involved in the allocation of resources through the production of quasi-public goods and services. It has a redistributive role through the provision of a wide range of (free or virtually free) services to deprived people via the voluntary contributions (in money or through voluntary work) which many associations can mobilise" (Defourny, 2001, p.1). Interest in the idea of a distinct third sector emerged in the 1970s. Since then, there has been a significant growth in the amount of academic research produced that explores such activities.

The first work produced by the EMES network describes social enterprises as applying the entrepreneurial spirit to social aims. In addition, social enterprises are regarded as a subdivision of the third sector, but seen to also create new production processes. In undertaking their comparative work, the EMES network seeks to identify the different ways in which third sector activity is described conceptually across different regions. As a result, they attempt to reconcile two dominant ways of thinking about third sector activity, to identify the strengths and limitations of each framework and to understand how social enterprise fits in or contradicts the ideas presented in each. These two concepts are the 'non-profit' sector, and the 'social economy'.

The terms civil society, voluntary sector, third sector, nonprofit sector, and social economy are in need of clarification and consolidation. Often what separates their meaning has more to do with geographic and historical precedent rather than substance. The concept of civil society is distinct from the others, but is closely linked, and there remains a tension conceptually as to where the third sector sits in relation to civil society. Often the terms are incorrectly used interchangeably. In *Civil Society in British History: Ideas, Identities and Institutions*, Jose Harris (2003a) presents different views of the term over time. One view of civil society is that it refers to “autonomous social and economic institutions outside the sphere of government- as a central arena of the historical transition to modernity”, based on the writings of Habermas and Darhendorf. Harris explains:

Both accounts portrayed the evolution of civil society as closely linked to the growth of markets and cities, the rise of ‘public opinion’, the genesis of new forms of privacy and self-awareness, and the burgeoning of a multitude of self-generating free associations that performed a ‘public’ function but operated largely without reference to the realm of the state (2003a, p.1).

Harris contrasts this with more recent constructions of the term civil society, “Portrayed initially as a societal counterweight to excessive state power (in both authoritarian regimes and over-governed democratic ones), it has more recently come to be seen in a rather different light as a means of reconstituting civic peace in places where state authority seems to have lost general legitimacy” (Harris, 2003a, p.2). If we refer back to Dees’ description of social entrepreneurship as a solution to increasingly complex social problems, where state institutions have failed to provide solutions, it appears that social entrepreneurs would *have to be seen* as actors within civil society. This is in later empirical chapters juxtaposed to New Labour’s framing of state sponsored social enterprise as entities that provide public benefit, as defined by the state, rather than stakeholders within civil society.

The conceptual landscape becomes increasingly muddled once one enters the nonprofit literature. The central reason is that in the American system, third sector organizations are classified and regulated by the state via their tax status. Therefore, the section of the Internal Revenue Code that acknowledges such activities refers to these as 501(c)(3) organizations, which are exempt from paying tax because of their public interest activity and their non-distribution of profit. As the American welfare system is provided mostly through these “nonprofit” organizations instead of such services being provided by the state, they have grown considerably in number and the sector has been clearly (and some would argue rigidly) defined. To some extent the term nonprofit has become in many ways the dominant discourse (Kerlin, 2009; Finkler, 2009).

The exception to this is in Europe, where there is much resistance to this term, as it does not refer to any sort of regulation in place in these countries. In fact, most research produced provides qualifying statements regarding terminology and the nonprofit distinction. Further, in Europe there is a very different orientation to third sector activity. This can be divided crudely into research that investigates ‘charitable activity’ and research that investigates co-operatives, and this observation can mostly clearly be seen in the range of papers produced by the EMES research network.⁹

So, do definitional discrepancies matter? The answer is yes. The reason is each attempt to define these concepts as they are currently expressed is limited. They all run into constraints. And it is amidst this period of questioning, and it could be argued dissatisfaction, that social entrepreneurship emerges from all corners as a potentially critical rhetoric. These are superficial definitional constraints imposed on what is essentially creative, spontaneous,

⁹ Go to www.emes.net for more information [Accessed 5th April 2012].

grass roots, community-led, inspirational, change-making activity. As Teasdale (2011) posits, “This conceptual confusion is because social enterprise is a fluid and contested concept constructed by different actors promoting different discourses connected to different organisational forms and drawing upon different academic theories” (p. 99).

Is it useful to limit our understanding of the third sector to its non-distribution of profit? If so, how does one explain workers’ cooperatives that clearly distribute profit to their members and can provide significant public benefit? Alternatively, the term voluntary sector implies a significant contribution to activities by informal unpaid workers, which also does not provide an accurate picture.

If social enterprises are understood to be organizations rooted in the third sector, than how do they differ from other third sector organizations? In the way New Labour frames social enterprise, is it an activity that is distinct from the third sector generally? If so, how?

Quite often, new forms of social and economic action have to be conceptualized and the groups concerned seek their own vocabulary. This is also the case with regard to the development of organizational forms of action which have been labelled as ‘social purpose businesses’, ‘civic enterprises’, ‘community businesses’, ‘community wealth enterprises’ and ‘social enterprises’. The challenge for analytical debates is that the term ‘social enterprise’ seems to blur exactly those frontiers which have been deliberately constructed- between action for the public good and private action, between social action as non-profit and enterprises as private market organizations (Evers, 2001, p.296).

As Lester Salamon and Helmut Anheier explain, “Definition lies at the heart of all social analysis. Without a set of concepts to give some order to reality, there is no way to group perceptions and begin making sense of them” (Salamon and Anheier, 1997, p.11). Through the work of the Johns Hopkins Comparative Nonprofit Sector Project, Salamon and Anheier produced a significant body of work that attempted to apply empirical data to the questions around size and composition of global civil society. In the design of their multi-country,

multi-year study, the authors carefully consider the differences of individual country sectors, as well as attempt to synthesize characteristics held in common. In this work, Salamon and Anheier discuss the conceptual challenge of creating a common definition, which can then be operationalized for comparative empirical research. The first challenge they identify is the ‘terminological tangle’ in which there are seven different terms commonly used to describe this activity. These are the ‘charitable sector’, ‘independent sector’, ‘voluntary sector’, ‘tax-exempt sector’, ‘NGOs’, ‘social economy’, and ‘nonprofit sector’.

The second challenge faced by researchers in the Johns Hopkins Comparative Nonprofit Project was the question of scope. Salamon and Anheier refer to three ambiguities: philanthropy versus the nonprofit sector, sector versus sub-sectors, and formal versus informal institutions. Finally, Salamon and Anheier distinguish between what they call the private nonprofit sector, or private organizations that provide a variety of information, advocacy and services, versus philanthropy, which is defined as the giving of gifts of time or other valuables. They make this distinction because in their view, philanthropy can serve as just one type of income stream for nonprofit organizations generally (Salamon and Anheier, 1997, p.13). However, describing a portion of the third sector as ‘private nonprofit’ only further confuses the picture, rather than contributes anything meaningful.

Another ambiguity the authors’ raise is about how formally entities need to be organized in order to be included in a country’s nonprofit sector. This leads to questions about legal structures as an appropriate requirement for charitable entities to be formally recognized by states, and refers to the role of the state as a regulator of civil society activity. The researchers stress the point that the term ‘nonprofit’ can disguise as much as it explains when attempting to gather and aggregate data across countries. Further, they note that despite

the lack of conformity when it comes to the structure of the nonprofit sector in different countries, there are still significant similarities in the institutions under study, which can form the basis of a comparison (Salamon and Anheier, 1997, p.13).

The findings of the Johns Hopkins Comparative Nonprofit project offer another contribution to our thinking on how to define and place social entrepreneurship. After mapping the conceptual challenges of tackling such a definition, they then analyse the benefits of approaching the act of definition using four different approaches. These are the legal definition, the economic/financial definition, the functional definition and the structural-operational definition. Salamon and Anheier put forward their structural-operational definition as described by the table below.

Table 2.1 The structural-operational definition for nonprofit organizations

Characteristic	Description
<i>Organized</i>	This means institutionalized to some extent, although this can be demonstrated in a variety of ways depending on a country's legal requirements. If legal corporation is either not chosen or readily available, this can become evidence of regular meetings, some degree of organizational permanence, and other evidence of governance structures.
<i>Private</i>	Institutionally separate from government, as in this activity cannot be part of the governmental apparatus or controlled by government. Although, organizations can receive the majority of their income from government sources.
<i>Non-profit-distributing</i>	This is interpreted as not returning any profits generated to their owners and directors. Organizations may accumulate profits during the year, but must reinvest these into the organization's operations rather than being distributed externally.
<i>Self-governing</i>	Equipped to control their own activities, whereby they have their own internal procedures for governance and are not controlled by outside entities.
<i>Voluntary</i>	Involving some meaningful degree of voluntary participation, either in the conduct of the organization's activities or the management of its affairs. This can include the participation of

Adapted from (Salamon and Anheier, 1997, pp. 33-34)

Ultimately, the work of the researchers involved in the Johns Hopkins Comparative Nonprofit project has made a significant contribution to how we approach empirical research in this new area. There are, however, some limitations to some of the explanations provided. The main critique would be their determination to stick with the term 'nonprofit' to describe this third space after so eloquently pointing out the disadvantages of the term. Instead the term 'third sector' remains with little to no controversy or confusion associated with it. Overall, it is a valuable model to follow.

Returning to the EMES network research and framework for defining social entrepreneurship, Defourny points out that a barrier to the study and thus profile of the third sector is the difference in legal, cultural, and historical environments that exist in individual countries. In Defourny's view, the nonprofit approach spread because of the 'simplicity and strength' of the US framework, which was established by clear government action in terms of creating the legal and economic infrastructure to formalize third sector organizations. This is contrasted with the concept of the social economy, French in origin, which brings together a range of actors including co-operatives, mutual societies and associations. He notes the institutions of the European Union use the social economy framework instead of the nonprofit one (Defourny, 2001).

There are other theorists that attempt to carve out ground for the third sector. One looks at three agents of the economy, private enterprise, the state and households. Another examines the principles by which exchanges are regulated via the market, public

redistribution and reciprocity. A third looks at the types of resources involved, commercial, non-commercial, or non-monetary.

It is interesting to consider Defourny's work after reviewing the comparative research undertaken by Salamon and Anheier. By drilling down into the nuances of the different concepts, greater understanding is gained for where social enterprise in a UK context sits. Defourny further examines the concept of the social economy through what he calls the legal/institutionalist approach. In doing so, he captures three different types of organizations that comprise the social economy, and which he argues are identifiable across Europe.

Table 2.2 Organizational types within the social economy

Organizational type	Description
<i>Co-operative-style enterprises</i>	Established in the middle of the nineteenth century, these organizations have spread worldwide. Types include agricultural co-operatives, saving and credit co-operatives, consumers' co-operatives, insurance co-operatives, retail co-operatives and housing co-operatives. This can include organizations that have similar characteristics to co-operatives, but are not legally constituted as such.
<i>Mutual-type organizations</i>	These have existed for a very long time and have been eventually institutionalized. Cater for the needs of communities, and often eventually become major players in social security systems.
<i>Associations</i>	Represents the freedom of association, and includes advocacy organizations, which may also be service providers for their members, to other people, or the whole community. Examples include Save the Children and Greenpeace. Also included in this category are all other forms of free associations of persons for the production of goods or services where making a profit is not the essential purpose.

Adapted from (Defourny, 2001, pp.4-5)

The approach described above identifies major institutional types but does not impose a significant degree of legal formalism (Defourny, 2001, p.5). One of the contributions of the social economy concept is that it provides a category for freedom of association generally, which includes an advocacy function much missing from the nonprofit literature. Further, as the association category is so openly described, it can also include activities such as religious, cultural, or political action. In this respect, the social economy framework is one that incorporates the ideas of civil society and creates a link between these two concepts.

When delving further into the social economy literature, it becomes clear very quickly the depth of the range of activity taking place in the public interest, and more importantly, *how much of this activity goes un-captured in dominant descriptions of the nonprofit sector.* Further, the organizational types explained in terms of the social economy more readily lend themselves to the concept of social entrepreneurship. Whereas, it is more difficult to see the link between charities like Oxfam and social entrepreneurship, versus the ability to link to a co-operative, like the Cooperative Bank to the principles of social entrepreneurship.

In comparing and contrasting the nonprofit and social economy concepts, Defourny comes to three conclusions. First, the social economy approach explicitly states the goal of the organization is to serve members or the community rather than seek profit. This emphasis on members and community is unique and is not detailed in the nonprofit institutional definition. Secondly, the social economy literature requires democratic decision-making processes, and signifies a governance burden not specified in the nonprofit literature. Thirdly, the nonprofit definition does not allow for any profit distribution, and thus discounts any cooperative activity. Defourny explains:

Another way of summing up these differences would be to say that the conceptual basis of the non-profit approach is the non-distribution constraint, which gives it a particular relevance for public benefit associations. The social economy concept, on the other hand, owes much to co-operative thought which of course gives more emphasis to mutual interest organizations and a central place to democratic control over the organization's goals and functioning (2001, p.9).

Defourny concludes by outlining the limitations of both approaches in allowing for the phenomenon of social enterprises. Mainly, neither approach currently incorporates entrepreneurial behaviour or elaborates the risks of such undertakings. In fact, even though the nonprofit literature describes nonprofits that are more business-like, these texts focus more on organizations adopting earned income strategies than they discuss entrepreneurial behaviour and risk taking. Arguably, the social economy literature seems the better fit for placing social entrepreneurship.

The EMES network social enterprise definitional model described in the table below provides a much richer understanding of the many dynamics at play in these new organizational types. Their definition is much more detailed than ones offered up by their American counterparts, who focus on individual entrepreneurial behaviour and action. In fact, when exploring case studies of real world action, in the majority of cases, the organizations described more closely resemble the model put forth by the EMES than they do by other researchers.

Table 2.3 EMES Network Working Definition of Social Enterprise

Characteristics
A continuous activity producing goods and/or selling services
A high degree of autonomy
A significant level of economic risk
A minimum amount of paid work

An explicit aim to benefit the community
An initiative launched by a group of citizens
A decision-making power not based on capital ownership
A participatory nature, which involves the persons affected by the activity
Limited profit distribution

Adapted from (Defourny, 2001, pp. 16-18)

Where there are weaknesses in the EMES model is that it does not delineate a role for the individual social entrepreneur or visionary, who often times serves as the catalyst for change within a community. This is quite important when exploring the policy implications of supporting such ventures in that if the presence of a leader is critical to the venture's success and this is not accounted for in programmes designed to support social enterprise, then the state may wind up setting up and supporting organizations that are unlikely to succeed.

The issue of risk associated with the establishment of a social entrepreneurially venture is one in the academic literature that is filled with assumptions that have not been critically examined. Much of this early research focuses on specific cases and then extrapolates out characteristics that are then imposed onto a loosely conceived sector. The question of risk, assumptions of social responsibility, leadership, and who starts these ventures are important when examining what happens when the state supports the creation of social enterprises to deliver policy objectives.

It should be noted that when this research first began, the literature available on social entrepreneurship was limited. As this research has developed, so too has the range of scholarly literature available. Most interesting, it is as this research has reached its concluding

phase that very recently, in 2012, a series of works have been published that are both insightful and complementary to this research. Namely, Janelle Kerlin's 2012 book chapter, *Defining Social Enterprise Across Different Contexts: A Conceptual Framework based on Institutional Factors*, even goes so far as to refer to social enterprise as a movement, where the concept is applied differently regionally based on historical and political factors. Kerlin's work is also significant in that it addresses issues of power and the acknowledgement of the ways different forms of power shape institutional forces. Kerlin's piece also builds on the work of Salamon and Anheier and the Johns Hopkins Comparative Nonprofit Project. In addition, Defourney and Nyssens (2010) also extend their earlier work by comparing social enterprise developments between the US and Europe.

While important academic work continues to be developed each year, which is essential for enhancing the legitimacy of social entrepreneurship as a field for scholarship, this literature review is one that serves to limit the range of sources that are brought into the research analysis. There is a tendency in social entrepreneurship research, because it is a new field, to want to reference everything. However here, I have chosen to be selective and to comment on those works which seem to best describe and contribute directly to our understanding of the time period during which this research is conducted.

2.4 Social enterprise- extending or reforming capitalism?

So far in this chapter, social entrepreneurship as a new form of individual leadership and an instigator of social action has been discussed, as has the organisational form of social enterprise, where the organization is structured in a way as to hold within it mechanisms to

create social change. These may be an alternative governance and ownership structure, the way cooperatives operate, or the production process of the work itself may be different, as in the case of fair trade organizations and social firms.¹⁰ One key question that remains in this new field is the extent to which social enterprise as a phenomenon is itself an example of an extension of capitalism into charitable practice or a means through which capitalist practices are 'softened' or reformed (Dart, 2004; Ellis, 2010). Ultimately, it is too early to tell. However, because of the ways in which New Labour frames social enterprise, it is one of the hypotheses of this research that there will be examples of both.

Social enterprise is a new phenomenon in terms of the breadth of activity taking place globally and the amount of attention the subject is being paid by political parties and foundations over the past decade. The speed at which the concept has been mainstreamed in the United Kingdom and reached a critical mass is breath taking. Considering it was a concept that did not appear in policy language before 2002, it is now included as a measure within the Annual UK Survey of Small Businesses. As of 2010, there were 68,000 social enterprises operating in Britain, contributing £24 billion to the economy and employing more than 800,000 people.¹¹ As this section of the literature demonstrated, social enterprise, as a concept, remains different things to different people. The academic work in this area still remains one where there is more contention than consensus. By examining the various different definitions for social enterprise currently in use and their origins, we will be better equipped to identify the ways in which the concept is used and amended by New Labour.

¹⁰ See the first EMES Network publication (Borzaga, 2001) for more information on the various types of social enterprise organizations and the fields they operate in.

¹¹ Data available from the Social Enterprise UK website, www.socialenterprise.org.uk [Accessed 7th August 2012].

2.5 Putting forward new definitions: ‘state sponsored’ social enterprise and ‘civil society-based’ social enterprise

This research is interested in social enterprise as a policy construct. It is when the first ‘social enterprise’ policy was written that our understanding of social enterprise changes from something independent (and even critical) of government to something now sponsored by government. Social enterprise before classification as a new business form was a collection of different types of organizations coming together to use trade to affect social change. Examples include the cooperative movement, the fair trade movement, and social firms (Ridley-Duff and Bull, 2011). However, after New Labour’s sponsorship of social enterprise, what was a loose movement of social businesses on the fringe became reframed as a vehicle through which New Labour could achieve a range of social policy objectives.

Ultimately, the United Kingdom remains one of two countries to have a government department for social enterprise, and is also the first to introduce public policy to support the growth and development of these organizations¹². New Labour constructed a wide remit, applying social enterprise to regeneration and employment policies through to business development and social inclusion. Through the process of conducting this research project, it has become clear that whilst New Labour used the terminology of social entrepreneurship in their policy rhetoric, what they actually set into motion with a range of publicly funded programmes and a new legal entity could be considered an instrument of the state, rather than an activity set in British civil society. This thesis describes how policymaking in this area unfolded, and the lessons that can be learned more broadly about the changing relationship

¹² Australia is the other most active country in terms of government support for social enterprise, and it is a fairly recent phenomenon over the past six years, using the UK as a model in many instances. See www.socialventures.com.au for more information. There isn’t a department as such, but there are programmes to support social enterprise, examples include the South Australia Department for Communities and Social Inclusion. For more information, go to www.dcsi.gov.au [Accessed 15th August 2012].

between the British state and civil society, specifically in terms of service provision in a changing welfare system.

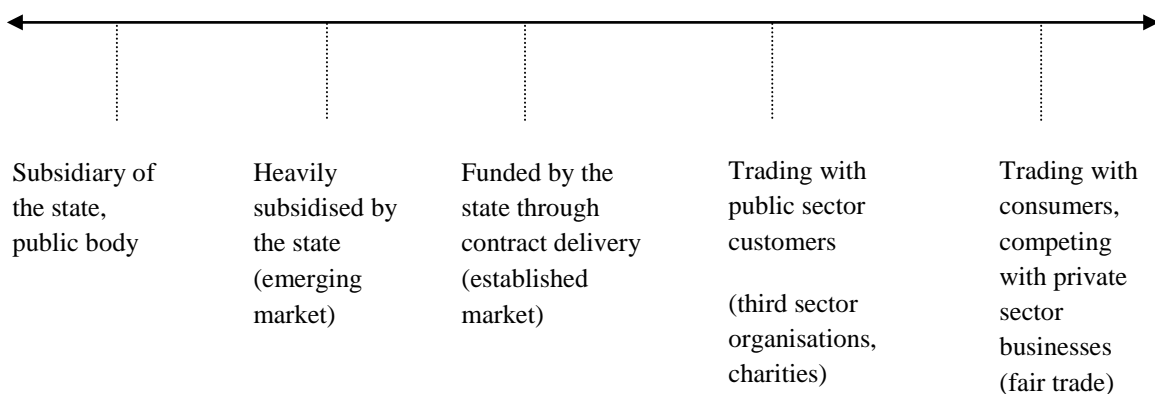
Social enterprise as defined by New Labour policymakers in 2002, were cast as “...businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners” (DTI, 2002). This is a very different construct than the notion of social entrepreneurship held by some within this emerging field. David Bornstein describes the social entrepreneur as “the role of a particular type of actor who propels social change” (Bornstein, 2004, p. 5). Bornstein continues by noting that social entrepreneurs have always existed, with individuals such as St. Francis of Assisi and Mother Theresa as examples (2004, p.5).

The view of social entrepreneurship laid out by Bornstein and other leaders in the field remains in tension with New Labour’s vision for social enterprise. A question emerges, to what extent is New Labour’s social enterprise construct similar to notions of social entrepreneurship? Does New Labour’s version represent a new way for states to consider the co-production of public goods and services in partnership with newly and more efficiently organized third sector actors? Or is it a wolf in sheep’s clothing? Is this re-packaged, and some might argue more sinisterly designed charity? Some have argued that social entrepreneurship is actually a neo-conservative re-design of charity moving from religious notions of giving to market based mechanisms for redistribution (Dart, 2004).

2.6 Towards a definition of state sponsored social enterprise

One of the goals of this research is to explore New Labour's use of social enterprise in policy terms. To that end, below is a description of the spectrum of socially entrepreneurial activity taking place in New Labour's second term, according to the data gathered for this research. It is designed as a scale to demonstrate the extent to which activity can be described as independent of the state, all the way through to social enterprises that wind up completely dependent upon the state. It is a way to depict some of the tensions that arise once New Labour takes on a more active role in promoting its own version of social enterprise. These views reflect the author's own and are part of the hypothesis development for this research. The ideas represented below are also informed by the public management literature, specifically the areas of partnership working, contracting out, commissioning, and regeneration (small business development).

Figure 2.4 Spectrum of social entrepreneurial activity: State's view



(Somers, 2007)

In the model above, there are three different ways in which the state engages with social enterprises. The left hand side of the spectrum shows activity that is completely state-owned and operated, and is a common model for social enterprise in some European countries (Germany, for example). The right hand side of the spectrum indicates social enterprise activity that is entirely sustainable in the private market and does not interact directly with the state or on behalf of the state.

The first scenario, the left hand side of the spectrum, shows the state setting up a public body using the social enterprise business model, but in this scenario the structure is wholly owned and operated by the state. An example can be found in locally run and operated community transport or in leisure services before they are externalized from a local council. The next scenario is one where the state heavily subsidizes an activity because it is considered an emerging market that will not develop without state support. Examples can be found here of early stage recycling programmes that also served as intermediary labour market organizations, and thus fulfilled a training objective. This social enterprise model was found to be sustainable and very successful in many UK regions. At this point, the government stopped subsidizing the activities through a grant scheme and the organizations were able to achieve financial sustainability directly through commercial sales and contracts.

In the fourth scenario, social enterprises are considered to be external from the state in governance terms, and in fact independent. However, their resources are primarily derived from government contracts that call into question their independence and their financial sustainability. In this situation, it could be argued that social enterprises actually extend the Government's reach and expand the provision of services in the welfare state, even if they are deemed to be legally separate from the state. Examples of social enterprises that operate in

this space are those that operate in quasi-markets, particularly in the health and social care field. An example would be a GP practice or nursing service that sets up as a separate legal entity and offers additional care services by charging patients directly, in addition to core services provided through a government contract.

There are considerable implications for the relationship between the state and state sponsored social enterprises, particularly when it comes to delivering auxiliary services within the welfare system. There are obvious advantages; namely increased efficiency which also leads to a greater range of services on offer. However, in terms of disadvantages, this may come at the cost of democratic accountability and a significant loss of benefits for employees. These are the more traditional debates that surround public sector contracting generally, and the issues around choosing commercial or charitable partners.

Table 2.5 Characteristics of ‘state sponsored’ versus ‘civil society based’ social enterprise

STATE SPONSORED SOCIAL ENTERPRISE	SOCIAL ENTERPRISE/ SOCIAL ENTREPRENEURSHIP
Extends the reach of Government by providing access to niche communities and innovative methods	Shaped by a unique vision, often through a charismatic leader (social entrepreneur)
More closely resemble quasi-public entities because revenue is tied to public sector contracts or funding (grant-making)	Organized around a specific set of expertise, usually gained from a collection of unique prior experiences
Means to potentially achieve inroads into complex social problems (i.e. social inclusion)	Driven by stakeholder values, particularly focusing on beneficiaries and empowerment
Set up by Government and supported through start-up phase by public bodies	Evidence of social capital and strong social networks to support the idea through start- up phase

Objectives set by Government through policy statements, rather than by community	Can be formally or informally organized activity, led by one or many collectively
Government serves in a regulatory capacity	Most revenue comes from trade in the private market (rather than subsidy or contract from public bodies)

One of the goals of this doctoral research is to characterise what New Labour put into place with its ‘enabling environment’ framework for social enterprise. A hypothesis going into the research is that New Labour actually creates a new form of social enterprise, which I call ‘state sponsored’ social enterprise. It is argued that it is in fact ‘state sponsored’ because the state dictates the attributes these new organisations need to embody and puts into law such criteria. Further, New Labour creates incentive programmes in order to play a role in generating more of these new organisations in real terms. New Labour expresses this repeatedly as objectives in specific policy documents, which are detailed in the following chapters (DTI, 2002). Most importantly, I describe these new organisational types as ‘state sponsored’ because they serve the motives of the state over the aims of those organisations which develop from within civil society. A further hypothesis of this research is that New Labour supports the expansion of social enterprise as an extension of Third Way thinking, and a belief that social enterprises can be a mechanism through which the provision of public services, and essentially the welfare state, can be extended, while reducing costs and promoting fairness. It is this central claim that will be investigated in detail in the following empirical chapters.

I developed the table above as part of this thesis as a way of mapping the differences between the two concepts argued for here in this chapter; state sponsored and civil society based social enterprise. It is argued, over the following chapters, that what New Labour actually did in supporting social enterprise was create a new form altogether, which sits at odds with notions of social entrepreneurship that grow organically from community need and are rooted in civil society. In the next section, the literature on state theory is reviewed and the notion of a state sponsored form of social enterprise is more fully explained.

2.7 Understanding the role of the state in relation to social enterprise

In this section of the literature review, state theory is reviewed for the value it holds in offering an explanation for why New Labour may have become involved in promoting social enterprise. The policy formation literature can shed light on how social enterprise would have entered New Labour's agenda, and how pressure groups internal and external to government can influence decision-makers.¹³ But the policy literature does not extend its explanatory power to the sphere pertaining to the role the state itself may have played in embracing this agenda. Further, the role New Labour envisions social enterprises could play in delivering public services and modernising the welfare state also needs to be explained against the context of how the British state has itself changed since the post-War consensus. One of the key questions of this research is does the emergence of social enterprise represent an expansion, contraction, or re-engineering of the modern welfare state? Therefore, in this section state theory is reviewed for its ability to explain why bureaucrats within the public

¹³ This is discussed in detail in chapter three, which looks into how the policy agenda for social enterprise in New Labour's second term was formed and who the key players were in influencing the ideas that came forth.

machinery, and why politicians across party lines, may be interested in this new version of social enterprise, as promoted by New Labour.

Exploring the role of the state in relation to New Labour's framing of social enterprise is beneficial for several key reasons. First, by discussing the state conceptually, as something separate from but connected to a political party in power, a more accurate understanding of what state sponsored social enterprise is and how it operates can be reached. This is because analyzing social enterprise purely through policy analysis would lead to conclusions as to whether or not the policy was effectively or ineffectively designed. However, there is a danger of missing out on the complexities behind what New Labour's framing of social enterprise means about the changing nature of the British welfare state. Therefore, a strict policy analysis would lead us to conclusions about the effectiveness of the policy itself, but would not be explanatory in terms of our understanding of wider changes taking place across the state system generally. Further, it would not help explain the extent to which New Labour's social enterprise policies may be effective against the backdrop of constraints embedded within state institutional structures. As explained by Hay and Lister:

...whether the state is seen functionally or organizationally...it provides a context within which political actors are seen to be embedded and with respect to which they must be situated analytically... theorists of the state tend to see the ability of actors to realize their intentions as conditional upon often complex strategic choices made in densely structured institutional contexts which impose their own strategic selectivity (the pattern of opportunities and constraints they present)...Such considerations are important and have the potential to provide a valuable and much-needed corrective to the tendency of an at times behaviouralist-dominated political science mainstream to see actors' preferences alone as the key to explaining political outcomes (2006, pp.10-11).

To examine the emergence of social entrepreneurship only in policy terms, without consideration of the role of the state in serving as a potential help or hindrance to the execution and longevity of the policy initiative is short sighted. Social enterprise has

maintained its popularity throughout the Premierships of Blair, Brown and Cameron. This demonstrates that there must be something about the ideals contained within social entrepreneurship that are appealing beyond party political lines. Is there something about this agenda that seems to appeal to or address a problem that exists within the modern British welfare state?

Another way in which state theory can increase understanding of state sponsored social enterprise as a phenomenon is the extent to which the institutions within the state expand or add their own agenda onto those initiated by political parties in power. It is widely acknowledged that much change in the British welfare system has been incremental rather than radical over the past sixty years (Dorey, 2005; Hill, 1997). However, linking this to a theory of the state can help explain why this is the case despite successive governments' attempts to inject change into the system. It can also inform this research by creating a lens through which predictions may be made as to what is likely to happen next, or to help explain why some parts of the social enterprise agenda have been implemented more quickly than others.

There are other ways in which state theory is important and meaningful to explore in relation to this study. Aside from its potential use in explaining constraints that may be imposed on this agenda or areas where the policy objectives succeed easily, it is also important in terms of understanding how the British welfare system is itself changing over time. One of the central arguments of this thesis is that state sponsored social enterprise is significant because it may be itself an indicator of broader change in terms of how the British welfare system is organized. Social enterprise, as framed by New Labour, may be an attempt to re-structure the boundaries of the state, and to blur the lines between those institutions that lay within it, and those that operate outside of it.

Before continuing, it is important to clarify what is meant by a theory of the state. How is the 'state' as a concept defined? As challenged by Hay and Lister (2006) there are many different contested versions of what is meant by the state in definitional terms. In their chapter, "Introduction: Theories of the State" they refer to a failure on the part of state theorists who have yet to come to some sort of consensus on the loose definitional boundaries of what a 'state' actually is. The ontological issues have yet to be satisfactorily addressed. This becomes further complicated when examining interdisciplinary research between political scientists and sociologists where institutional theory is invoked, for if the state is used as a holdall to represent a collection of institutions, where is the cutoff for which institutions are included, and which are not? ¹⁴ Further, there is an acknowledgement within the literature that fundamentally what researchers are seeking is to understand the complex nature of the relationship between society and the state, politicians and the state, or the role of politicians in mediating preferences between society and the state, and it is not enough to define the 'state' according to what is not contained within it (Mahoney and Thelen, 2010; Hill, 1997; Hay and Lister, 2006). Hindmoor (2005) notes the tendency in recent decades for researchers to use the terms 'state', 'public sector' and 'government' interchangeably.

2.7.1 A Weberian approach to understanding 'state sponsored' social enterprise

The work of several state theorists will be reviewed in this section for the value their writings hold in understanding the emergence of state sponsored social enterprise. However, the starting point for this analysis begins with Weber and his work on defining the state and its instruments. Weber explains, "a compulsory political organization with continuous operations will be called a 'state' insofar as its administrative staff successfully upholds the

¹⁴ This will be discussed in greater detail at the end of this section when institutional theory is reviewed as it pertains to implementation and this research project.

claim to the monopoly of the legitimate use of physical force in the enforcement of its order” (Weber, 1992). In many ways, Weber’s starting point for defining the state is particularly relevant today, when attempting to decipher the boundaries of the modern British state in the midst of recent reforms. Devolution, the rise of the quango, and even the emergence of social enterprise, can be interpreted as signs of a weakening or diluted state. Yet, Weber’s orientation brings into focus where the boundaries ought to lie, and why notions of social entrepreneurship that are state sponsored are so problematic to those whose vantage point is civil society.

Although Weber’s body of work is vast, there are several specific ideas that are pertinent to this research project, and they are concepts not often highlighted in recent literature on the state (Hay and Lister, 2006; Sorensen, 2004; Brenner, 2004). While obviously the field of state theory has moved on considerably from Weber’s first writings on the subject, there are ideas that are worth re-visiting here. First, there is the notion that states are backed up by what is perceived to be ‘legitimate physical force for the enforcement of its order’. This is a crucial distinction between institutions that lie within the state, and those that lie outside of it, but operate on behalf of the public interest. Although there have been many attempts by recent governments to blur these boundaries, Weber’s definition marks the border clearly. Those institutions that are backed by the military and other structures of enforcement, are within the British state. Those that are not, exist outside of it.

What does this mean, in modern terms, in practice? Here is an example of how these dynamics play out between the modern British state and the third sector. In modern day Britain, children are required by law to attend school until the age of 16. If parents do not send their children to school, their children can be removed from them and taken into care. It is the state that yields this power, as a political party is elected by the populace creating the

legitimate enforcement. However, what if a charity, for example, Save the Children, suggests that in addition to sending children to school, parents should also be required to make sure their children have a healthy breakfast and that the amount of television they watch is no more than 3 hours a week. Although the recommendations may be based on expert research and appear to be sensible, the organisation (what Weber would refer to as a *voluntary association*), as a charity, and not as a subsection of the state, holds no authoritative power backed by law (Weber, 1992, p.52). Therefore, Save the Children, as an organization, does not have the ability to *force* parents to give their children breakfast or limit their weekly television viewing in the same way the British state has the authority to force parents to send their children to school.

In the context of the modern debate on the changing nature of the state, this distinction of state power including enforcement is often lost when opportunities for state-like actors, namely third sector organisations are discussed (Sorensen, 2004; Clarke, et al, 2007; Kooiman, 2003; and Newman, 2001).¹⁵ In recent political rhetoric, social enterprises are cast as state-like actors, who can fulfil objectives on behalf of the state, but without the same authoritative power.¹⁶ What are the implications for organisations attempting to take on the work of the state, but who do not hold the same authoritative or law-making power? Does the change they then implement become fragmented automatically because of this division? Often, the challenge of implementation is discussed in terms of ‘mainstreaming’ policy ideas across Britain (Kendall, 2000). However, the very notion that social enterprises can act in lieu of the state, from a Weberian perspective, would be misguided- as these organizations do not have the weight of the threat of force or law-making behind them.

¹⁵ These are examples of key texts on the current debate on state theory.

¹⁶ New Labour’s policy rhetoric on social enterprise is discussed at length in chapter four.

The second idea from Weber's writings on the state is the notion of 'coercive power'. This idea is an extension of the notion of a legitimate use of physical force, for coercion is a concept with more subtlety. Coercion can take many forms. In examining the role of New Labour in supporting social enterprise, it could be argued that the state uses coercion as its stance towards these emerging organizations. Although not its intended consequence in terms of how the framers envisioned social enterprise, as will be identified in chapter four in examining the 'enabling environment' New Labour put into place, some of the measures taken can certainly be seen to be coercive in nature. For example, New Labour creates a new organisational form in law to codify the work of social enterprises.¹⁷ The organisational form is referred to as the community interest company.

Within the Act that established the community interest company, part two includes a 'community benefit test'. This test has within it the exclusion of political activities. Therefore, codified in law, is where the state dictates that organizations operating for community benefit, and seeking the advantages of this new legal status are also not allowed to engage in political activities. If social enterprises, with their origins in civil society and independent social action are not legally allowed to be political once they become community interest companies, than surely, social enterprises that choose to register their legal status using this method rather than other organizational forms become altered and fall under the auspices of state influence.

Further, state influence and coercion in terms of the social enterprise agenda under New Labour extends beyond the creation of a new legal form. Many of the policy initiatives focus on incentive structures to encourage these organizations to take on areas of public service delivery. Although the details are discussed in greater detail in the following

¹⁷ CICs were established by the Community Interest Company Regulations 2005, which can be viewed in full at www.legislation.gov.uk [Accessed 2nd August 2012].

empirical chapters, the content is introduced here as a way to round out the concept of ‘state-sponsored social enterprise’ as distinct from something that came before it. The Futurebuilders programme began in 2003, under the management of the then Department of Trade and Industry. New Labour went out to tender for a consortium to deliver a large publicly funded programme to invest in third sector organizations in England. The idea was for this new organization, which became known as Futurebuilders, to offer loan financing in combination with grants and professional support, to third sector organizations “that need investment to help them bid for, win and deliver public service contracts.”¹⁸

This is a very clear example of state coercive power. In this instance, the state is offering publicly funded loans to third sector organizations to help them turn around and bid for public sector contracts, or in other words to deliver the objectives of the state. If the funding offered was limited to grant funding, the extent of the coercive power would not be as great. However, the fact that the main source of funding offered is loan funding means that organizations which did not already have the organizational capacity to then compete for public sector contracts during an open competitive process were now borrowing money from the government to then do so. This would essentially make these organizations *repeatedly dependent upon the state* for continuous rounds of public sector funding. More worryingly, if organizations were unable to repay the loans because they were unsuccessful in the bidding process, what means were used by the state to re-coup these losses? Which assets within a third sector organisation specifically served as collateral?

Although the details of these various policy initiatives are investigated fully in the following empirical chapters, the case of Futurebuilders here is illustrative of the notion that a new form of social enterprise was in fact introduced by New Labour in its second term.

¹⁸ Go to www.futurebuilders-england.org.uk for more information [Accessed 7th July 2012].

Weber's early writings on the state, legitimate force, and coercive power offer a clear lens through which these policy changes can be understood. Just as Dart (2004) makes the argument that the emergence of social enterprise can be read as a move to eradicate charity and marketize the nonprofit sector, similarly the emergence of state sponsored social enterprise may also be seen as potentially eroding the power of civil society through the coercive forces of the state.

Before moving on from Weber, there is one last contribution that can be gained from his work as it pertains to this research undertaking, and that is through his descriptions of bureaucracy:

...bureaucracy has merely the (limited) striving to level those powers that stand in its way in those concrete areas that, in the individual case, it seeks to occupy. We must remember the fact which we have encountered several times and which we shall have to discuss repeatedly: that 'democracy' as such is opposed to the 'rule' of bureaucracy, in spite and perhaps because of its unavoidable yet unintended promotion of bureaucratization. Under certain conditions, democracy creates palpable breaks in the bureaucratic pattern and impediments to bureaucratic organisation. Hence, one must in every individual historical case analyse in which of the special directions bureaucratization has there developed. For this reason, it must also remain an open question whether the power of bureaucracy is increasing in the modern states in which it is spreading (Weber, 1992, p.991).

Bureaucracy under Weber is a compelling idea, for the way he describes it, it can appear as an almost unstoppable expanse that lodges itself as an obstacle against change. It is a complex notion, for it becomes an entity that itself negotiates with those in power. Yet at the same time, it is comprised of individuals who are acting in their own self-interest. Further, Weber identifies the challenge of those who hold elected office in his essay "Bureaucracy and Political Leadership, as he explains, "In a modern state the actual ruler is necessarily and unavoidably the bureaucracy, since power is exercised neither through parliamentary speeches nor monarchical enunciations but through the routines of administration" (Weber, 1992, p. 1393). This clearly expresses the process whereby the political leadership themselves become institutionalised.

There are many theorists that have attempted to describe the relationship between politicians in power and the institutions they use for governing (Mahoney and Thelan, eds., 2010; Dorey, 2005; Parsons, 1996). However, Weber's work illuminates the multiple tensions that exist within bureaucracy itself. In the case of this empirical study, these various tensions are similarly explored. First, the work examines how the political party in power at the time, New Labour, promotes its own vision of social enterprise to fulfil its own party's political objectives. However, second, the work examines the implementation of the policy framework from central through to regional and local government in England. Once the study moves from the central downwards through the governance system, the unit of analysis becomes the bureaucratic class. No longer are party politics the driving force of agenda setting, but rather the emphasis becomes the role of individual bureaucrats as decision-makers in the implementation process. Here it is shown how the role of the state itself as a collection of individual decision-makers can significantly influence the extent to which a policy is adopted, extended, or eroded in practice.

2.7.2 A note on New Public Management

Although the purpose of a literature review is not to comment on every possible theory and body of work that could pertain to this study, a recent trend to use New Public Management as a way to understand social enterprise must be addressed here.¹⁹ There is a small body of work that views social enterprise as part of a new public management approach when it comes to the British example (Ridley-Duff and Bull, 2011). At its core, new public management is a way of describing changes in the British civil service from one of administration to one of management. It recognizes the trend that developed in the 1980s for

¹⁹ Feedback from a paper recently submitted to the Social Enterprise Journal suggested that I needed to justify why I was not using New Public Management.

units of government to adopt management styles and practice from the private sector, in an increasing corporatization of how the day to day business of government functions (Greenwood, Pyper and Wilson, 2002; and McLaughlin et al, eds., 2002). While some view the emergence of social enterprise as an extension of this corporatist approach and a re-thinking of state structures, in my opinion, where it has been applied to social enterprise the work seems to conflate several different ideas together.

For the purposes of this study, new public management is referred to in later empirical chapters to explain a specific context within which social enterprise programmes emerged at regional and local level in England. However, while it may go towards explaining a policy-making context in which social enterprise may have some origins, I argue instead that social enterprise has more in common instead with what came next: the effort to modernize the British state and question institutional structure and composition. However, where new public management is most useful in relation to this study is in understanding the way in which public officials operate and approach their work. The key works on new public management under New Labour tend to focus on description rather than causation. It is not my intention to dismiss out of hand a significant body of work, but rather to say that for the purposes of addressing the questions as to why and how state sponsored social enterprise emerged, state theory, in my opinion, has a more significant role to play as it pertains to this research project.

2.7.3 Jessop's strategic-relational approach to theorising the state

Weber is a useful starting point in that he provides a way in to decipher the boundaries between the state and state like actors. Further, by focusing on legitimate force, coercive force, and bureaucracy, Weber identifies the aspects of state theory that are most

pertinent to analyzing the emergence of state sponsored social enterprise. That being said, Weber alone is not enough in that his theory of the state cannot take into consideration the added dynamics of what is meant by a post World War II welfare state, and the increasing interdependence between the economy and the state in modern times.

The final state theorist whose work is considered as an explanatory lens through which the emergence of state sponsored social enterprise can be understood is Bob Jessop. Jessop (2002) attempts to view the capitalist state as it is changing over recent times, as opposed to viewing the state exclusively through its political orientation. Jessop primarily explores the changing nature of the capitalist state and its role in postwar capitalism, and he puts forward new ways of theorising the state along with a research agenda for how such work might be carried out in the future. He offers “....some preliminary conclusions regarding the changing forms, functions and effectiveness of economic and social policy in the advanced western capitalist states over the last fifty years” (Jessop, 2002, p.1). In addition, he explains that he is inspired by Marx’s predisciplinary critique of political economy, and begins with the basic features of capitalism as a mode of production and object regulation but he then draws on a wide range of scholarship by social scientists. In his work, *The Future of the Capitalist State*, Jessop (2002) comes up with a model to describe post-War welfare states as the Keynesian Welfare National State, of which there are different varieties. He then moves on to what he calls the Schumpeterian Competition State, and he concludes with a potential new model of the Schumpeterian Welfare Postnational Regime.

Jessop’s work is extensive and compelling, and much broader than can be adequately analysed and addressed here. The aspect of his work that is relevant to this research is his description first of the Keynesian Welfare National State as a starting point in which social enterprise emerges, particularly on the Continent with cooperative models. Followed by next

what he describes as the “principal political response can be summarized briefly as the attempt by state managers, officials, economic and other forces to transform the Keynesian full employment state into a Schumpeterian competition state, to rescale and rearticulate its activities, and to develop new forms of government and governance to address the emerging problems of state as well as market failure” (Jessop, 2002, p.123) Jessop explains throughout that his development of state models is similar to Marx’s use of ideal types. He does not expect specific country conditions to map completely onto each ideal type, but rather the types he has set out are used to explain more comprehensively the dynamics between the changing forces at work. Social enterprise as a policy construct can be placed as a concept that emerges during this historically transformative time where Britain could be said to be moving from the Keynesian welfare state to a Schumpeterian competition one, although I would argue Britain during New Labour’s second term fits between the two- not solidly in the Schumpeterian one yet.

As Hay (2005) remarks on Jessop’s approach in his chapter, “(What’s Marxist about) Marxist State Theory?” in *The State- Theories and Issues*:

...Bob Jessop’s *strategic-relational approach* is the dialectical heir to the structuralist inheritance...More convincingly than any other Marxist theorist present or past, he succeeds in transcending the artificial dualism of structure and agency by moving towards a truly dialectical understanding of their inter-relationship. Structure and agency logically entail one another, hence there can be no analysis of action which is not itself also an analysis of structure. All social and political change occurs through strategic interaction as strategies collide with and impinge upon the structured terrain of the strategic context within which they are formulated. Their effects (however unintentional, however unanticipated) are to transform (however partially) the context within which future strategies are formulated and deployed (Hay, 2005, p.75).

Jessop’s description of the Keynesian welfare national state is detailed in the table below. What makes Jessop’s work stand out amongst theorists is his attempt to explain state typologies that take into consideration their economic and social policy orientations over a period of time, their scale and the way market failure is addressed.

Table 2.6 The Keynesian welfare national state (KWNS)

<i>Distinctive set of economic policies</i>	<i>Distinctive set of social policies</i>	<i>Primary scale (if any)</i>	<i>Primary means to compensate market failure</i>
Full employment, demand management, provision of infrastructure to support mass production and consumption	Collective bargaining and state help generalize norms of mass consumption. Expansion of welfare rights	Relative primacy of national scale in economic and social policy-making with local as well as central delivery	Market and state form a 'mixed economy'. State is expected to compensate for market failures
<i>Keynesian</i>	<i>Welfare</i>	<i>National</i>	<i>State</i>

(Jessop, 2002, p.59)

Jessop's Keynesian Welfare National State (KWNS) model is used as a way of explaining differences between and dimensions of capitalist states. Jessop explains that the link to Keynesian ideals is mainly through the commitment to full employment, through demand-side management. Jessop goes on to cite the work undertaken previously in characterizing welfare regimes, discussing Esping-Andersen's fourfold typology in some detail. As Jessop points out, there are limitations in viewing states strictly through their welfare function. The contribution of his model is to demonstrate how welfare regimes are "structurally coupled with modes of economic growth". Jessop explains four patterns across Europe and North America, summarized in the table below.

Table 2.7 Four patterns of welfare regimes, using the KWNS

<i>Liberal welfare regimes</i>	Linked to finance-based, market-regulated capitalist regimes where the money concept of capital tends to dominate
<i>Social democratic welfare regimes</i>	Linked to small open economies with strong Fordist export-oriented branches and/or niche market-oriented, high-skill, high-productivity, high-wage, flexibly specialized export-sectors
<i>Conservative, corporatist welfare regimes</i>	Linked to larger economies, open or closed, with close coordination between industry and finance as well as between large industrial concerns and small and medium enterprises, an emphasis on craft production and guild organization, and a large traditional and new petite bourgeoisie, where the productive concept of capital tends to predominate
<i>Southern European welfare model</i>	Linked to late developing, peripheral Fordist economies with large agrarian sectors, traditional social structures and family capitalism

Adapted from (Jessop, 2002, p.68)

The four types described above are to illustrate variations in how the KWNS plays out in the real world, accounting for the extent to which the economies of those individual states are linked to a Fordist model, or what Jessop describes as the Atlantic Fordist model. He spends time explaining the nuances of distinctions within the Keynesian Welfare Nation State framework, as a way of describing how future research projects on states in transition may be structured.

Jessop's model is intriguing because it attempts to explore the nature of modern capitalist states, linking the role of welfare states to the growth of domestic economies. It is something that could be built upon and expanded in terms of its analytical function. The value of this work for understanding state sponsored social enterprise is the way in which Jessop characterizes different state types and the crises those countries that fit the KWNS model underwent in the 1970s and 80s. The main forms of crisis are summarised here.

First, there is economic crisis- Jessop explains that the growth of the KWNS model was at times in tension with the conditions required to maintain 'Fordist accumulation'. In terms of the funding crunch countries with an extensive welfare provision faced, Jessop details the way in which the Keynesian assumption of additional benefits from productivity was disproved: "Following the initial one-off boost to productivity that came from the transition to mass production in a given branch of production, further increments became harder to achieve both technically and socially" (Jessop, 2002, p.81). This essentially domestic economic crisis led firms to expand into foreign markets. Fordist firms had to begin expanding into foreign markets to sustain their enterprises, which in turn made the national economy more difficult to manage as a closed entity.

Next, as a consequence of the entry into foreign markets, labour organized. "The growing capital intensity of production and the dependence of economies of scale on full capacity utilization increased the strike power of organized labour" (Jessop, 2002, p.81). Further, the role of the state in regulation became weakened as goods, services and capital were flowed outwards, there were inward flows from other economies, and an increasing interiorization "defined as integration into a regional, international or global division of labour that blurs the previous distinction between domestic and foreign capital" (Jessop, 2002, p.82).

Finally, many of the assumptions underlying the KWNS were eventually called into question, and the objective of full employment became less attainable. As Jessop describes, the macroeconomic policy instruments applied by state managers became less effective, as public officials struggled to maintain the key components of the KWNS- full employment, economic growth, stable prices, and a 'sound' balance of payments. In addition, the increasing pressures of the internationalization of capital and goods and services were more

firms, markets and countries participated meant that states became less effective at exerting control over their borders, and their economies were more open than closed, as had previously been the case. In addition, while national economies became sidelined in importance and more difficult to influence, regional and local economies, which suddenly played a larger role domestically, faced new challenges that were not readily addressed by previous methods- which would be through the tweaking of national economic policies. The centre essentially became weakened in its ability to manage the regions, local economies, or the whole as a sum of its parts. The notion that the nation-state was the best starting point hierarchically to manage economic policies aimed at growth, innovation or competitiveness was significantly called into question (Jessop, 2002, pp. 82-83).

The result was a new interest in supply-side intervention and policies “that would insert local, regional or national economic spaces more effectively into the global economy in the hope of securing some net benefit from internationalization” (Jessop, 2002, p.83). Another disruptive factor was a paradigm shift from the Fordist growth model with its accumulation strategies based on “mass production, scale economies and mass consumption to one oriented to flexible production, innovation, scope economies, innovation rents and more rapidly changing and differentiated patterns of consumption” (Jessop, 2002, p.83). Jessop’s work is unique in that he looks at grouping together countries that possess similar attributes and applies ideal-type models as a way of explaining significant change over a range of state-types. In this way, it becomes clearer how systemic change is taking place that affects states with similar attributes. These attributes can also be described as countries which held similar assumptions and views about macroeconomic *and* social policy.

There are other writers one could turn to explain the emergence of state sponsored social enterprise under New Labour. However, as the empirical data suggests in later

chapters, there is an aspect of this agenda which appeals to bureaucrats (in the Weberian view) and speaks to wider changes in the state than can readily be accommodated in other theorists' work. Jessop's explanation of the Keynesian Welfare Nation State and the crisis the state types went through in the 1970s and 1980s goes some distance in shedding some light on why social enterprise is an ideal whose time it appears has come. It also hints at why it seems to emerge as an interest to policy-makers across a range of countries that are struggling with the challenge of how to expand welfare provision to satisfy an increasingly consumer conscious citizen at a time when the tax-revenue raising authority of governments is limited.

Jessop's conception of the capitalist state brings the dimensions of social policy and political economy into play in a way that other theorists do not. Jessop clearly articulates the levels of crisis that states which inhabit the KWNS model face, and he puts forth a new model which he suggests is in the process of replacing the KWNS model, which he describes as the Schumpeterian Competition State. Essentially, Jessop identifies the tensions that exist between models that prioritise Atlantic-Fordism, with states in transition from mass production to knowledge-based economies. We leave Jessop's work at this point, as it is mainly the KWNS model as a pre-cursor to the emergence of state sponsored social enterprise that we are concerned with in the context of this research.

Before concluding the literature review it is important to acknowledge the work of Grenier (2009) who challenged the policy rhetoric in the UK from Thatcher to Blair and concluded that in terms of social entrepreneurship, practice was marginalised and did not live up to the rhetoric originally promised. Pointing to earlier policy documents than this research analyses Grenier analysed the field and found a considerable departure between rhetoric and action. Although a very informative and important piece of scholarship, this research seeks to disprove to some extent Grenier's conclusions by taking a wider vantage point, utilising

empirical data collected and applying policy formation and implementation analysis rather than strictly political rhetoric. I reference Grenier's work here to make the point that the same set of historical conditions can be read in a number of ways, using a range of different types of scholarly analyses. Grenier's work shows there is interest in analysing the political space as it pertains to social entrepreneurship in Britain, as further supported by the work of Alcock (2010a, 2010b, 2012a) and Teasdale (2011), but it also demonstrates the nascent stage of social entrepreneurship scholarship, in that only a handful of journal articles or book chapters exist that begin to broadly address some of these issues. Further, it serves as a caution as since social entrepreneurship is interdisciplinary in nature, different theorists may approach the same set of questions from different vantage points and with a varied tool box.

This research touches on rhetoric as contextual factor for understanding the broad range of measures New Labour put into place during their second term in office. However, it comes to very different conclusions than Grenier, and in fact argues that what New Labour set into motion with the range of measures encompassed in its 'enabling environment' has significantly altered the composition of the British third sector and subsequently the relationship between the state and civil society.

2.8 Conclusion

This purpose of this chapter is to review the relevant literature associated with the research questions in order to create a theoretical framework against which the data collected can then be analyzed. As such, the following topics were reviewed; the social enterprise/ entrepreneurship literature generally, social enterprise was then placed in context within civil society, the nonprofit sector, the third sector, and the social economy. Next, two new

concepts were put forward- state sponsored versus civil society based social enterprise. The chapter concluded with a section on state theory as a means through which state sponsored social enterprise may be evaluated, specifically exploring the work of Max Weber and Bob Jessop for their take on how the state is defined and understood.

In the following chapters, the thesis moves into telling the story of how social enterprise came about in New Labour's second term. In chapter three, issues of agenda-setting and policy formation are examined, as is the role that insider and outsider organized interests played in shaping policy objectives. The Third Way as a political doctrine is investigated for its links to the ideals in social enterprise as framed by New Labour. In chapter four, New Labour's 'enabling environment' is held up to scrutiny, and the range of policy initiatives and funding put into place is examined. Chapter five investigates the implementation dynamics of this first wave of policy-making, and highlights where there was policy convergence and divergence as programmes moved from central through to regional and local level. The role of the European Union in influencing policy implementation at regional and local level is also investigated, as the impact of specific funding rounds on regional and local programme design is mapped. Chapter six sets out conclusions from the research and offers a set of future research questions to extend the work further. The case study findings are presented as each stage of the story unfolds, and the relevant literature is reviewed alongside it so that the information generated can contribute to and build on the existing knowledge base.

Chapter 3: Agenda-setting and policy formation

3.1 Introduction to chapter

This chapter seeks to establish how an idea that originated outside of the state and rooted in civil society for over one hundred years became a part of New Labour's project for modernizing the British state. Through exploring the origins of how social enterprise made it onto New Labour's agenda, a lens is established through which the significance of future developments can be better understood.

While several articles have emerged in recent years to provide an historical account of the events of policy-making that have taken place in linear terms, little to no literature exists that attempts to offer an explanatory analysis of the emergence of state sponsored social enterprise using a range of theories available from a politics discipline. This chapter seeks to redress this imbalance by examining the policy-making context of 2001-2002. Here, Kingdon's stagiast model of a policy window opening as a backdrop for understanding agenda-setting is applied, and becomes a framework for how other aspects are explained.²⁰

Specifically, this chapter explores:

- The changing role of the state generally, and the impact on the policy process: how remnants of corporatism may help explain the rise of social enterprise in the importance of ideas,

²⁰ There is a useful working paper produced by Jeremy Kendall for the LSE in 2000 that also uses Kingdon's model as a way to understand the increasing prominence of the third sector in New Labour's policy-making.

- The prevalence of Third Way thinking as a lens through which potential policy ideas were evaluated by decision makers,
- The increased use of Special Advisers in the Cabinet Office under Prime Minister Blair as a structural change within the Core Executive, and
- How against this backdrop, leaders within the UK social enterprise scene took deliberate action to organize themselves into a lobbying group in order to gain additional support and resources from Government, bringing in to play theories on insider and outsider organized interests.

Rather than exhaustively investigating each of the themes above, the goal of this chapter is to set the scene and provide a grounded and well-rounded analysis of why social enterprise became prominent as an ideal. This is particularly curious considering its importance in rhetoric terms does not appear aligned to the limited amount of resource expended by New Labour on social enterprise specific policy initiatives, as compared to other areas of social policy. Finally, it is argued, in understanding the many different factors that came together in a specific moment in time, greater insight is gained into the drivers behind state sponsored social enterprise and its potential longevity as a means through which political parties in power across liberal democracies re-design the role of the state generally.

One of the arguments of this research is that the phenomenon of the emergence of policy support for social enterprise is one that is broader than New Labour party politics. What New Labour set into motion is a new form of social enterprise, which I describe as 'state sponsored'. State sponsored social enterprise is a concept that is extended under the current Coalition Government, and likely to be used by other similar countries. There is

evidence of other countries demonstrating an interest in the UK model.²¹ Yet, it is also equally important to understand how the initial policies were framed, and to what end, so that we may understand the phenomenon to its fullest extent.

This chapter explores two main lines of enquiry. First, the goal is to investigate how social enterprise becomes part of New Labour's policy agenda, and as such, various themes are researched. The connection between the co-operative movement and the Labour Party historically is briefly visited. Next, the use of the Third Way as a political doctrine and an influencing factor in social enterprise development is explored, and specific themes from New Labour's approach to social policy are investigated such as partnership working and co-production of policy outputs. Following on, how the core executive changed structurally under Blair, specifically the increased use of special advisers in the policy-making process is examined. The chapter then moves on to how inside and outside organized interests played a role in shaping this agenda. In the previous chapter, different aspects of state theory were reviewed generally for their contribution in helping to explain the phenomenon of a state version of social enterprise. Here, the very specific form of corporatist state theory in the British context is examined as playing a potential role in influencing policy design. Finally, Kingdon's model of policy streams is used to summarize the various influences that played a part in shaping the origins of UK social enterprise policy from 2001-2002.

3.2 Connections between social enterprise and the Labour Party historically

Labour, as a political party, has historical connections with early forms of social enterprise. The earliest acknowledged form of social enterprise activity in Britain can be

²¹ As reported by Social Enterprise London and Social Enterprise UK.

found in the cooperative movement. Robert Owen, is considered the first real leader for cooperatives. He was born in Wales in 1771, and became the owner of the New Lanark Mills in 1799. Under his management between 1800-1825, New Lanark became a ‘model community’, where Owen established the first Infant School in the world, a crèche for working mothers, a rule that no children under 10 were allowed to work in the factories, free medical care, and a comprehensive free education system for children. Owen presented his ideals in a report to the House of Commons in 1817, and continued to serve as an advocate of a different form of capitalism (Williams and Thompson, 2011; Ridley-Duff and Bull, 2011). Owen offered up a substantial critique of capitalism as it operated during the Industrial Revolution, and many of his ideals can be seen as relevant to the social enterprise debate that emerged in New Labour’s second term.

Although there were earlier forms of cooperative activity, including the founding of the London Cooperative Society in 1824, it is usually the work of the Rochdale Pioneers in 1844 that hails the beginning of established cooperatives in Britain. The Principles as set out by the Rochdale Pioneers were:

- Open membership
- Democratic control (one person, one vote)
- Distribution of surplus in proportion to trade
- Payment of limited interest on capital
- Political and religious neutrality
- Cash trading (no credit extended)
- Promotion of education (Ridley-Duff and Bull, 2011).

The vision set out by the Rochdale Pioneers and the work of Robert Owen form a distinctly British outlook on cooperative practice. Further, they are interesting to reflect on here, as

many of these values become included in the policy framework New Labour puts into place, and some of the early debates on childcare, health and education do play out again during New Labour's time in office.

The Labour Party emerges first as a pressure group in 1900. The Cooperative Party formally organized in 1917, and became an official sister party of the Labour Party in 1927.²² Formal cooperative principles evolve over time with the "Revisions of the International Cooperative Alliance" in 1966 and then the 1995 "ICA Statement of Co-operative Identity". In these guiding statements, the most significant change is inclusion of the value "education of members and public in cooperative principles" and "cooperation amongst cooperatives" (Ridley-Duff and Bull, 2011). These two principles become the rationale for national and international organizing.

This formalization of the movement had interesting knock on effects for the case of New Labour and social enterprise policy formation. First, there is the creation of the Cooperative Party which was then included as a sister party of Labour. This strategic alliance created awareness about early social enterprise that is part of the way political discourse is shaped amongst Labour decision-makers historically. There is a familiarity with cooperatives and forms of social enterprise that other political parties operating in Britain during the last 100 years may not have had.

Second, cooperatives experience a boom during the 1980s, which leads them to increased power as a pressure group and to develop an independent regional support infrastructure that serves a precursor for many of the initiatives New Labour puts into place. There were 279 registered in 1980 to over 1100 in 1992 (Spear, 2006). According to the Cooperatives UK website, cooperatives make up the largest membership movement in

²² See www.party.coop and www.labour.org.uk for more information [Accessed 3rd August 2012].

Britain, with 12.9 members contributing £33.5 billion to the economy in 2012.²³ Where clusters of cooperatives formed during the 1990s, specialist member driven support agencies emerged, called ‘cooperative development agencies’, or CDAs (Ridley-Duff and Bull, 2011; Spear, 2006). CDAs themselves play a unique role in influencing special advisers in the Policy Unit in Number 10, and they form the first social enterprise specific pressure group- Social Enterprise London, in 1998.²⁴ Ultimately, cooperatives in terms of their history, principles, and the way in which the movement function is structured play a unique role in the British context and contribute significantly to how New Labour chooses to engage in social enterprise.

While certain cooperative development agencies and Social Enterprise London specifically heavily influenced the shape of New Labour policy for social enterprise, to some degree, these groups are able to exert such influence because of the historical connections between the cooperative movement and the Labour party over the past one hundred years. New Labour positioned Britain to become a global leader for social enterprise, and took unusual steps in order to do so, and set into motion a foundation and vision for social enterprise that has been extended and expanded by successive governments.

The rest of this chapter explores the various streams that influenced and affected the way the policy framework for social enterprise was ultimately structured. To some extent, the emergence of social enterprise policy was a reflection of a specific period of time in British political history. This chapter investigates those factors that are particular to the time period and New Labour’s values and ideals, while counterbalancing this by exploring other factors that are symbolic of wider changes taking place across the state institutionally. In the next

²³ See www.uk.coop for more information [Accessed 5th August 2012].

²⁴ The role of recent CDAs and Social Enterprise London specifically is set out in greater detail later in the chapter under inside and outside organized interests.

section, the links between the Third Way, as a political philosophy and social enterprise as a policy measure are explored. It is argued that because the Third Way existed already as an approach to governing, this paved the way in many respects for pressure groups to be heard and for social enterprise to be viewed as an idea whose time had come.

3.3 The prevalence of Third Way thinking as a lens through which potential policy ideas were evaluated by decision makers

When Tony Blair sought to position Labour for an election victory and a return to power, he faced the challenge of finding a new political doctrine that could clearly communicate what a more centrist Labour party would be about. What evolved is a doctrine termed the ‘Third Way’, and to some extent, the title says it all. Rather than being about an enlarged state or a minimal state, the Third Way was about compromise and something that strove to be more strategic in its deployment of the public purse. Its origins are not limited to the UK context and New Labour. Rather, the Third Way was something leaders from the US to Western Europe were considering, and it developed as a response to the demise of the Cold War. On the one hand, there was American market liberalism, and the other was Soviet communism. The Third Way first emerged as a middle ground between two political extremes during a time when it seemed that both had failed (Giddens, 2000, pp.2-3).

However, ‘The Third Way’ became most prominent as part of the ‘New’ Labour project. Tony Blair authored a paper for the Fabian Society, titled *The Third Way*, in 1998. It served as a political doctrine for Labour once they won the 1997 election and in many cases became a lens through which policy decisions were made.

Anthony Giddens, a prominent sociologist, helped to popularize and give flesh to the Third Way doctrine. As he explained:

Today, however, the ‘big institutions’...can no longer deliver on the social contract as they did before. The advent of new global markets, and the knowledge economy, coupled with the ending of the Cold War, have affected the capability of national governments to manage economic life and provide an ever-expanding range of social benefits. We need to introduce a different framework, one that avoids both the bureaucratic, top-down government favoured by the old left and the aspiration of the right to dismantle government altogether.

The cornerstones of the new progressivism are said to be equal opportunity, personal responsibility and the mobilizing of citizens and communities. With rights come responsibilities. We have to find ways of taking care of ourselves, because we can’t now rely on the big institutions to do so. Public policy has to shift from concentrating on the redistribution of wealth to promoting wealth creation. Rather than offering subsidies to business, government should foster conditions that lead firms to innovate and workers to become more efficient in the global economy (Giddens, 2000, pp.2-3).

For the purpose of this research, acknowledging the Third Way is critical to understanding how social enterprise became included in New Labour’s policy agenda, because it explains why the notion of social enterprise would have been appealing. It is the sentiment described above by Giddens that is illustrative of the connections between the Third Way as a political philosophy and what was to become state sponsored social enterprise.

First, there is the focus on ‘equal opportunities, personal responsibility, and the mobilizing of citizens and communities’. Social enterprise, as an alternative business model, had a proven track record in being able to move the long-term unemployed into the mainstream labour market. There were also instances of co-operative models being able to promote fairer labour relations through more equitable governance structures and the more even distribution of profits. Fair trade models demonstrated how the production process of

goods (and then later extended in UK models to services) could lead to products that generated social impact by their very production.

Roger Spear, as part of the EMES Network's first book on social enterprise, authored a chapter describing the various types of organisations operating in Britain under that banner in 2001- just before the launch of New Labour's policy programme. Within the work, Spear describes work integration organizations offering employment services, organizations involved in delivering welfare services through public sector contracting, housing cooperatives and associations, local community and economic development organizations, micro-credit provision and credit unions, and what he describes as 'ethical' trade organizations, or fair trade groups.

Many of these organizations were becoming better known through the collective marketing of groups like Cooperatives UK, Social Firms UK, Social Enterprise London and the Development Trusts Association. At the time of New Labour's second term, some of the success stories from these various organizations were becoming better known and brought to the attention of policy-makers. For example, cocoa farmers used organic and traditional agricultural methods to produce cocoa beans and were paid a 'fair' wage for their beans, with a local co-operative farmers network in place to negotiate distribution for the beans. This often led to the co-production of environmental and social impacts alongside the production of the cocoa bean itself. Surpluses were re-invested in the provision of local education, or improvements in living conditions and infrastructure. By the time the UK social enterprise 'movement' organized itself, it was ready to market these specific successes to New Labour in order to barter for increased resources and support for what was framed as an emerging sector.

The Third Way served in many instances as a philosophical gatekeeper for policy decisions. Here, Kingdon's model is a useful one. Social enterprise, as a policy solution, was able to attach itself to a range of identified social, environmental, and economic problems New Labour faced, and at the same time, fit in in ideological terms with the governing political doctrine of the time. But the Third Way as a philosophy was about more than a new way of problem identification. It also described a new approach to how government and the public machinery should approach working with those outside of government, and in many ways offered a means to extend the reach of government into new areas. Emphasizing a sentence from the passage above, Giddens explains, "Rather than offering subsidies to business, government should foster conditions that lead firms to innovate and workers to become more efficient in the global economy" (2000, pp.2-3). In the following chapters, the key policy documents from 2002-2006 are analysed. Through this analysis it becomes clear there is a direct connection between the sentiments expressed in terms of the Third Way here and how policy makers approached the design of support for social enterprise later, with the formation of what New Labour calls the 'enabling environment for social enterprise'.

While there is a definite link between New Labour's expression of the Third Way as a governing political doctrine and why policy makers would then be interested in social enterprise as an application and expression of Third Way principles, it is important to note that the Third Way was not without its critics. It is worth exploring some of the concerns expressed in relation to Third Way thinking, as interestingly, very similar complaints were lodged against social enterprise in terms of how UK leaders positioned the movement conceptually. Critics of the Third Way varied in their stated causes for concern. Generically, the critique was made that it was not a well formulated political theory or strategy, and that it was amorphous in nature without substance. However as Giddens explains, "The Third Way

is seen as presenting an essentially right-wing philosophy in a somewhat more attractive light- Mrs Thatcher without a handbag” (Giddens, 2000, p.8). Reviewing the work of Jeff Faux (1999), Giddens summarises:

Third Way thinking seeks to expand opportunities, but is silent about the unequal distribution of wealth and power. The Third Way has not proved to be a philosophy that moves political policy-making ‘beyond left and right’. Instead, it is ‘primarily a rationalization for political compromise *between* left and right, in which the left moves closer to the right (Giddens, 2000, p.11).

These tensions and critiques play out also in the social enterprise debate. Dart (2004) argues that social enterprise is a neoliberal strategy for undermining the charitable sector and imposing private sector enterprise practices on philanthropy. Similarly, many authors initially criticize social enterprise as undermining charitable giving and attempting to remove the justification for any grant income from governments or foundations. This sentiment is what is reflected in Giddens’ statements above, where the left moves closer to the right. To some extent, the fact that the current Coalition Government has increased the role of social enterprises in public sector delivery and put it at the heart of its Big Society agenda is proof of this.

As Giddens notes the ‘Third Way’ was not without its critics (Giddens, 2000). However, for the purposes of this research, it is a crucial piece of the puzzle in understanding why social enterprise was included in New Labour’s policy-making agenda, and to some extent, why it was shaped the way it was. In summarizing some of the key points laid out by politicians promoting Third Way doctrine at the time, Giddens highlights a conference held by Bill Clinton at the White House in April 1999, which was attended by Tony Blair, Gerhard Schroder of Germany, Wim Kok of The Netherlands and Massimo D’Alema, then Italian

Prime Minister. Following on from that event, Tony Blair and Gerhard Schroder published a paper, *Europe: The Third Way- die Neue Mitte*. Giddens summarises:

Blair and Schroder distance themselves decisively from what they define as the traditional social democratic outlook...social democracy became associated with a dull conformity, rather than with creativity, diversity and achievement...Social benefits too often subdued enterprise as well as community spirit....Social democrats need a different approach to government, in which 'the state should not row, but steer: not so much control, as challenge'. The quality of public services must be improved and the performance of government monitored. A positive climate for entrepreneurial independence and initiative has to be nurtured...Modernizing social democrats, it is stressed, are not believers in *laissez-faire*. There has to be a newly defined role for an active state, which must continue to pursue social programmes. Employment and growth, however, cannot any longer be promoted by deficit spending (Giddens, 2000, pp.6-7).

The notion of the government in power steering rather than rowing and re-casting the state as an 'active one', these are themes that very clearly re-emerge in the language New Labour uses when framing its policies to support social enterprise. In the following chapter, when we drill down into the details of New Labour's initial foray into social enterprise policy-making, many of these themes re-appear and are also extended into new directions.

The Third Way as an operating doctrine was a means to express many of the values held by key decision-makers within New Labour in 2001-2002. Many of the experts hired by New Labour to serve within the Prime Minister's Policy Unit were previously employed in think tanks and would have been heavily engaged in debates on the Third Way. In the next section, the role of special advisers in the Cabinet Office under Blair is examined as being an important structural change that affected the development of social enterprise policy-making. First, it allowed experts working in think tanks, policy research units, and the third sector generally a way to directly contribute to policy development. Second, it simultaneously expanded the networks available to decision-makers in Number 10, while bringing those same networks closer to the heart of Government.

3.4 The increased use of Special Advisers in the Cabinet Office under Prime Minister Blair as a structural change within the Core Executive (Insider interests)

In this section, structural changes to the Core Executive are considered, particularly the increased use of special advisers in the Cabinet Office by Tony Blair as a significant factor that determined the shape of social enterprise policy to come. Policy-making in the centre of British government has itself undergone significant change in recent years, enabling key individuals within the core executive to play a significant role in shaping what became state sponsored social enterprise (Dorey, 2005). To begin, how the relevant parts of the core executive were structured in 2001 is outlined, and the condition of Blair’s Premiership at the beginning of his second term in 2001 is discussed.

Table 3.1 The variability of prime ministerial power: supports and constraints

Enhancing the PM’s power	Constraining the PM’s power
Large parliamentary majority	Small parliamentary majority
Unified Cabinet	Divided Cabinet
Cohesion on backbenches	Division among backbenchers
Recent general election victory	‘Mid-term’ blues
High opinion poll ratings	Low opinion poll ratings
Competence and integrity of ministerial colleagues	Incompetence or scandals involving ministerial colleagues
Clear objectives and strategy	Limited grasp of policy detail
Supportive media	Media hostility
Strong, stable economic situation	Recession/ economic crisis
International crisis, well-handled	International crisis, poorly-handled
Weak, ineffective Opposition	Strong, credible Opposition

(Dorey, 2005, p.53)

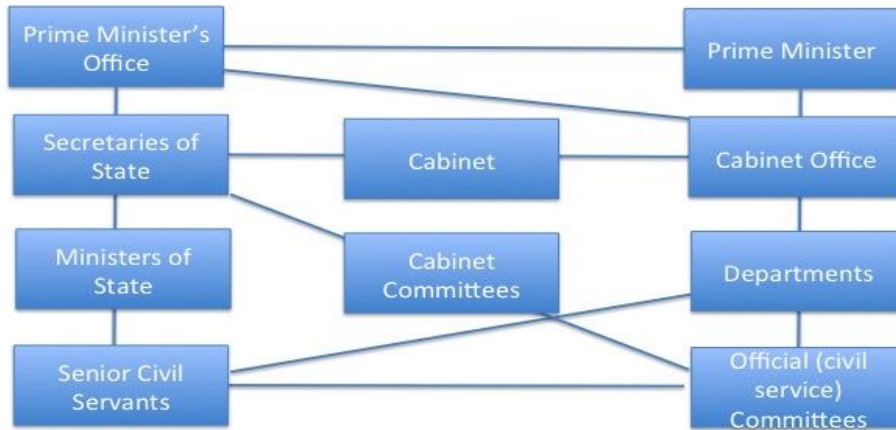
When New Labour launches its strategy to support social enterprise in 2002, Tony Blair is in a position of strength in terms of his Premiership. However, as social enterprise policy develops over the next five years, things change dramatically. By the time social enterprise moves out of the Department of Trade and Industry and into the Cabinet Office, the political context has changed significantly. It could be said that social enterprise moves

up the policy agenda when it changes from Blair to Brown (and then even more so from Brown to Cameron), and one explanation could be a need to focus on domestic social policy when foreign policy has proved to be so contentious, and the global economy becomes unstable. Social enterprise is introduced at a time when the Third Way was still a governing doctrine, and the emphasis was on creative approaches to steering the resources of industry. It is against this backdrop that the structure of the core executive at this time is considered, along with an identification of the key players who shaped the ultimate debate.

This section of the doctoral research examines how social enterprise was included within New Labour's policy agenda. So far in this chapter, the historical links between the cooperative movement and Labour generally were investigated, as was the role of the Third Way as an expression of New Labour's political values. In this section, we move into understanding how in practical terms these other influences had an impact on policy-making. The core executive is a concept that seeks to describe how the operations of government are carried out on a daily basis, regardless of which party is in power. Blair, by making structural changes to the core executive, changed the way in which those daily operations were carried out, and also altered the amount of influence outside experts were able to have on the policy-making process. Further, by understanding the functions of the core executive, the notion of who in real terms affects policy development is more clearly identifiable.

The core executive is defined as, "all those organisations and procedures which co-ordinate central government policies, and act as final arbiters of conflict between different parts of the government machine" (Rhodes, 1995, pp.12, as cited in Dorey, 2005, p.49). It includes what is described as the 'heart of the machine' - meaning the prime minister, cabinet, cabinet committees and official counterparts, not to mention relevant departments such as the Cabinet Office, Treasury, and the Foreign Office.

Figure 3.2 The core executive in Britain



Adapted from (Dorey, 2005, p.50)

As Dorey explains, what is important to note about the Core Executive is its role in policy making, with the key being that there is a varying degree to which each of the policy actors are dependent upon one another through relationships of resource exchange. Organisational entities within the Core Executive, along with key individuals, exert differing degrees of influence over the process. As will become clear in the following chapter, New Labour unusually anchors social enterprise policy-making within a specially created unit in the Department of Trade and Industry. The choice to view social enterprise as first and foremost a product of business is a decision that in this chapter we will come to understand was one promoted by several key actors both inside of and outside of the Core Executive. In addition, Dorey notes how the role of Cabinet Ministers has changed since the 1980s to take on more of an agenda-setting function, and how Cabinet Ministers have increased the use of

Special Advisers, or Policy Advisers to contribute to idea generation (Dorey, 2005). Further, it is interesting to note that Patricia Hewitt is the Secretary of State for Trade and Industry when social enterprise policy is launched with it anchored in her Department, and then in 2005, she moves to the Department of Health to become Secretary of Health, where she establishes a social enterprise unit there as well. This is one example in which using the core executive as a starting point for implementation analysis, key players who affected policy formation can be identified and a clearer picture of what occurred is gained.

The Prime Minister is supported by the Prime Minister's Office, which itself is divided into four specific units: the Private Office, the Policy Directorate, the Political Office, and the Press Office. In terms of how social enterprise was included in New Labour's policy agenda, it is the Policy Directorate that wielded the most influence. Harold Wilson established what is now known as the Policy Directorate in 1974, and it serves two key functions. First, it keeps the Prime Minister up to date about policy developments across Departments. Second, and for this purpose, it is charged with developing new policy ideas and initiatives. In reality, it serves as a clearinghouse of ideas, responding to the various proposals that surface from policy units across Whitehall, while brokering compromise across Departments (Dorey, 2005).

Prime Ministers have deployed the resources of the Policy Directorate differently:

Under Tony Blair's premiership...the Policy Unit/ Directorate became 'central to Blair's style of leadership...was systematically involved in the development of departmental proposals from a very early stage, representing the Prime Minister's preferences in central areas' (Blick, 2004, p.276). Or as an eminent contemporary political historian observes: 'The Policy Directorate made Number 10 into more of a policy-making powerhouse for the Prime Minister'. (Seldon, 2004, p.631, as cited in (Dorey, 2005, p.82).

As Dorey notes, a trend that has increased from its establishment in the mid-70s is the increasing use of Special Advisers to staff the Policy Directorate, and to recruit from outside of the civil service. In 2000, Tony Blair increased the number of Special Advisers to 27, out

of a total staff from across all 4 units within the Prime Minister's Office of 149 (Dorey, 2005, p.82).

Table 3.3 Examples of Tony Blair's Special Advisers in the Policy Unit, 2000-2005

Policy area/ issue	Policy adviser	Background/ previous post
Head of Policy Unit/ Directorate	David Miliband	Institute of Public Policy Research
	Andrew Adonis	Journalist with <i>The Financial Times</i> , then <i>The Observer</i>
	Matthew Taylor	Director of Institute of Public Policy Research
Devolution	Alisdair McGowan	Special Adviser in Minister of Defense until 2000
Economy	Derek Scott	Economist with Shell, the Barclays Zoete Wedd Bank; Economic Adviser to the SDP
Foreign Affairs	Roger Liddle	Councillor in Oxford, then for SDP in Lambeth; consultancy
	Anna Wechberg	Official in the Department for International Development, and official with the International Monetary Fund
Health and Social Services	Robert Hill	Audit Commission
	Simon Stevens	Senior NHS Manager; Policy Adviser in Department of Health
	Julian Le Grand	Professor of Social Policy at the London School of Economics (LSE)
Home Affairs	David North	Civil Servant
	Justin Russell	Labour Party Official
Inequality and Social Exclusion	Geoff Mulgan	Director of Demos (think tank)
Trade and Industry and Employment	Geoffrey Norris	Labour Party researcher; Adviser to Blair on transport before being given trade and industry brief
Transport	Geoffrey Norris	Labour Party researcher
	John Birt	Director-General of the BBC
	Matthew Elson	Management consultant
Welfare (including children, the elderly and women)	Carey Oppenheim	Child Poverty Action Group; Senior Lecturer in Social Policy, South Bank University; Research Director, Institute for Public Policy Research

(Dorey, 2005, p.84)

From the table above, it can be seen clearly how this increased use of special advisers can impact the policy formation process. First, there is a broad range of professional experience that special advisers possess that is gained *from outside of the sphere of government*. Even more important to note about this particular collection of special advisers

who would have been in post when social enterprise emerges is that the majority hail from a think tank or social research background. The collective contribution of these special advisers will present a very different view of what policy-making is and how the task should be approached from the models used by professional civil servants. Those active in think tanks and policy research will be more used to disrupting existing models of policy-making and questioning existing processes than they would be invested in maintaining established ways of working. It could be argued that social enterprise to this particular audience would be appealing in a way that may not be the case if a different collective of expertise were in place.

This presents another challenge that special advisers pose to policy-making, and that is collaboration. As will be discussed in greater length in chapter four, collaboration in policy-design becomes an important theme for New Labour (Sullivan and Skelcher, 2002). While special advisers are tasked with discrete areas of policy-making, New Labour simultaneously emphasized cross-cutting themes. Social enterprise, as a policy idea, challenges the traditional silo approach to policy development in a Whitehall context, and in fact, the advocates for this agenda within Government make collaboration a policy objective for social enterprise. Dorey (2005) explains the challenge of assigning specific policies to individual Special Advisers, although he notes there are occasions when individuals can be identified as advocates for specific initiatives. Dorey observes that David Miliband was at one stage the Head of the Policy Unit and as such helped inform the Prime Minister's ideological approach. David Miliband became associated with the Third Way, while Geoff Mulgan led on developing policies to address social exclusion and poverty (Dorey, 2005).

Here, a direct connection is made between a framework for policy-making using the Third Way and the Government's approach of addressing social exclusion and poverty reduction. By looking for key players who helped popularize a state version of social

enterprise, David Miliband and Geoff Mulgan can be easily identified. The purpose in identifying specific individuals and their potential influence in shaping what was to become state sponsored social enterprise is not to over-personalise the analysis, but rather to attempt to identify the types of key players, both inside the Government, and with access to it, who developed the policy agenda.

Table 3.4 Key players within Government who helped shape the social enterprise policy agenda 2001-2002

Key players and a description of their influence	Area of responsibility/ impact	Member of Government or Civil Service
Tony Blair, Minimal	Prime Minister, Leader of New Labour	New Labour
Patricia Hewitt, Significant	Secretary of State for Trade and Industry, Secretary of Health. Major champion for social enterprise, and set up social enterprise units in both departments where she was Secretary.	New Labour
David Miliband, Somewhat	Head of Policy Unit from 1997-2001, became MP for South Shields in 2001	New Labour
Geoff Mulgan, Significant	Policy Unit within Cabinet Office, but then went on to found the Young Foundation, and is now Chief Executive of NESTA. He has been one of the most influencing voices within Government under New Labour in support of social enterprise.	New Labour
Ed Miliband, Significant	Made the first ever Minister for the Third Sector in 2006	New Labour
Hilary Brown, Significant	Authored report on financing social enterprise for the Bank of England and then becomes the Head of the Social Enterprise Unit in the DTI, replacing Barbara Phillips	Civil Service
Gordon Brown, Minimal	At the time, Chancellor of the Exchequer, but strong internal advocate on social inclusion. Creates the Office of the Third Sector in 2006.	New Labour
Nigel Griffiths, Somewhat	Minister for Small and Medium Enterprises, and social enterprise was part of his formal remit. He was somewhat influential, as his role was more focused on implementation than policy formation. However, he worked with Anita Roddick to found <i>The Big Issue</i> in Scotland.	New Labour
Baroness Glenys Thornton, Significant	Labour and Co-operative Member of the House of Lords currently, Has a background in cooperatives, and was General Secretary of the Fabian Society from 1993-1996, Chair of Social Enterprise Coalition until 2008.	New Labour and Co-operative Party
Barbara Phillips, Significant	Sets up the Social Enterprise Unit in the DTI, and serves as the first Head of the Unit	Civil Service

The table above is illustrative of an important point that is often neglected in the literature on policy formation, and that is it often takes a cluster of highly motivated and experienced individuals to bring a new policy idea forward. Much of the existing analysis on agenda-setting and policy formation looks at institutional structure and references lightly the idea of individual champions. It was assembled through a combination of desk-based research, interview data, and participant observation. What is new when it comes to the origins of social enterprise policy is how many people were involved in contributing their ideas to the new agenda. This begs the question as to whether or not social enterprise would have been given such a wide remit under any other party in power. It also suggests that social enterprise as it appears under New Labour, is very much a product of a specific moment in time. Collaboration was prioritized and a host of new players were brought into the heart of the government machinery to purposely challenge traditional modes of policy-making.

There is another way to view the participation by the individuals alongside the trend of institutional change and increased use of special advisers within the core executive, and that is the notion put forth by Kingdon in his 2011 updated version of *Agendas, Alternatives and Public Policies* of policy entrepreneurs. Kingdon (2011) explains policy entrepreneurs as people who can operate as politicians, civil servants, academics, lobbyists or journalists. It is important to note that in a British context, many policy entrepreneurs come more specifically from policy communities themselves than they might in the US context, either from think tanks that push a specific agenda, or leaders from civil society and industry. As Kingdon describes:

Policy entrepreneurs are people willing to invest their resources in return for future policies they favor. They are motivated by combinations of several things: their straightforward concern about certain problems, their pursuit of such self-serving benefits as protecting or expanding their bureaucracy's budget or claiming credit for accomplishment, their promotion

of their policy values, and their *simple pleasure in participating* (emphasis mine). We have encountered them at three junctures: pushing their concerns about certain problems higher on the agenda, pushing their pet proposals during a process of softening up the system...

As to problems, entrepreneurs try to highlight the indicators that so importantly dramatize their problems. They push for one kind of problem definition rather than another...As to proposals, entrepreneurs are central to the softening-up process. They write papers, give testimony, hold hearings, try to get press coverage, and meet endlessly with important and not-so-important people. They float their ideas as trial balloons, get reactions, revise their proposals in the light of reactions, and float them again. They aim to soften up the mass public, specialized publics, and the policy community itself. The process takes years of effort (Kingdon, 2011. pp.204-205).

The contribution of policy entrepreneurs to the formation process is significant when it comes to the social enterprise agenda under New Labour between 2001-2006, and particularly the notion Kingdon introduces of the 'simple pleasure of participating' can be seen. Although, as detailed in chapter six, the 'simple pleasure of participating' holds more resonance for policy entrepreneurs that operate at regional and local level than it does for those at the centre who feel more pressure to develop a strategic vision for policy generally. Further, what is less mentioned in Kingdon's description, but what emerges from the interview and survey data is the notion of the struggle policy entrepreneurs face in what can often appear to be an uphill battle in positioning one version of an idea over another. When the policy framework is analysed in the following chapter, we will be able to identify the various themes held within the social enterprise agenda and it will be clear how specific policy entrepreneurs advanced their views and influenced the final set of policies put into place. The analysis of the social enterprise policy framework demonstrates that the objectives are less an exercise in strategy and cohesion, and more a result of an extensive consultative process where myriad ideas are accommodated within one over-arching structure.

Kingdon's concept of policy entrepreneurs can also be applied to how inside and outside organized interests participated in contributing their ideas of what state sponsored

social enterprise should like. What emerges in terms of the policy framework, as will be examined in detail in chapter four, is the coming together of myriad interests. Some policy objectives speak more towards the goals of the state and what it wants and needs to get out of supporting the development of social enterprise. Other objectives come directly from self-appointed social enterprise leaders, who have successfully lobbied the Government for a specific set of resources. By identifying some who championed social enterprise early on from the inside, the various themes that find their way into the policy framework for social enterprise can be made transparent.

The real story of inside and outside organized interests in the case of social enterprise is one of blurred boundaries. Although some of the key players exerted their influence from the inside of Whitehall between 2001-2002, many also previously held positions of influence in outside pressure groups, some even had direct previous experience of social enterprise before going to work for New Labour. This is a unique historical feature. It is also indicative of a specific set of values that New Labour brought with it when it was in power, about the importance of including stakeholders in the design *and* implementation of policy initiatives. The key players' biographical summaries are an example of blurred boundaries and connections with established community-based social enterprise networks.

The first, and arguably most, influential player to highlight within Tony Blair's staff is Geoff Mulgan, who became a special adviser within the Cabinet Office, and previously served as the head of the think tank Demos. In addition, he was married to Rowena Young, who herself grew up in a social enterprise, served as the Chief Executive of the School for Social Entrepreneurs from 2002-2004, and then became the Director of the Skoll Centre for

Social Entrepreneurship.²⁵ The Skoll Centre is an academic hub funded by Ebay entrepreneur Jeff Skoll, within the Saïd School of Business at the University of Oxford. After leaving Government, Geoff Mulgan set up the Young Foundation, an organization dedicated to promoting social innovation. Mr. Mulgan's participation as a special adviser in the Cabinet Office in charge of social exclusion and poverty while social enterprise policy was being developed significantly shaped the way in which that policy framework turned out. It is also worthwhile to note that Mr. Mulgan maintained his interest in social enterprise and remained an active thought leader both in Britain and internationally, even after leaving his post in New Labour's Government.

Another influential figure in shaping social enterprise policy in later years was Ed Miliband, a policy adviser for New Labour, he became an MP in 2005, and served as the first ever Minister for the Third Sector under the leadership of Gordon Brown. Miliband is now the Leader of the Opposition. However, the relationship between social enterprise and the core values of the Labour Party, and its links to the Third Way can in some ways be seen through the roles Mr. Miliband has played within the Labour Party itself. It is interesting that the first person to ever hold the post of a Minister for the Third Sector should then become the Leader of the Opposition. In the article below dating from April 2007, Matt Ross, a journalist for *Senscot*- an online periodical for social entrepreneurs in Scotland discusses the new Minister for the Third Sector:

Brought up to believe that the state should tackle injustice, Ed Miliband sees himself as part of an evolving left-wing tradition; these days social enterprise has replaced socialist revolution. Ed Miliband's role as the Government's champion of social enterprise perfectly illustrates the Labour movement's evolution from radical working class alliance to pragmatic, mildly progressive party of governance...

²⁵ Author's interview data for conference paper, November, 2004, Prowess Women In Enterprise Conference, hosted by the DTI.

In these very different times, when mixed-economy capitalism reigns unchallenged and the very word 'ideology' sounds outdated, it is Ed's job to support entrepreneurs who want to milk capitalism's potential to produce social and environmental benefits. His tools are not state direction and structural change but best practice and partnership working... 'My upbringing was about the state making a difference to injustice,' says Miliband, who grew up surrounded by left-wing politicians, authors and campaigners. 'Now, I continue to believe the state can make a big difference to tackling injustice, but I also think social entrepreneurs are finding ways of saying that capitalism can produce just or unjust results, depending on the nature of a company and the way it behaves. And they're finding ways to increase social justice, rather than setting it back (Ross, 2007).

In the interview above, there is a clear collision of ideas. Social enterprise, from Ed Miliband's point of view, is as a reform for capitalism. This, juxtaposed with the Department of Trade and Industry's positioning of social enterprise as about business in 2002, marks a significant shift in how New Labour comes to view social enterprise in just five years of policy support. It also demonstrates the varying views towards social enterprise that were accommodated within the Government's initial strategy and helps to explain why at times various policy objectives appear to work at odds with one another, or appears to be ideologically opposed. For the purposes of the discussion here, it helps to demonstrate how policy entrepreneurs will each have their own vision for a policy idea, and that what happens next in the process is a battling out of ideas until the policy framework takes shape.

This is also why theories about the core executive are so important to providing a more holistic explanation of how policies are formed and implemented from the centre of government. In the case of social enterprise, there were key inside actors who approached the subject from a broad range of backgrounds. But *the key point here is that no one individual had enough power to dominate how the policy was shaped*, specifically because of the way the core executive has developed in modern times. Cabinet Ministers have increased power and the Prime Minister often has decreased power. Resources were structurally split so that different interests within government are required to work together in order to achieve policy

goals. Interestingly, at a time when there are repeated calls for increased efficiency in the day to day operations of government, New Labour appears to have actually made the policy formation process more complex, by increasing the use of special advisers, increasing consultation, and collaborating in the design and delivery of policy objectives.

While the role of the Prime Minister may have changed over the past forty years, in policy-making terms it is important to recognize that the system of government itself has become significantly more complex. While the Prime Minister's Office has changed, particularly under New Labour with the increased use of special advisers, Cabinet colleagues have followed the trend and Ministers have increasingly relied on the use of expert policy advisers brought in from the outside. As Dorey explains, it is important to contextualize the Prime Minister's institutional support and to understand the view from inside the Prime Minister's Office looking out across Whitehall (2005). The assumption should not be that the Prime Minister's Office suddenly has an increased influence over policy formation, but rather, it could be read that such changes are in fact a response to the increased power of individual Departments and the way policy is developed at various levels of government. As Kavanagh and Seldon note, as quoted by Dorey:

Compared with most Departmental Ministers, a Prime Minister has a tiny budget, a small staff, and few formal powers. He has to work through Secretaries of State, in whom statutory powers are vested. Viewed from Number Ten, Whitehall Departments can look at times like a series of baronial fiefdoms, to which it can only react. Departmental ministers have large staffs, budgets, policy networks, information and expertise...The strength of most Departments is such that it requires enormous willpower, obstinacy, political authority and excellent briefing for the Prime Minister to prevail (2000, p.318, as cited in Dorey 2005, p.86).

This sentiment was backed up by Philip Gould who explained that:

The centre actually has far less power than is typically ascribed to it. Anyone who spends time at Number 10 quickly realizes that it is a tiny corner of a huge government machine, staffed with talented people, but lacking the resources necessary to be a commanding and dominating nerve centre. The idea that officials at Number 10 headquarters are smoothly pulling strings and levers, and effortlessly controlling events, is ridiculous (1999: xxiii, as cited in Dorey, 2005, p.86).

These tensions between the amount of power and influence Prime Ministers can exert versus their Cabinet colleagues similarly plays out in the case of social enterprise policy formation. Social enterprise is an agenda where Cabinet Ministers were able to exert the most influence, as in the case of Patricia Hewitt who led the creation of the first Social Enterprise Unit ever within the Department of Trade and Industry. When Ms. Hewitt moved to the Department of Health, she was able to again establish a social enterprise unit within that department as well. As becomes clear when the implementation dynamics of New Labour's social enterprise policy are investigated in chapter five, street level bureaucrats are able to also exert a significant amount of influence over how the policies are actually delivered (Hill, 1997).

As Dorey notes, there exists a tension when Prime Ministers increase their resources and staff as a means to strengthen their authority, and then are left with the problem of having to coordinate such activities. He also remarks on the problem of 'information overload', and quotes Smith, "...whilst institutional resources have increased, the power of the Prime Minister to achieve his or her goals has not (Smith, 2003, p.62, as cited in Dorey, 2005, p.87). It was noted by one academic that during his first term in office, Tony Blair appointed over 300 task forces, yet how much time could he have given to their reports (Smith, 2003)?

In the case of social enterprise, this becomes exceedingly clear, for not only do Prime Ministers find themselves stretched, but the collaborative nature of policy formation in modern Britain means it is difficult for any one individual to exert a dominating amount of influence over how policies develop and are implemented. As is discussed in this section, even the most expert insiders- special advisers- often find their hands tied when it comes to

attempting to direct the shape of policies. With social enterprise, a concept that is itself amorphous, changeable and open to myriad interpretations, this is particularly the case.

3.5 Outsider interests and how social enterprise leaders formally organized themselves

In the preceding section, the argument was made that key insider organized interests, in the shape of special advisers within the core executive, played a significant role in shaping what was to become ‘state sponsored social enterprise’. However, that is only half of the story. The other half has to do with what outsider organized interests looked like in the case of social enterprise, and the extent to which these outsider interests were in fact formally organized. Then, it remains to be considered how the two interacted against a backdrop where collaboration and partnership were key themes that dominated the style of policy-making in New Labour’s first and second terms in office.

The political story here is an important one, because the individuals who spotted the opportunity to package and organize social enterprise into a formally organized movement did so originally because of their ties to the Labour Party historically and their belief that they would be able to exert influence with New Labour in power.²⁶ Although not the subject of this research specifically, in later interviews it is interesting how these same leaders have had to adjust their tactics yet are finding there may be even greater potential to push their interests under a Coalition-led Government than there were under a Labour one. This is directly due to different strands within state sponsored social enterprise, which will be outlined in the following two chapters.

It is not the goal of this research or this chapter to go into a lengthy historical account of how the various social enterprise leaders formed and attempted to self-organize. However,

²⁶ Taken from interview data with Jonathan Bland and Allison Ogden-Newton in 2004.

it is pertinent to the analysis that reference is made to the general approach taken and to understand some of the individual drivers that later played out in the broader policy debate. It helps to explain how the various strands came together, and the extent to which they work in harmony with each other, and the points at which policy objectives may actually be working to achieve opposite or competing goals.

To understand how leaders from within the UK social enterprise scene came forward and the ways in which they organized themselves formally to influence the Government at the time, two sources are used. First, there is the work of Rory Ridley-Duff and Mike Bull in their 2011 book, *Understanding Social Enterprise*, in which they offer the first comprehensive presentation of the context and tensions within social enterprise to date. Next, interview data and participation observations from this doctoral research are used. The caveat to be made is that while there is a broader and compelling history that informs how the UK social enterprise model came forward against the backdrop of organizing and policy work on the Continent and in the US,²⁷ this research will highlight the events that took place in Britain, and will limit the analysis to that.

As Ridley-Duff and Bull (2011) explain, formal organizing in Britain begins with the creation of a lobbying organization called Social Enterprise Europe in 1994, which was registered in northern England. However, in terms of national lobbying and the attempts to create a movement or distinct identity, Social Enterprise London (SEL) was established in 1998. The foundations for SEL were initiated when several Cooperative Development Agencies (CDAs) across London came together to discuss the advantages of pooling their

²⁷ There has been significantly less organizing amongst social entrepreneurs to shape policy debates from emerging and developing economies than there has been to date in more established capitalist ones, which is why they are not mentioned here, although many of the models have developed from a developing world context. Many foundations and philanthropists located in the US, UK and on the Continent have then sought to fund and replicate those models, and have lobbied to mainstream them across public policy.

resources and creating a new agency to promote the idea of 'social enterprise'. Social enterprise, in definitional terms at this point in history were more aligned with workers' cooperatives from the Continent, as well as social firms. SEL's original board of trustees included leaders from various worker cooperatives as well as a handful of cooperative development agencies. Also important was the influence and contribution of MEP Pauline Green, who had been involved in international cooperative development and brought her knowledge of the political process to the table. Jonathan Bland was appointed to be SEL's first CEO. Between 1998 and 2002, several other regions created social enterprise agencies to represent their interests and deliver capacity building and networking. In 2002, it was decided that a national organization was also needed to represent the interests of those working in social enterprises on a national scale. The Social Enterprise Coalition was established, and Jonathan Bland moved over from SEL to become the CEO from its inception.

Chief executives and founders of successful social enterprises approached the task of lobbying and creating an identifiable brand similarly to the leaders from other business communities. Self-defining as a distinct business community, these early leaders sought to connect the idea that social enterprises were 'first and foremost businesses' who traded 'for a social purpose'. The idea was an attractive one and gained traction, however in their desire to distinguish themselves from organisations with roots in civil society, an artificial separation was made that caused tensions further down the line (as will be detailed in following chapters). Examples of where this debate gained ground can be found in Social Enterprise London, amongst trustee members. Mark Sesnan of Greenwich Leisure, before him Malcom Corbett of Poptel, Sophi Tranchell of the Day Chocolate Company, particularly pushed for the notion that social enterprises were businesses first. The agenda that developed was one that said social enterprises were a new business form and should be mainstreamed as an

alternative business model within enterprise policy and practice. The arguments made to Government focused on the value of social enterprise as a business model that produced social as well as economic and environmental benefits, and that social enterprise led to both innovation and job creation. Job creation came in the form of intermediate labour market organisations that provided a pathway to long-term employment for those who had been unable to access it previously (Ridley-Duff and Bull, 2011; Spear, 2006).

At the same time that influential social enterprise leaders were coming to the fore to push their business-centric agenda, there was another unintended but significantly influential factor that shaped policy formation during this time: the availability of European Social Fund and European Regional Development Fund money. Two funding streams became available where regional and local organisations could work in partnership to develop social enterprise to achieve a specific set of social and economic objectives. As part of the funding criteria, organisations had to come together to create new development partnerships. These new organisational entities would hire staff and serve almost as a holding company for the three-year projects. In one particular example, the group that emerged had much unintended influence over how social enterprise policy developed during this time.

The Social Enterprise Partnership (SEP) was a development partnership formed from employees representing the Development Trusts' Association, Cooperatives UK, the New Economics Foundation, Social Firms UK, Social Enterprise London and the Social Enterprise Coalition. Interestingly, Social Enterprise London was included because the bid was put together before the Social Enterprise Coalition was fully formed as a national voice for all of these various hybrid business models. SEL remained on the board of the Social Enterprise Partnership because of its access to existing and emerging social enterprises- its actual work

programme of delivery, whereas SEC emerged to be mainly a marketing, lobbying and communications body at the time. The SEP project focused on developing, piloting, and evaluating a range of tools to ‘prove and improve’ social enterprises.

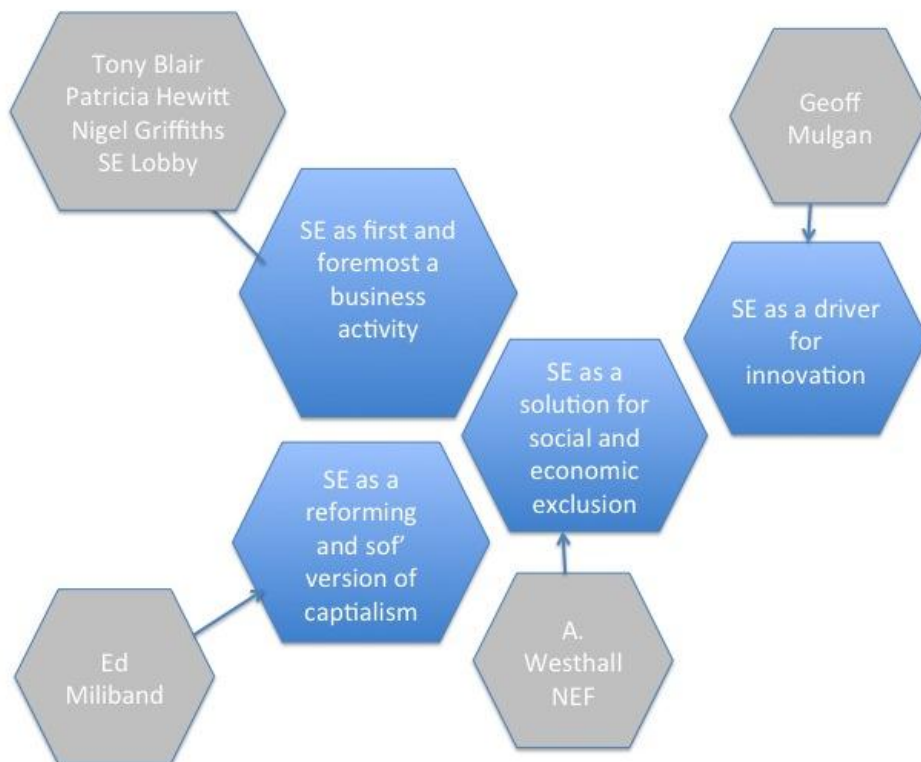
3.6 Insider and outsider organized interests

One area of literature that appears to be under-developed at the moment is the understanding of how insider and outsider organized interests actually interact with each other to create amended versions of policy objectives, particularly using any kind of empirical data or case study work. There is some literature available, particularly from a US context that emphasizes policy development between these two groups as some sort of deal brokering and compromise. However, this body of work tends to be more transactional or exchange-based, rather than describing what many view to be an unwieldy process. Further, those on the inside and on the outside do not exert equal amounts of power and influence over decision-making at any given time, and those on the inside often operate as lone policy entrepreneurs, who have to mediate a range of interests on the inside of government along with negotiating with well-resourced policy communities on the outside (Kingdon, 2010; Hill, 1997).

In the case of the emergence of state sponsored social enterprise, one can identify a range of policy strands that originate from specific vantage points expressed by policy entrepreneurs. These have played out in the formation of a range of policy objectives, which at various points work congruently, in parallel, or even against each other, as illustrated in the graphic below. Particularly when the boundaries become porous with the influx of special advisers in the Cabinet Office who come with their own ‘take’ on social enterprise,

understanding the way in which policy objectives do finally emerge is more accurately described as a series of trades in the evolution of ideas, *where no one individual has the ability to shape the ultimate discourse*. This is because, as distinct from other well-resourced and developed areas of social policy, topics such as social enterprise, innovation, and other ‘new’ approaches to social and economic exclusion are historically under-funded and receive little mainstream political focus. They often emerge as ‘pet projects’ of internal to government policy entrepreneurs, and they rely heavily on civil society and an external apparatus to help resource implementation. This is why the emergent policy framework is often more of an expression of joint deliberation of those inside of and outside of the formal government machinery, than it is an agenda that is led by one team within Whitehall. Finally, because of the supporting and resourcing role played by those external to government in implementation, it is usual to see a strong role for those working at regional and local level in the UK, or at state, county, and municipal levels in the US.

Figure 3.5 Emergence of distinct themes within the policy discourse for state sponsored social enterprise



In the figure above, I have developed four specific strands that can be identified within early discourse on social enterprise as public policy. These are expanded in chapter four, when the actual policy framework for social enterprise is analysed. However, here, Figure 3.5 attempts to demonstrate how insider interests expressed differing views of social enterprise and different motives for why the state should support it. Andrea Westhall's work is included as it represents how influential pieces produced by experts operating in think tanks can also serve as a focal point for new policy ideas and design, and how those who are technically outside of government can be asked to produce work for government. The Strategy Unit in the Cabinet Office produced *Private Action, Public Benefit*, in 2002 and was the precursor for much of New Labour's approach to social enterprise policy formation.

While not all of the ideas presented are included in the final framework, the think piece does itself play a role in shaping the debate. It is worth noting that the person who took the lead on writing the publication was Andrea Westhall, who was also previously at the New Economics Foundation and played a role in shaping early social enterprise policy ideals.

3.6.1 Working group analysis for first social enterprise policy document, how the key components of the framework were developed

At the end of New Labour's first policy document for social enterprise, *A Strategy for Success*, there are lists of eight working groups who contributed to the development of the strategy through a consultative process. The working group titles are listed in Table 3.6 below. Upon reviewing the composition of the eight working groups, several observations can be made. First, the sheer number of working groups is an example of how consultation, collaboration and partnership working dominated social policy in New Labour's second term. Some working groups are designed to create buy-in and draw out expert advice, for example in the Business Support and Training Group. However, in the Finance and Funding Group, the model is more one of partnership working, as this is chaired by a representative from NatWest/ Royal Bank of Scotland, which is the bank that went on to directly financially sponsor many initial conferences between 2002-2006 and which funded some of the Social Enterprise Coalition's activities.

Second, the breadth of consultation seems disproportionate to the amount of actual funding New Labour puts into this new policy area. This brings up questions as to why New Labour places so much emphasis on social enterprise, without necessarily backing it up with significant quantities of public funding. Anderson (2010) describes policies according to a

typology. According to the framework used by Anderson, based on the approach to working groups for the first strategy for social enterprise, it remains to be seen as to whether or not this new policy area is an example of a symbolic policy or a material one. For Anderson, symbolic policies are those put in place so that a party in power is essentially seen to be doing something, whereas material policies actually change the way things work in real terms. One questions to what extent this first wave of policy-making is more about perceptions of activity than substantial activity, especially as one of the eight working groups that consulted on developing this first social enterprise strategy is titled, “Promotion- perception, quality, branding, websites, and awards”.

Table 3.6 Overview of working groups for policy formation: participating civil servants and organized interests

Name of working group	Number of total participants per Working Group	Percentage of participants from outside of government (representing outsider organized interests)
Legal/ Regulatory/ Governance	13	46%
Research/ Mapping	12	100%
Business Support/ Training	15	80%
Finance/ Funding	23	87%
Promotion (perception, quality, branding, websites, awards)	10	100%
Impact/Evaluation/Social and Economic Indicators	31	84%
Learning from Experience (modelling, case studies, replication, best practice, growth, leadership, networks)	10	100%
Public Procurement	11	45%

Analysed by author, primary data sourced from: (DTI, 2002)

It is not clear how often these working groups actually met, or even what overall significance they had in shaping what was to become the Government's first social enterprise strategy. However, what is compelling is which external experts were called in to contribute, and the role these individuals have played in the broader formalized UK social enterprise movement. For example, in the case of the first Working Group on Legal, Regulatory and Governance issues, Mark Sesnan of Greenwich Leisure serves as chair, and Jonathan Bland, then CEO of Social Enterprise London is also listed. Sesnan served on the Board of Social Enterprise London, and to this day continues to serve as its Co-Chairman. As the founder of Greenwich Leisure (GLL), Sesnan's goals would have been to put forward measures to improve the business environment for the kind of organization her ran. To that end, measures to improve the contracting out opportunities for social enterprises developed as a key theme not only in this first strategy, but in the subsequent action plan as well.

In this section, the composition of the three most important working groups is listed; which are business support/training, finance/funding, and impact and evaluation. What is remarkable is the number of experts asked to participate in the policy formation process. Analysing just these *three* of the eight working groups that directly fed into New Labour's first social enterprise policy document, forty-five different organizations are represented, along with two local councils, and eight Whitehall Departments. That is a rather astonishing amount of consultation, which took place over one year.

Table 3.7 Composition of Working Group: Business Support/ Training

Obj: It will focus on what is needed and members will draw on their own experience of what is available. They will be looking at both mainstream and specialist business support and training.

Leader: Steve Wyler	Development Trusts Association
James Alexander	Community Action Network
Baroness Glenys Thornton	Social Enterprise Coalition
Annette Carroll	BBC
Peter Couchman	Co-operative Union
Joyce Francis	Social Enterprise London
Sean Griffin	Inland Revenue
Gerry Higgins	Social Firms UK
Sheila Large	Business in the Community
Amanda Paul	London Rebuilding Society
Charles Wood	Active Community Unit/ Home Office
James Phillips	Project Connect
James Smith	School for Social Entrepreneurs
Shaun Spiers	ABCUL
Grisel Tarifa	Office of the Deputy Prime Minister
Roger Turner	Countryside Agency
Mervyn Wilson	Co-operative College
Felicity Winter	Department for Education and Skills

(DTI, 2002)

When reviewing the composition of these working groups, and the extent of them, it begins to appear that one of the impacts of setting up such extensive consultation is to create a network or infrastructure linked to social enterprise. Many of these organisations are still considered to be leaders in the now much larger UK social enterprise movement today, ten years onwards. In the finance and funding group, it could be said that this group became a

precursor for what the Coalition Government has launched as Big Society Capital. The pioneers New Labour supported and helped bring together have in turn supported others to form a critical mass, so that wide-scale initiatives like the Big Society Bank are able to happen. This is an example of how policy introduced by New Labour has been extended and maintained by the current Government. And yet, the question re-emerges, would the parties in power today have been able to do what they are doing without the foundation that New Labour initiated? To what extent did New Labour put its own spin on what are now our notions of social enterprise?

Table 3.8 Composition of Working Group: Finance/ Funding

Obj: It will look at all aspects of finance and funding for social enterprises including how to access financial assistance for start-up and growth, and to consider what might need to be done in order to make sure that social enterprises are not disadvantaged in obtaining funding streams compared to other businesses.

Leader: Andrew Robinson	NatWest/ Royal Bank of Scotland
Jim Baker	Whitehaven Community Trust
Jonathan Bland	Social Enterprise London
Ros Boyle	UK Social Investment Forum
Tom Cannon	Respect London
Sarah Davies	East Midlands Development Agency
Amelia Fawcett	Morgan Stanley Europe
Ted Fowler	Bristol City Council
Michelle Giddens	Bridges Foundation
Paul Harrod	Aspire
Naomi Kingsley	London Rebuilding Society
Sarah McGeehan	New Economics Foundation
Timothy Modu	Voluntary Action Haringey

Norman Price	Department of Trade and Industry
Susan Rice	Lloyds TSB
Mark Richardson	Aspire
Stephen Serpell	Department of Trade and Industry
Sam Woods	HM Treasury
Steve Wylor	Development Trusts Association
Shaun Spieres	Association of British Credit Unions (ABCUL)
Ian Taylor	Industrial Common Ownership Finance
Roger Brocklehurst	Local Investment Fund
Tracey Betts	Barclays

(DTI, 2002)

What distinguishes this exercise from being just a consultative process, which could at times even be mistaken for a process run by the social enterprise movement itself, is the inclusion of the Impact and Evaluation Group. This group has a large number of participants, with 32 contributors. That is astonishing, yet it speaks volumes as to the state's motives in this agenda. It is where the burden is in many ways placed back onto those active in the social enterprise movement itself. One can almost see the conversation and negotiations taking place between policymakers, funders and social enterprise chief executives. The objective of the working group states, "Members will use that to devise methods of evaluating the social and economic impact of social enterprises that would be rigorous and robust enough to convince lenders and policymakers" (DTI, 2002). From participating in policy networks at the time, representatives from the government gave speeches to the social enterprise community letting leaders know they had successfully won the ear of decision-makers within

New Labour and within a British high street bank.²⁸ However, they also threw down the gauntlet by letting these same leaders know that New Labour would only support their agenda in as much as they were able to prove the value social enterprises could generate to support state aims.

Table 3.9 Composition of Working Group: Impact/Evaluation/Social and Economic Indicators

Obj: Working through the existing New Economics Foundation/Development Trusts Association Research Group, it will survey the work that has already been done on impact measures and subject it to critical analysis. Members will use that to devise methods of evaluating the social and economic impact of social enterprises that would be rigorous and robust enough to convince lenders and policymakers.

Leader: Ed Mayo	New Economics Foundation
Barbara Ainger	Housing Finance Corporation
Nick Bailey	University of Westminster
Jonathan Bland	Social Enterprise London
Michael Carley	Heriot Watt University
John Duncan	Joseph Williamson Society
Tony Dylak	ROYDS Community Association
Fiona Ellis	Northern Rock Foundation
Rachel Elliott	Ibstock Community Enterprises
Mike Emmerich	Number 10
Neville Eisenberg	HM Treasury
John Goodman	Co-operative Union Ltd
Lorraine Hart	Environment Trust
Victoria Hornby	Sainsbury Family Charitable Trusts
Neil Johnston	Paddington Development Trust

²⁸ From speeches given by Andrew Robinson, NatWest/RBS, Barbara Phillips, and Nigel Griffiths at sector-wide events in 2002-2003, Voice 04.

Nina Massarik	London Development Agency
Theresa McDonagh	Joseph Rowntree Foundation
Amobi Modu	Regional Co-ordination Unit
Henrietta Moore	London School of Economics
Colette Nagpaul	London Development Agency
Jeremy Nicholls	Urban Strategy Associates
George Nicholson	Development Trusts Association
Nicola Pollock	Esmee Fairbairn Foundation
Tony Rich	Local Government Association
Jennifer Ridden	Cambridge University
Eileen Rubery	The Judge Institute of Management Studies
Barrie Scholfield	TESCO/ROYDS Community Association
Ann Taggart	HM Treasury
Steve Thake	University of North London
Keith Thorpe	Office of the Deputy Prime Minister
Richard Walton	Northern Rock Foundation
Andrea Westall	New Economics Foundation
Steve Wyler	Development Trusts Association

(DTI, 2002)

The entire way in which a specific group of social enterprise leaders came together with the purpose of marketing the value of social enterprise to New Labour to open up business opportunities, and New Labour's response, set into motion unintentionally of a new type of social enterprise activity, which is essentially state sponsored. The negotiations between the different players involved can be highlighted in the way in which consultation for the Government's first social enterprise strategy took place. There are many examples in

how social enterprise policy was formed of collaborative working and resource exchange, demonstrating what a unique approach this actually was.

So far in this chapter, several different components of policy formation were analysed to gain a clearer picture of how New Labour developed its approach to social enterprise. First, the historical connections between cooperatives and the Labour Party were reviewed. Next, the use of Third Way thinking as a lens through which policy ideas were evaluated was discussed in order to provide a context to social policy under New Labour. From there, the structural changes to the Cabinet Office with the increased use of special advisers under Blair was presented, with an analysis of insider and outsider organized interests and the influencing role they exerted on the policy formation process. In the two concluding sections of this chapter, the goal is to bring these various themes together to analyse the process of policy formation as a whole. First, Kingdon's model of agenda-setting is applied in order to understand how these various strands of competing interest and influence come together. However, even Kingdon's model has some limitations, for the role of the state itself is often overlooked. To remedy this, corporatist theory is used to add an additional lens to the events between 2001-2002.

3.7 Kingdon's model of agenda-setting as a way to understand social enterprise's inclusion in New Labour's policy agenda (as a heuristic device)

This chapter explores a very specific moment in time, when several key elements came together and what Kingdon (2011) describes as the 'policy window' was opened, allowing social enterprise to move from the 'primordial soup of ideas' that exist at any given

time, to becoming part of the Government's policy agenda. Kingdon puts forth the idea that at any given time, there exist ranges of popular policy ideas that policy framers or organized interest can grab from and apply to the particular problem they are trying to solve. Another way of thinking about this is to acknowledge that there are a number of professional operatives that sit across think tanks, within government policy units, and serve as policy officers in formal advocacy organizations, who generate ideas. Ideas can be viewed as fashionable and respond to changes in the political, social and economic context from which they emerge.

Kingdon puts forward what is deemed a 'stagiast' model for analysing how some policy ideas are accepted and make it onto a government's policy agenda, and attempts to explain why others fall off. Although critiqued for perhaps oversimplifying matters, as a heuristic device, it is extremely useful and relevant to the case we are analysing here. Interestingly, as explained by Parsons (1995) Kingdon's approach to agenda-setting is driven by an assumption that *solutions look for problems*, and the outcomes are "a function of the mix of problems, participants and resources. Just as organisations do not rationally relate problems and solutions, so the agenda process may be conceived...as composed of three separate and distinct streams: problems, policies, and politics" (Parsons, 1995, p.193). For Kingdon, when all three are aligned, a policy window emerges, and an issue moves onto the agenda. Kingdon's model is summarised below.

3.7.1 *The problem stream*

First and foremost, an issue has to be deemed to be a problem in the first place. Many theorists have focused on how issues become defined as problems and the increased role the

media have to play in problem framing (McCombs, 2004). Interestingly, Kingdon sets out three ways in which problems come to the attention of policy-makers; indicators, where measurement data defines the shape of a problem (for example an increase in unemployment, or a drop in GDP), events, which focus policy-makers attention on something current that has happened (for example, a natural disaster), and third, what Kingdon describes as 'feedback'. Feedback is a category where the government receives information on its current performance and "indicates a failure to meet goals or points towards unanticipated consequences' (Parsons, 1995, p.193).

Feedback is an important way to understand how social enterprise became linked to a specific problem stream that New Labour was struggling with in its second term. The question emerges- why was social enterprise only included in New Labour's policy agenda during its second term and not during its first term in power? This can partly be explained because leaders within the UK social enterprise scene were not nationally organized in the way they began to be once the Social Enterprise Coalition was formed. However, as will be demonstrated in this chapter, leaders from social enterprise could at best only play a limited role in determining whether or not the government in power would support it. Much more depended on the government's own priorities and political philosophy at the time and the extent to which social enterprise could be a solution to problems New Labour faced.

Referring to Kingdon's notion of feedback, social enterprise can be seen as a way to address a problem the Government was facing, specifically, how to make some of the ideals within the Third Way framework operable. A second and connected problem the Government faced was about the re-orientation of the party towards the centre of political discourse. By New Labour's second term, the party elite needed to find a way to be able to point to specific

successes of a Third Way approach, while also keeping those in the party on the Left buying into the “New” in New Labour. Social enterprise came along as a potential ‘solution’ to several implementation challenges New Labour faced.

3.7.2 The policy stream

After the problem stream, which informs how problems are identified as such, Kingdon’s next stage is the policy stream. It is a compelling idea that has been as maligned as it has been revered, but here again, in this instance, it does help explain social enterprise’s inclusion in New Labour’s policy agenda (Dorey, 2005; Parsons, 1995).

For Kingdon, the policy stream is described as a ‘primeval soup’ where ideas float around. To some extent, Kingdon’s work has been influenced by ideas of natural selection, where ideas compete with each other, evolve, and the best combination is the one that essentially wins out and moves forward. Policy communities are part of the wider policy-making environment for Kingdon and these themselves have varying qualities. Some are considered open, while others are viewed as ‘tightly knit’. Within this setting, policy entrepreneurs emerge and navigate the terrain, essentially pushing their ideas forward, finding others to work with, and advancing policy development. These policy entrepreneurs serve as advocates for ideas and they ‘soften up’ those with influence in policy communities. These policy entrepreneurs are considered essential to the success of a policy idea advancing and moving forward (Parsons, 1995; Kingdon, 2011).

As was detailed in the section on Blair’s increased use of special advisers, the knock on effect was he essentially increased the potential for policy entrepreneurs to contribute to

how New Labour's agenda went forward. Blair brought in additional expertise in the form of thought leaders and opinion makers who traditionally worked externally from government, but were now allowed a voice from within it.

The notion of a primeval soup where policy ideas float around is compelling for several reasons. First, it acknowledges how policy communities, and insider and outsider organized interests contribute to the development of ideas which are then incorporated into a government's policy agenda. In the British policy-making context, it is also useful because it can go towards explaining how civil servants also put their stamp on ideas and will evolve them, even if they originate outside of government. In the case of social enterprise, it helps explain how New Labour incorporated the notion of social enterprise into its formal policy agenda, but similarly, how it has outlasted New Labour and found new relevance for the current Coalition Government. It is interesting that what began under Blair, was extended under Gordon Brown and then considerably expanded under David Cameron. To some extent, this demonstrates the importance of 'incrementalism' in policy development in a British context.

The concept that policy ideas can evolve over time once they encounter other ideas is significant when considering the different versions of social enterprise that were floating around in 2001, and the way they are eventually re-framed by New Labour once the first policy document is published in 2002. The role of policy entrepreneurs is significant in how social enterprise is originally framed. A handful of thought leaders emerged from think tanks and played a significant role in how early versions of state sponsored social enterprise were ultimately shaped.

3.7.3 *The political stream*

The political stream differs from the first two stages of problem identification and the policy stream, where ideas evolve over time and battle between numbers of existing ideas that are floating around at any given time. The notion of ideas ‘floating’ and the use of that term specifically is interesting when applied to social enterprise in 2001-02, as many advocates for the idea were doing the conference/ awareness-raising/ and seminar circuit. Quite literally, proponents of a range of models and views on social enterprise were putting their ideas out there, and civil servants, policy makers for the three main political parties, and policy advocates in think tanks were participating in this open dialogue. This becomes a very clear example of how ideas float, compete, and re-combine in practice.²⁹

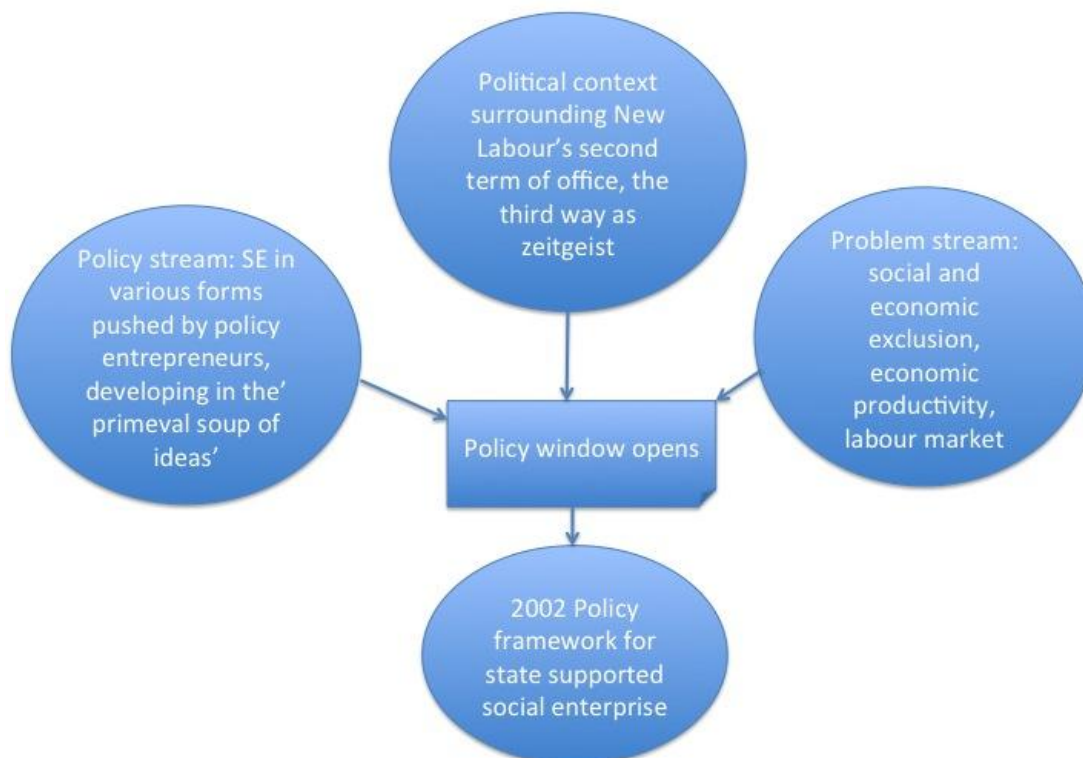
For Kingdon, the political stream accounts for the politics of the time. It focuses on how issues gain and lose status and are then subsequently ranked in terms of the overall policy agenda. It is composed of the national mood, organized political forces, the status of the existing Government, and consensus-building across political parties. The political, policy and problem streams need to be aligned in order for a change to take place. Kingdon also describes this alignment as a launch window. Conditions have to be right in all three streams in order for the opportunity to arise for change to take place. If that opportunity is lost, and the window closes, the policy idea has to wait for the conditions to be right before another opportunity is available (Parsons, 1995, p.194). For Kingdon, it is about the coming together and interaction between the streams that creates an opportunity for change. The key point is that if all of the various streams are aligned, the policy window opens and the opportunity for

²⁹ The chart on participant observation of key policy exchanges on social enterprise outlined in chapter one is a good example of Kingdon’s concept of the ‘primordial soup’ and shows how the different ideas competed against each other and re-combined in real terms.

change exists. In Kingdon's model, this is the mechanism that allows ideas to move to the top of the political agenda.

Kingdon's stagiest model goes a long way in explaining how social enterprise made it onto New Labour's policy agenda and to some extent helps to explain how it took on the specific form that it did. However, while Kingdon's model speaks to agenda-setting specifically, it doesn't in itself explain the full picture of the policy-making context and environment in 2001/2002 when policy development was taking place, and other factors that influenced how state sponsored social enterprise was shaped.

3.10 Diagram of Kingdon's three streams and the development of SE policy in 2001-02



The diagram above shows how all three streams needed to come together in order for the policy window to open, and was assembled as part of this analysis to demonstrate how the policy window opened in 2002. For example, the use of the Third Way as a political doctrine by New Labour was not enough on its own to warrant the inclusion of social enterprise as a policy agenda- specific interests also had to be pushing ideas on social enterprise. This took the form of policy entrepreneurs working within government, specifically the special advisers like Geoff Mulgan and David Miliband who occupied the Policy Unit at Number 10. In addition, as Kingdon emphasizes, good ideas are not enough- they had to be connected to workable problems Government was already trying to address. This linkage can be seen through the example of Geoff Mulgan, where his remit within Number 10 originally was to be responsible for generating new solutions to address social and economic exclusion. Once the policy, political, and problem streams came together, the 2002 social enterprise policy framework was launched.

Kingdon's model is an effective one at describing how these different components came together to initiate social enterprise as a new policy area. However, the role of the state as an institution with its own history, change, culture and memory is left out of Kingdon's model. As was detailed in chapter two, the British state itself is in the process of undergoing significant change, as the challenge of delivering a welfare system free at the point of delivery is becoming increasingly unlikely in the face of scarce financial resources and significantly changing demographics. Kingdon's model does not for example account for these wider systemic changes, the kinds of changes Jessop's model of the Keynesian Welfare Nation State tries to address. For an added dimension of the policy formation analysis, corporatist state theory is applied here to acknowledge the role of the British state in potentially influencing how social enterprise policy was initially framed.

3.8 The changing role of the state and the impact on the policy process: how remnants of corporatism may help explain the rise of social enterprise in the importance of ideas

One could argue there is something fundamental about the political ideas behind New Labour that meant it was always most likely to be the party to initially recognize the potential that social enterprise could play in modernizing the welfare state. However, to over-emphasize the importance of New Labour as the party in power who promoted social enterprise is to leave part of the story untold. There are longer-standing shifts taking place in how the British state is conceived and structurally changing that must also be acknowledged as playing a role in shaping what was to become state sponsored social enterprise. New Labour inherited a system that in and of itself that was continuously evolving and responding by its very nature, again pointing to the modern tradition of incrementalism in policy development and maintenance. The shifts taking place in the public bureaucracy and machinery will have their own implications for how the policy process is carried out, and how those who work within it exert influence over specific agenda items.

Kingdon's model of agenda-setting describes how different factors come together and need to be purposefully aligned for a policy change to take place, but the emphasis is on a range of specific *actors*. Corporatism, on the other hand, attempts to explain longer-term changes in the modern state in order to understand the motivations for states to work outside of themselves and with policy networks and communities generally. By applying Kingdon's model, we gain insight into the current events and characteristics of governing when New Labour specifically was in power in 2001 and policy work on social enterprise was initiated. By now exploring corporatism, insight is gained into why the state machinery was poised and incentivized to work with policy networks and communities on policy formation and implementation.

In Hill's (1997) summary work on the different views within corporatist theory, he turns first to Schmitter's classification of state and societal corporatism. First, Schmitter defines corporatism as a system of interest representation:

...in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports (Schmitter, 1974, pp.93-4, as quoted in Hill, 1997, p.66).

State corporatism for Schmitter is authoritarian and anti-liberal and best connected to fascist Italy and Nazi Germany, whereas societal corporatism comes from the demise of pluralism in western European and North American political systems. The main contribution of Schmitter's work to this analysis of state sponsored social enterprise is the proposition that changes in the institutions of capitalism and the concentration of ownership and competition between national economies is what incentivizes states to intervene more directly and work with political associations (Hill, 1997, p.66). Essentially, states had to work with policy networks and communities because in the post World War II economy, states had less control over the creation of capital and the means of production, and so had to work in new ways with a range of interests in order to exert influence and achieve their policy objectives.

Viewing state motives in this light is extremely relevant in the case of state sponsored social enterprise. As is demonstrated throughout the remaining chapters, New Labour as the party in power, and those within the public sector machinery- whether located in discrete public sector organisations, or housed across a range of quasi-governmental structures, had to work directly with the policy communities that sprung up around social enterprise and civil society in order to achieve the Government's policy objectives. It was the central way to exert influence, and in many ways, New Labour used its own version of social enterprise as a way

to change the shape of British civil society and attempt to mould it / co-opt it into resources the Government could direct/ control.

But corporatism remains a two-way *modus operandi*. While it goes some way in explaining why states would be motivated to work with policy communities and networks, and how the location and concentration of economic resources has shifted in modern times, a consequence of this increased interaction is the privileged status some interest groups receive, moving them from outside the policy-making machinery, to inside of it. Hill also refers to the work of Kickert and van Vucht, who in relation to the case of the Netherlands, explains corporatism differently:

The threat of labour revolt and rising socialism was countered at the end of the 19th century by the creation of 'corporatism': the institutionalization of socio-economic cooperation between...organized capital, organized labour and government. Based on this...the Netherlands developed into an extreme example of the modern non-statist concept of *neo-corporatism*. This concept emphasizes the interest representation by a number of internally coherent and well organized interest groups which are recognized by the state and have privileged or even monopolized access to it (Hill, 1997, p.13).

Hill goes on to analyse the work of Winkler who discussed corporatism in a UK context. The main contributions of Winkler's work are that it focuses first the UK specifically, and second that it examines the economic aspects of corporatism. Winkler's main argument is that Britain faced a slowdown in the process of capital accumulation (something Jessop's work also acknowledges and builds upon), because British firms faced increasing international competition, industrial concentration, and a decline in profitability within the UK economy generally. These economic pressures incentivize the British state to adopt a more interventionist stance as a result. For Winkler, corporatism is a system of 'private ownership of the means of production combined with public control'. He gives as an example the case of the United Kingdom in the 1970s where policies on prices and incomes were worked out

in a collaborative model with business and trade union elites. For Winkler, the role of the state is not spelled out within a corporate economy, nor are the sources of state power explained thoroughly. However, the main point he makes is that the state is not controlled by any class or group. Rather, the state plays an ‘independent and dominant role in its relationship with labour and capital’ (Hill, 1997, p.67).

It is the last point made in the section above that is relevant to apply to state sponsored social enterprise. As will become clearer in later chapters, when the policy framework for social enterprise is analysed, New Labour is precisely interested in the ways in which social enterprise can be a mechanism for increasing participation in the domestic labour market, and in how capital is generated and distributed. Further, because of New Labour’s linkages to trade unions, and its experience of negotiating with such ‘business and trade union elites’ it takes a similar approach in how it engages with what can be called ‘social enterprise elites’. This research hopes to prove that social enterprise as a policy agenda is not one that was typically driven down from the centre of the party in power, but rather, has had more sticking power because of its wider mechanistic appeal to those operating across the public machinery.

Although corporatist theory has been to some extent written off as outdated (Hill, 1997), reflecting on Hill’s analysis and history of the evolution of the theory from pluralism to policy networks and communities raises several relevant and interesting points for this analysis. Hill next reviews the work of Middlemas (1979) whose work provides a political history of corporatism in the United Kingdom and makes the argument that the process of corporate bias within British politics emerges between 1916 and 1926. This is when trade unions and employers’ associations enjoy a close relationship with the state for the first time.

“As a consequence, these groups came to share the state’s power, and changed from mere interest groups to become part of the extended state” (Hill, 1997, p.68). Hill remarks that the legacy of Margaret Thatcher led British theorists to downgrade the importance of corporatist theory. However, he makes the point that it could still re-emerge as “a way in which the state may ‘manage’ its relations with key state actors” and acknowledges that it corporatist theory is still active in other countries (Hill, 1997, p.68). Also, what seems clear is that corporatism has renewed relevance when considered alongside the role that cooperatives have played in the Labour Party historically, alongside the role of trade unions, and the way these links can be found in how social enterprise formally organizes itself in this same time period.

Hill summarises by concluding that corporatism is viewed in a number of different ways by several authors, and never reached a consensus in the UK context, as demonstrated by the table below:

Table 3.11 Differing views on Corporatism

Theorist	Summary of corporatism
Winkler	Mainly an economic system to be compared with syndicalism, socialism and capitalism
Schmitter, Middlemas, and Milward and Francisco	Political system, or sub-system
Panitch	Proponent for a limited definition- not a total economic system but a specific and partial political phenomenon

Adapted from the text (Hill, 1997, p.68)

Panitch views corporatism as a “political structure within advanced capitalism which integrates organized socio-economic producer groups through a system of representation and co-operative mutual interaction at the leadership level and mobilization and social control at the mass level” (Panitch, 1980, p.173, as cited in Hill, 1997, p.68). The argument on one hand

is whether there is a tripartite division of power between capital, labour and the state, or those theorists who argue that corporatism is an 'accommodation' between capital and the state. As Hill explains:

The corporatist thesis is that the state has moved from a position of supporting the process of capital accumulation to directing that process. In making this shift, new patterns of relationships have developed between the state and the major economic interest groups, and the state, although constrained by these interests, has autonomy deriving from its command of legal, organizational and other resources. It is this autonomy which enables the state to act in the interests of capital, labour and other interests as appropriate (1997, p.70).

Grant reflects on the summary of work of the UK corporatist theorists by surmising:

By the time they had developed a conceptual approach to analyse the phenomenon, and had managed to organize large-scale research projects, the object of the study was already dwindling in its importance. The corporatist debate did, however, help to stimulate a new wave of theoretical and empirical work on pressure groups promoting a re-examination of pluralist theory, and thereby encouraging the development of new forms of pluralist analysis such as the idea of policy communities (1989:36, as quoted in Hill, 1997, p.70).

So what form of contribution can corporatist theory, as disparate and side lined as it is, make to our understanding of how social enterprise becomes part of New Labour's policy agenda? The objective of this chapter is to demonstrate how it was a combination of factors that led to New Labour's adoption of measures to support social enterprise between 2001 and 2002, and that in the case of social enterprise- it isn't enough for a political party in power to be interested in the topic. Kingdon's stagiast model of agenda-setting contributes the idea that policy solutions often look for policy problems to attach themselves to, along with the notion that a range of streams need to be aligned in order for the opportunity for change to exist. It acknowledges that it is not enough for there to be advocates for a policy change within and outside lobbying decision-makers in power, other external conditions have to be 'right'.

Corporatism, although to some extent short lived, is compelling in that it attempts to describe how the state re-orientates itself to industry in order to exert greater influence over the accumulation of capital and the deployment of labour. In the case of social enterprise, it is not *enough* for a political party in power to want to develop supporting policies- this alone won't lead to a policy change. It is in response to this phenomenon where corporatist theories can shed some light on the wider policy-making context. Social enterprise, as argued in chapter two, is an idea that originates from civil society and holds within it an inherent suspicion of the state. Its purpose is to be independent and to re-distribute power to those who often have limited access to it. However, political parties have begun to identify the utility of social enterprise as a means to re-organise labour and capital. Political parties (in the UK context, all three main parties included it in their most recent 2010 election manifestos) would like to direct the efforts of these organizations in order to ensure that some of the additional social impacts that are created are done so according to the Government in power's objectives.

Parties in power in Britain since the 1970s have adopted a new corporatist approach to industry. There has been an acknowledgement that government's resources and access to resources are limited, but by working with industry leaders in partnership, the government can exert influence over how some industries are organized. In entering these somewhat symbiotic relationships, government brings its law-making and tax raising authority to the table, along with its ability to work across country borders. For industry leaders, cooperating with government can lead to more advantageous tax regimes or even in some cases monopolistic control over quasi-public goods (such as electricity or transportation).

Corporatism speaks of a change in the state's approach to capital accumulation and labour deployment as a whole, and *not just at central government level*, and again it is here that it makes a contribution to our understanding of the staying power of social enterprise as a policy ideal. The benefits of social enterprise as an alternative production means are valued wider than Whitehall. Those within regional and local government have been even more supportive than New Labour at the centre, and as we will see in chapter six, officers in local regeneration and planning departments have played a significant role in how state sponsored social enterprise has developed.

This is further supported by the work Hill has done in summarizing the key arguments within corporatist writings and linking them to ideas around policy networks and communities that came next. Hill acknowledges the important contribution corporatist theory made in our understanding of how the state engages with a range of interest groups, and how it addresses the challenge of influencing the accumulation of capital and production processes generally. Hill continues:

Corporatist theory has indicated that there is a need to pay attention to the ways in which powerful interest or pressure groups outside of the state and groups within the state relate to each other. But while it tends to seek, in a rather generalized way, to develop a single model embracing the 'parties' to this relationship into three over-arching groups- capital, labour and the state- other pluralist work has certainly suggested that the first two should not be regarded as united. The same point could be made about the state. Indeed, analysts of government have recognized that there are many difficulties in getting departments to act cooperatively. Many policy issues are fiercely contested between departments in relatively unitary systems of government, between central and local governments ... (Hill, 1997, p.70).

Corporatism remains a useful lens through which we can later analyse how policies to support social enterprise were eventually implemented, and the different stances adopted by advocates within the public sector at various levels from Departments through to regional and local government agencies. It also provides a partial explanation for why New Labour may

have been interested in social enterprise as an ideal, for it created a means by which they could exert influence over the way British civil society functioned and was shaped. This becomes even clearer in chapter five when we analyse the components of New Labour's 'enabling environment' for social enterprise, and the regulatory changes instigated.

3.9 Conclusion

Although this chapter has reviewed several important lenses through which the rise of social enterprise as an important idea for New Labour can be analysed, the main argument is that it was a *combination* of these that caused social enterprise's meteoric rise to the heart of New Labour notions of modernizing the state. Social enterprise was seen by many as an 'idea whose time had come', and it helps to explain why something which operated as part of British civil society since the Industrial Revolution suddenly appeared to have been 'discovered'. It also helps to explain the longevity of the idea across the Premierships of Blair – and now Brown and Cameron. Most importantly, this chapter helped outline why social enterprise and state sponsorship for it may turn out to be a uniquely British phenomenon.

The following chapter outlines New Labour's policy framework for social enterprise, what it dubbed as the 'enabling environment'. Chapter six moves further down the implementation hierarchy and investigates how goals set at the centre were interpreted and responded to at regional and local level. A central argument of this doctorate research is that New Labour's interpretation and application of social enterprise marks a new form- that of state sponsored social enterprise, distinct from what operates in British civil society up until this point. By noting this evolution and investigating its application, a foundation for further research is established, particularly as a means to see how future governments either extend

or depart from the idea, and how governments in other Western liberal democracies facing similar social policy challenges either take up or amend the agenda.

Chapter 4: Cross cutting reviews as a stage within policy formation

4.1 Introduction

Chapter three explored the way social enterprise became part of New Labour's policy agenda. This chapter investigates what happened next. One of the key arguments this research seeks to make is that the emergence of social enterprise policy under New Labour was a product of its time. It occurred within a broader external environment where the political party in power was actively questioning how to support, invigorate, and alter the British social economy. Social enterprise, it is argued, takes on a prominent role embedded within the way New Labour approaches social policy because, in Kingdon terms, it appears as a solution for a range of policy problems the Government of the time faced. It is through exploring two cross-cutting reviews New Labour engaged in just before designing the first social enterprise strategy that this becomes clear.

Most scholarly work in the field of social entrepreneurship or third sector studies to date overlooks the importance of the environment within which social enterprise policy emerged as a considerable factor in determining the design of the first wave of support for social enterprise in the United Kingdom. Chapter four seeks to address this gap in scholarship and attempts to connect the 'enabling environment' framework launched in 2002 with the flurry of activity and consultation that took place just before it. While potential state motives are discussed to some extent, the focus of chapter four is to isolate how New Labour used cross-cutting reviews as a mechanism to generate and refine policy ideas. It was against this

backdrop that the specific policy objectives for social enterprise development and the articulation of what state sponsored social enterprise would look like emerges.

This chapter explores the policy context within which social enterprise was developed, and presents an overview of key reports and consultations that took place as policy objectives for social enterprise were being debated. Table 4.1 below outlines the timing for when social enterprise policy documents were released and shows the main components of the first wave of social enterprise policy-making under Prime Minister Blair. The table does not list every initiative- this comes in detail later in the chapter. Rather, it presents a general picture on the timing of the most important events.

Table 4.1 Emergence of the ‘enabling environment’ for social enterprise, 2001-2006

1. Pre-stage to social enterprise policy formation	2. Cross cutting reviews as a stage to social enterprise policy formation	3. The first wave of policy-making in social enterprise- the launch of the ‘enabling environment’
1996 Deakin Commission report on the Future of the Voluntary Sector	2002, Strategy Unit Review of the Charitable and Wider Not-for-profit Sector	2002, DTI’ Social Enterprise Strategy for Success
1998 Home Office Compact on Relations between Government and the Voluntary and Community Sector in England	2002, HM Treasury, The role of the Voluntary and Community Sector in Service Delivery: A Cross-Cutting Review	2003, Bank of England Report into Financial Social Enterprises
		2003, DTI’ Social Enterprise Progress Report
		2005, Introduction of the Community Interest Company

The analysis that takes place across this chapter and the next, begins with the Strategy Unit’s 2002 publication, *Private Action, Public Benefit; A Review of the Charitable and*

Wider Not-for-Profit Sector. Next, the HM Treasury's 2002 report is analysed. In the following chapter, two social enterprise strategy documents published by the Department of Trade and Industry's Social Enterprise Unit in 2002 and 2003 are reviewed. The first is the Government's *Social Enterprise Strategy for Success*, which launched the Government's three-year plan for social enterprise development, and the second is the *Progress Report* that charts the status of implementation one year later. The Bank of England's report on the financing of social enterprises in 2003 is also included here, in part because it is such an unusual report for the Bank of England to undertake, and because of what it offers to us as evidence of how collaborative and partnership-working took place in practice. The analysis ends with the 2006 *Social Enterprise Action Plan*. The report was the Cabinet Office's Office of the Third Sector's hallmark publication, as it was the first statement about the field to come out of the newly established Office. This is the last policy document analyzed for this doctoral research because it signals a change in leadership within New Labour as Blair steps down and Gordon Brown takes over as Prime Minister. The first wave of social enterprise policy-making comes to an end, and a second-wave begins, which lies outside of the parameters of this research.

The *Action Plan* is evaluated because it becomes an example of how policy objectives changed over time. It demonstrates how the discourse evolved and which ideas won out within the wider debate on social enterprise. It is at this time that the Social Enterprise Unit within the Department of Trade and Industry is disbanded, and the Office of the Third Sector is established within the Cabinet Office. This change marks a significant shift in the passage of time between a first and second wave of policy-making. In the first wave, there is the notion that social enterprise should be seen as another type of mainstream business and

aligned with small to medium sized enterprises, a notion that disappears from policy making after 2006.

Much of how New Labour approaches social enterprise as an agenda, from policy formation through to implementation, demonstrates key themes in how New Labour approached social policy generally. The main themes that bear out in this research are changes in the Government's approach to governance, moving from a hierarchical to a multi-level system. Devolution significantly shapes social enterprise policy design, as the Government creates incentives and a strategy from the centre, with room for the regions to co-design additional policy objectives further down the implementation ladder. Innovation exists in how policy measures are designed and delivered, with partnership working and collaboration as the focus of the Government's approach. Finally, there is evidence of the Third Way in action, as policy approaches promote equity and efficiency alongside one another.

It is important to see social enterprise in context as part of a broader approach to the third sector and an objective of New Labour to revitalize the social economy and give it a mainstream prominence. Rather than analyze social enterprise policy as a discrete project for New Labour, it is more illuminating if it is instead investigated as a moment in time with links to what preceded it and what follows on afterwards. Nicholas Deakin, in his 2001 book, *In search of civil society*, makes the case for understanding the unique relationship that England historically has had between charitable activity and the state.

...England (in the strict sense) has a history of three hundred years of stability within existing national boundaries. It was also the first industrial nation and experienced the resulting economic and social upheavals before any of its subsequent rivals...the functions charity performs, how its role has changed over time, how it acquired sufficient flexibility to adapt to new circumstances and where and why any significant continuities have persisted. Why should we need history to understand charity? Because the way in which structures, attitudes and relationships have developed can only be understood in the context of the situations in which they have evolved, over time...

The state did not arrive on the scene from nowhere: nor did voluntarism subsequently desert it. Both the market and the informal world of family and neighbourhood have had crucial roles to play throughout. Activities have spilt over from the civil society space in different directions, into the 'borderlands', involving collaborations (and conflicts) with agencies and individuals based in those other spheres occupied by the state and market. The history of these collaborations and conflicts and their outcomes have left a deep mark on the various forms that charity has taken. They have helped to determine the potentiality for adaptation and change and define those factors that have remained constant and also to shape attitudes towards charity in action (Deakin, 2001, pp.25-26).

Deakin identifies some of the unique historical characteristics that have uniquely shaped not only the British social economy, but also the relationship the social economy has had with the state. It is important to keep some of these characteristics in mind when evaluating New Labour's entry into social enterprise policy making and the ambitious bar it sets in positioning Britain as the global leader for social enterprise. While New Labour undertook its social enterprise project for a number of reasons, it must also be considered the extent to which social enterprise in a British context was always going to be unique, more ambitious, and expressed differently than other countries because of this specific historical context of the charitable sector and the state since Victorian times. Deakin's work is a useful backdrop to keep in consideration while evaluating New Labour's social enterprise policy framework.

Another useful lens is provided by Jeremy Kendall's January 2000 Civil Society Working Paper for the LSE, titled, "The mainstreaming of the third sector into public policy in England in the late 1990s: Whys and wherefores". Kendall sets out to understand the motives behind New Labour's approach to third sector policy-making. He notes that the Voluntary Sector Compact sets out an entirely new mode of policy-making by promoting partnership working with the sector, and essentially co-production where government is responsible for one set of objectives, and the third sector another. Kendall explains:

However, the *Compact* idea is completely without precedent, representing an unparalleled step in the positioning of the third sector in public policy. The move to improve the resources

of central government focused on the sector *per se* is also a significant development, especially since the New Labour government has made much of its goal of keeping public expenditure tightly constrained. In effect, for the first time, a purposive stance towards a third sector *per se* has become mainstreamed into central government's public policy agenda, representing a major break from the past. Policy towards the sector prior to these developments – other than in legal and fiscal matters relating to charities which form a different category than most understandings of the voluntary sector (Kendall and Knapp, 1995; Kendall and Knapp, 1997) – had been piecemeal and ad hoc. Essentially, it was constituted by the sum of different component parts at the level of the various fields of public policy – such as health, environment, housing, education and so on – with no *serious* commitment to unify it and give it meaning as a coherent whole (Kendall, 2000, p.2).

As Kendall notes, New Labour's approach to the third sector marks a departure from how governments previously viewed the sector in policy terms. Set against this backdrop, does New Labour's foray into social enterprise policy-making simply signal an extension of the mainstreaming approach taken towards the third sector generally? Does social enterprise translate into a logical next step after the Government seeks to overhaul the regulation that oversees the British social economy? If so, to what ends?

Kendall also notes that before New Labour's re-framing of its relationship with the voluntary sector in the late 1990s, analysis of the third sector was "embryonic". Kendall explains:

It has suffered until very recently from a relative paucity of attention even from direct stakeholders, let alone those who might be interested from the broader worlds of policy and politics. It has subsequently lacked the stockpile of proposals and ideas to be found in those more mature fields, and while this has given the entrepreneurs taking the lead in the field fewer policy options to consider, it also left a remarkably open field for policy innovation. As we shall see, the original idea of packaging the third sector-State relationship as a *Compact* effectively came from nowhere to occupy a significant position within the new government's policy in just over two years, and so lacked the long period of gestation which is the norm for policy ideas in other fields (Kendall, 2000, p.8).

Kendall's paper is remarkable because it describes New Labour's approach to policy-making and the third sector during its first term in office, and takes stock of the relationship between the third sector and the state just before New Labour develops its ideals on social

entrepreneurship. Kendall notes the importance of New Labour's stance and how unusual it is given a broader twenty-year history between the state and government in Britain. Finally, Kendall summarizes how the lack of attention paid to the third sector by policy entrepreneurs (as defined by Kingdon) means that its sudden rise in prominence within New Labour's social policy agenda means it is unusually ripe for policy innovation. The extent to which innovation does occur, whether by design or default, is explored in the remainder of this chapter and in detail in the next.

One of the main challenges in studying the emergence of social enterprise policy under New Labour is the sheer breadth of activity that took place. On the one hand, Government was eager to manage the inclusion of social enterprise into social policy strategically and with a significant role in how ideas are positioned. On the other hand, perhaps victims of their own success, in deciding the best way to engage in social enterprise was to attempt to develop it as a sector and grow the number of organizations operating in Britain in real terms through the promotion of an 'enabling environment', they were in many ways extremely successful.

By conducting a wide-scale campaign for awareness-raising both inside of Whitehall and further on through the public governance machinery generally, one of the knock on effects was to empower many mid-tier managers across government. The implementation dynamics that develop because of the Government's attempts to establish an 'enabling environment' are discussed in great detail when the empirical data is presented in the next chapter. However, it is worth noting the sheer size and breadth of government activity that was supporting or promoting social enterprise during this time. Table 4.2 below demonstrates the full range of policy initiatives undertaken between 2001 and 2006.

Table 4.2 The Broader Policy Context for Social Enterprise 2001-2006

2001	<ul style="list-style-type: none"> • Social Enterprise Unit set up by the Department of Trade and Industry to champion social enterprise and co-ordinate the Government’s work in this area
2002	<ul style="list-style-type: none"> • The Strategy Unit in the Cabinet Office undertakes a review of the charitable and wider not-for-profit sector and publishes the results in “Private Action, Public Benefit” • The Department of Trade and Industry publishes the Government’s first policies for social enterprise in the document <i>Social Enterprise: A Strategy for Success</i> • The Social Enterprise Coalition is formed to be the national voice of the sector, with seed funding from the DTI to cover its first three years of operations • First round of European Social Fund EQUAL programme partnerships come online and receive initial funding for the 2002-2005 cycle • Small Business Service published a guide <i>Small Supplier- Better value</i>, which outlined the benefits of contracting with small to medium sized enterprises, including social enterprises
2003	<ul style="list-style-type: none"> • DTI publishes <i>Public Procurement: A Toolkit for Social Enterprises</i> to share best practice of social enterprises winning public sector business • The <i>National Procurement Strategy for Local Authorities</i> advocates mixed service provision and states that social enterprises should be included in tendering processes by 2006 • The Bank of England publishes its report, <i>Financing Social Enterprises</i>, which identifies barriers to finance and makes recommendations to improve provision • ECOTEC published report to the Social Enterprise Unit, DTI, titled “Guidance on Mapping Social Enterprise”³⁰
2004	<ul style="list-style-type: none"> • Futurebuilders launched by the Home Office, consisting of a £125m fund aimed at improving the capacity of the third sector to engage in delivering public services • NHS Foundation Trusts were established as independent, not-for-profit public benefit organizations, with accountability to their local communities over central government
2005	<ul style="list-style-type: none"> • The Labour Party Manifesto committed the Government to working with social enterprises • DEFRA published a position statement on social enterprise that explained how social enterprise contributes to each of DEFRA’s five strategic priorities • NHS Networks creates the first Social Enterprise Network within the health system • The Department of Health initiated a consultation about social enterprises and the role they could play in delivering health and social care • Community Interest Companies are introduced into law • The Third Sector Commissioning Task Force was set up to encourage more third sector provision of primary and social care • The Local Enterprise Growth Initiative (LEGI) was announced in the Budget as a joint initiative between the Office of the Deputy Prime Minister, the Small Business Service, and HM Treasury to support locally developed proposals to stimulate economic activity through enterprise development • Department of Health made £3.8m available through the innovation in Primary Care Contracting Programme to encourage PCTs to make full use of existing contractual mechanisms to commission new services from entrepreneurial GPs and other third sector providers

³⁰ In my role as Project Manager for the London Social Economy Taskforce, an LDA funded post at Social Enterprise London in 2003; I formally participated in this research project by contributing the perspective of definitional issues based on the development of the London-wide sector.

2006	<ul style="list-style-type: none"> • The Office of the Third Sector was established within the Cabinet Office, bringing together the Active Communities Unit from the Home Office, and the Social Enterprise Unit from the Department of Trade and Industry, with it the first Minister for the Third Sector was appointed within the Cabinet and Ed Miliband, MP served in that role • The Social Enterprise Unit was established within the Department of Health and a Director of Social Enterprise was appointed, and tasked with working closely with the Office of the Third Sector • The Social Enterprise Coalition produced the guide <i>More for your Money: a guide to procuring from social enterprises for the NHS</i>, which was supported by the NHS Purchasing and Supply Agency • The Cabinet Office and the Treasury undertook a consultation for the review of the future role of the third sector in social and economic regeneration, which was published the following year, and was part of the HM Treasury Comprehensive Spending Review led by Ed Miliband MP, Minister for the Third Sector • The English White Paper <i>Our Health, Our Care, Our Say</i> promoted social enterprises and community interest companies • The Department of Health's Third Sector Commissioning Task Force published a report titled, <i>No excuses. Embrace Partnerships now. Step towards change!</i> Encouraging PCTs to consider their local voluntary, community and social enterprise organizations when commissioning health and social care services • Office of the Third Sector published <i>Partnership in public services</i>, an action plan for third sector involvement • Office of the Third Sector published <i>Social Enterprise Action Plan: Scaling New Heights</i> aimed at fostering a culture of social enterprise
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Expanded from (Unison, 2007, pp.11-13)

Reflecting on the extent of policy activity undertaken in a five-year period the question emerges- how can one make sense of all of this? What were the drivers behind it, and what were the main objectives put into place? Ultimately, was New Labour's approach to social enterprise support an effective and successful one? To get to these answers, four main policy documents are reviewed to determine how the agenda was set and then developed over a five-year period.

4.2 Analysis of sector review, *Private Action, Public Benefit- A Review of Charities and the wider Not-for-profit sector (2002)*

The Government's approach to social enterprise policy-making is informed by a review of the charitable sector commissioned by the Strategy Unit in the Cabinet Office.

Andrea Westhall, who worked at the New Economics Foundation at the time, authored a publication titled, “Private Action, Public Benefit: A Review of the Charitable and Wider Not-For-Profit Sector”. The document serves as a blueprint for how structural reform within the charitable sector is proposed to take place in order to take into account the diverse range of social and economic activity in Britain’s social economy. In the foreword, Tony Blair sets out the context against which this review takes place:

In the modern world it is simply not possible to have a dynamic and vibrant society and economy without a dynamic and vibrant voluntary sector. While other countries are seeking to build up independent not-for-profit organisations from a very low base we in the UK are fortunate in benefiting from the enterprise and energy of an extraordinary range of charities and other not-for-profit organisations We are also fortunate in that we benefit from such a long and rich history of charitable activity... It has steadily grown in size and influence by harnessing the spirit of community and the benevolent instincts of human nature.

Wise governments respect the crucial independence of the sector. But government has an important role to play in providing support. We have already taken steps to help the sector, including tax changes to support charitable giving, the introduction of the Compact on relations between government and voluntary organisations, and working in partnership on initiatives such as the National Strategy for Neighbourhood Renewal. Most recently, the cross-cutting review has sought ways to overcome the barriers that make it hard for not-for-profit organisations in the sector to deliver high-quality public services and engage in partnership with the public sector. But more needs to be done. Much of the legal context for charity and voluntary action is now outdated... That is why I asked the Strategy Unit to take a look at the law and the regulatory structures which govern the whole sector... (2002, p.5).

In the remainder of the foreword, the Prime Minister goes on to make the case that charity law was established over 400 years ago and that current law was cumbersome and lacked clarity. Blair also draws attention to the emergence of social enterprises stating, “There is insufficient recognition in the legal system of the particular needs of social enterprises, a rapidly growing group of businesses carrying out a wide range of activities for the benefit of society rather than the individual” (2002, p.5). The report is intended to serve the basis for a three-month period of consultation with leaders from the voluntary sector and lays out a range of measures the Government was seeking feedback on as a way to reform the British social economy. What is interesting from this introductory language is the way the voluntary

sector is acknowledged as being beneficial to Britain as a whole because of its function in the larger economy- mainly as a provider of jobs and an access point to the labour market for those who have been excluded from it previously.

While this introduction emphasizes that the motives behind the review are to remove barriers and make it easier for a broad range of organizational types to operate more efficiently, it is also clear that the suggested measures would lead to a historic overhaul of the British social economy. Blair explains the goal, “This report sets out a package of measures which will modernize the law and enable a wide range of organisations to be more effective and innovative, whilst maintaining the high levels of public trust and confidence which are vital to the continued success of the sector” (2002, p.5). The review, “Private Action, Public Benefit- A Review of Charities and Wider Not-for-Profit Sector” sets into motion what becomes New Labour’s wide-ranging structural reform of the British social economy.

Several themes take shape in the review, which subsequently become prominent within social enterprise policy making. First is the notion of how positively charities are viewed by the British public- “Just knowing that an organization is a charity is often enough to give the public confidence to donate money to it. A recent survey found that two-thirds of respondents had high confidence in charities, more than had confidence in the legal system or the church” (Strategy Unit, 2002, p.14). The idea of public confidence in charities is important to New Labour, and is a notion that is repeated in those objectives put forth by the Government when positioning social enterprise in their initial strategy document. As was noted in the previous chapter on outside organized interests, there is an entire working group dedicated to proving the value of social enterprise and promoting the concept to the general public. This idea of public confidence in the charitable sector as a set of institutions is something New Labour is

interested in replicating across the social economy as a whole. Perhaps this is undertaken as a means to extend public trust to the institutions of government as well.

Judi Atkins, in her book *Justifying New Labour Policy*, describes the way in which the ‘Third Way’ as ideology attempted to meet four main policy goals:

...the first of which was a ‘dynamic knowledge-based economy founded on individual empowerment and opportunity’ (Blair, 1998a, p. 7). To this end, government should harness market forces to serve the interests of society as a whole, and should be enabling as opposed to commanding. Second the Third Way endorsed a strong civil society based on reciprocal rights and responsibilities, in which government and communities would act in partnership to promote the common good. Its third goal, meanwhile, was to promote a modern idea of government that was founded upon decentralization and partnership. This entailed a deeper notion of democracy and a greater degree of government accountability (Atkins, 2011, p.83).

The fourth policy objective the Third Way addressed according to Atkins relates to foreign policy, and so is not relevant to the discussion here. Essentially, viewed against the backdrop of the Third Way as ideology, New Labour’s interventionist stance in the British third sector and its reform agenda begins to make sense, especially viewed with consideration of corporatist state theory. Atkins’ work describes the transformation of ideology in the Labour Party from Old Labour with its ties to democratic socialism through to making Labour electable again and re-aligning the party to the values of the Third Way. Atkins discusses the Third Way as a means not only to make Labour electable again, but also as a direct response to the legacy left by Thatcher’s social reform agenda. Atkins describes how the main components of New Labour’s ideology came together early on through initial policy projects which formed an ideological ‘core’. She then reflects on how the changes in these core values changed during New Labour’s time in office.

What is relevant about Atkins’ work is how it can be applied to the case of New Labour and its development of social enterprise policy making. The tensions between the social

democratic vestiges of Old Labour and the efficiency motives within New Labour come against each other even in the framing of the ‘enabling environment’ for social enterprise. The Strategy Unit’s review of the charitable and wider not-for-profit sector which lays the foundation for the Government’s social enterprise strategy that follows on later in the year. In the document, one can identify how language and positioning changes even in this short period of time.

The Third Way as a political ideology shaped the lens through which the Government designed a structural review of the British social economy. It is the first objective Atkins described in the passage above that explains the drivers behind social enterprise and this wider sector-based review. The Third Way espoused that government should strategically manage market forces through innovation, partnership working, and the promotion of an ‘enabling environment’ in order to provide the greatest amount of equity and efficiency to the electorate. Corporatist state theory is also relevant here because it helps to explain the precedent of a party attempting to direct the resources of a specific sector in order to maximize the amount of resource available for the public’s benefit as a whole. The difference here is that the resource in question is social capital, rather than say steel or energy.

This re-constituting of the British social economy as part of this review process is a precursor to the formation of state sponsored social enterprise, which comes next. First, the ‘charitable and wider not-for-profit sector’ is re-drawn here to include social enterprises and a range of other bodies and organizations. In the example of social enterprise, the very first government definition describes it:

...as a term which cuts across distinctions of legal status and legal form...The term is used to describe organisations which trade for a social purpose and which are largely self-financing. Many charities would class themselves as social enterprises on the basis that they generate their

own income and rely on little or no grant aid. Most are becoming increasingly entrepreneurial in response to funding pressures and many have developed trading ventures (Strategy Unit, 2002, p.14).

The Government's goal in undertaking this review is to cast as wide a net as possible and to capture the full range of social and economic activity, taking place across Britain's social economy. The question remains, to what end? Why re-cast the social economy and focus on its value in producing economic benefits? How does this serve state motives?

Another theme that emerges from the Review is how changes in other aspects of the economy have led to structural changes within the British third sector that had prior to the review, gone undocumented as part of the sector. Two key examples given are changes in higher education that led to polytechnics becoming divorced from local authority control. Many of these polytechnics adopted entrepreneurial strategies and positioned themselves to become universities. In these same institutions, social enterprise in academic terms became popular first, ahead of in traditional universities, for the most part because it was more readily understood and embraced by those with experience on the polytechnic side. The second significant structural change the review mentions is the expansion of social landlords, or housing associations, as they took over the operations of council housing stock. An interesting statistic noted in the review is that in 2002, registered social landlords accounted for 54% of the central government funding for all voluntary and community organizations. An interesting idea put forward by the Strategy Unit in the document was, "If RSLs and unregistered housing associations become the 'hubs' of satellite bodies covering a wide range of services under contract or through other relationships, they may in time become Social Investment Agencies and introduce still greater diversity and dynamism into the sector" (Strategy Unit, 2002, p.17).

In addition to these two new areas of the social economy- the polytechnics and registered social landlords, the publication goes on to discuss the composition of the sector by describing the shape and size of the organizations that comprise it. What is remarkable is that in laying out these descriptions, they are done so with a lot of opinion. For example, in the section outlining small charities, the document explains:

Polls suggest that many people think there are too many small charities. However, there is great value in encouraging new charitable endeavours. Small local charities are a vehicle for community involvement; they contribute to diversity; they develop new approaches to local problems; and they identify new needs quickly. As with business, there is merit in competition and diversity. The steady creation of new charities is a good thing. Some will emulate the more successful small organisations and others will eventually develop into large national bodies (Strategy Unit, 2002, p.18).

This report is itself unique and demonstrative of New Labour's original approach to considering policy issues in a way that is both strategic and comprehensive. This is an example of how using Special Advisers within the Cabinet Office, a role considerably expanded under Blair, as a direct consequence brought a greater professional skill set to bear on policy formation. The benefit can be seen in the way the sector is fully analysed with key structural changes that impacted the sector being taking into account alongside a robust analysis of the full breadth of the size and shape of organizations that operate within the sector and an understanding of the various ways in which they make an economic contribution. However, the flip side is that the material is also presented with an agenda in mind, and much opinion is offered alongside fact. This too is different from the way in which reviews had been undertaken previously and marks the potential disadvantages to the increased access and influence Special Advisers are able to yield.

The authors of the Strategy Unit Review choose their demarcation point between a charitable half of the British economy, and what she describes as the 'non-charitable not-for

profit sector'. Without wishing to go over definitional issues again here, suffice it to say these tensions exist even amongst policy-makers at the time. The complications of language alone are a good indicator that what New Labour is attempting to draw together in this process is something that has not been done in conceptual terms previously. Some of the key facts reported in the charitable side are; there are 188,000 registered charities, of which 27,000 are branches or subsidiaries of other charities, and the number of charities has increased year on year by about 1,800 since 1990. In addition it is noted that most registered charities are small and in 2001, the 372 largest charities whose annual income exceeded £10 million also received more than one-third of the total income of all registered charities, which was £26.71 billion. There were 101,711 charities whose annual income was £10,000 or less, or roughly 54% of all registered charities (Strategy Unit, 2002, p.18).

Something noteworthy in the reporting of these figures is that little to no explanation is offered as to why the British charitable sector may be comprised of so many organizations whose annual income is £10,000 or less. Rather than being thought of as small charities, these really indicate micro level activity. What is not explored in the review is the extent to which this may be the sign of people exploiting charitable status for other purposes, or the amount of civic, social or campaigning activity that may be taking place that is somehow better accommodated as its own function, rather than as part of an organization's broader activities. In my opinion, it is too high a figure to leave unexplored in the context of an overview of the social economy as a whole.

4.3 Mapping the ‘non-charitable not-for-profit’ sector

The document goes on to identify what it refers to as a category that is an “under-recognised middle ground, which is neither charity nor business”. They are described as organizations that operate primarily for a social purpose who choose on principle not to distribute profits to investors. The additional defining characteristics are they are small, community-based groups; organizations working for their members; some are employee-owned businesses; and also included are “other types of businesses which operate for a social purpose rather than to make a profit”. The estimate of the size of the number of organizations that operate with these characteristics is between 180,000 and 360,000. They are described as having small levels of income and assets, but high participation and membership. “Such organisations can be extremely important in building trust and cohesion in communities, and in developing the skills of those involved in running them. Government can help them by ensuring that the legal and regulatory system does not stifle small-scale activity” (Strategy Unit, 2002, p.24). Aside from smaller organizations, larger innovative ones are identified as those that trade for a social purpose, for example Fairtrade food producers and recycling and re-use organizations like the Big Issue. This category is estimated as having grown by 9% in 2000 (even though the methods used for identifying that growth are not made explicit) and it is stated that these social enterprise organizations engage with 5.5 million people.

It is noted that several different legal forms are used to organize this activity and that regulation is carried out on four levels; regulation by legal status for example charitable status; regulation by legal form for example Companies Limited by Guarantee or Industrial and Provident Societies; regulation by activity or function and here the example is registration as a social landlord; and finally, self-regulation, for those organizations that are

too small to meet established thresholds.

The main conclusions of the review are that the charities and wider not-for-profit sector make a significant contribution to national life, but there are barriers that prohibit these organizations reaching their full potential, which reformation of the legal and regulatory framework would help to address. It is stated that the Government's overall strategy towards the sector should have four main components; helping not-for-profit organizations play a bigger role in revitalizing communities and empowering citizens; encouraging public support for the sector; helping the sector become more effective and efficient; and enabling the sector to become a more active partner with Government in shaping policy and delivery (Strategy Unit, 2002, p.28).

The sector contributes to national life by; providing vital services; strengthening communities; identifying new needs; representing important interests that otherwise risk being marginalized; contributing to public goods like the environment; and innovating new ways of tackling social problems (Strategy Unit, 2002, p.28). There is something unusual in the way the Government is essentially examining a disparate range of charitable and "other" social benefit activity and pulling it together in order to encourage the growth of these kinds of organizations. It is much more than Government providing an easier operating environment the way perhaps the state might approach making it easier for small firms to operate because they can then in turn generate increased tax revenues and employment opportunities. The language of partnership begins to come through, and rather than merely simplifying the regulatory environment, the stance the Government is taking towards the sector as a whole is much more interventionist than that. This is more indicative of the Government attempting to steer the disparate activity across the British social economy into a

particular direction in order to generate more ‘public benefit’ or ‘social good’. Terms that are both complicated and loaded, but essentially New Labour seeks to align itself with what it sees are the positive externalities the social economy generates.

4.4 Identifying barriers to the sector’s growth

The report identifies a number of barriers, which the recommendations provided at the end of the document attempt to address. The main barriers are listed below, and are useful to reference as many of the barriers identified here pave the way for social enterprises to operate more effectively, as will be demonstrated later in this chapter. The most relevant barriers for the purposes of this study are listed below:

Restrictions on trading and investment inhibit charities’ entrepreneurial activity, and restrictions on campaigning limit the charities’ advocacy role; There are barriers for charities that wish to merge; There is an incomplete menu of organizational forms for the full range of activity undertaken by charities and the wider not-for-profit sector, and some legal forms are in need of updating; there is not enough accessible, relevant and comparative information about charities and other not-for-profit organizations; Greater transparency and accountability, as well as greater public understanding of the sector are needed; some organizations in the sector lack the necessary incentives and support to measure and improve their performance; the lack of an adequate mechanism for updating charitable status makes it harder for the law to keep pace with economic and social developments...Regulation is too onerous for small organizations and those at the start of their lifecycle...(Strategy Unit, 2002, p. 29).

The notion above that regulation does not allow charities to be entrepreneurial enough demonstrates a very different way of thinking about the sector. The assumption that charities should take on entrepreneurial behaviour is itself a product of the zeitgeist of 2002 and the ideological vestiges of ‘The Third Way’.

Janet Newman, in her book *Modernising governance: new Labour, policy and society*,

adopts a methodology similar to that used in this study, where she links political ideology, government policy and the process of implementation. In doing so, Newman generates a table that maps the key themes from the literature that describes the shift from governing (using Thatcher's command and control model) towards governance. The question Newman engaged with was the extent to which New Labour's policies did suggest a significant shift had taken place from one style of governing to the other. The table below, adapted from her work, provides a useful set of propositions against which New Labour's initiation of social enterprise policy-making can be evaluated.

Table 4.3 Governance shifts: propositions

The literature suggests that we are witnessing:

1. A move away from hierarchy and competition as alternative models for delivering services towards networks and partnerships traversing the public, private and voluntary sectors.
2. A recognition of the blurring boundaries and responsibilities for tackling social and economic issues.
3. The recognition and incorporation of policy networks into the process of governing.
4. The replacement of traditional models of command and control by 'governing at a distance'.
5. The development of more reflexive and responsive policy tools.
6. The role of government shifting to a focus on providing leadership, building partnerships, steering and coordinating, and providing system-wide integration and regulation.
7. The emergence of 'negotiated self-governance' in communities, cities and regions, based on new practices of coordinating activities through networks and partnerships.
8. The opening up of decision-making to greater participation by the public.
9. Innovations in democratic practice as a response to the problem of the complexity and fragmentation of authority, and the challenges this presents to traditional democratic models.
10. A broadening of focus by government beyond institutional concerns to encompass the involvement of civil society in the process of governance.

(Newman, 2001, p.24)

Many of the propositions summarized by Newman above can be identified in New Labour's approach to supporting social enterprise, and in its stance towards the British social economy generally. As part of the review of the charitable and wider not-for-profit sector, the Government outlines how it sees the institutions of governing working with organizations in the social economy as a whole, essentially providing how that relationship should be

characterized. The authors summarize:

The Government would like to see a modern, dynamic and diverse sector which continues its tradition of innovation, makes itself accountable and enables diverse communities to play a full role in society. The sector should not duck difficult issues like fundraising costs but have the courage to regulate itself, to explain its ethos, and to educate society about its role. There is a need for the sector to develop better financial sustainability over the long term, and to ensure that it is attractive to a new generation of socially aware individuals and is responsive to their needs and concerns. One of the objectives of the review is to clarify the Government's strategy towards the sector. This is an opportunity to show how different initiatives fit together as part of a coherent overall approach which should be developed in partnership with the sector (Strategy Unit, 2002, p.31).

This process is the beginning of New Labour's engagement with social enterprise. Although many of the initiatives are geared towards the British social economy as a whole, there are three important points raised here. First, the legal and regulatory framework is changed in order to allow social enterprises to be recognized in the legal system for all of the values they hold that distinguish them from their charitable or private sector counterparts. Second, we see where the emphasis on measuring impact in relation to this sector originates and in which context. Third, ideas of partnership working and co-production of policy outputs come to the fore which are then expanded upon in the social enterprise specific strategy. The box below summarizes the Government's strategy towards the social economy as a whole.

Figure 4.4: Government strategy towards charities and the wider not- for-profit sector

The Government's strategy for the sector has four main strands.

Helping charities and other not-for-profit organisations play a bigger role in revitalising communities and empowering citizens:

- building social cohesion and inclusion by involving citizens;
- tackling social problems through enhanced local initiative and responsibility; and
- increasing economic activity and employability in local communities.

Encouraging public support for the sector:

- encouraging participation by promoting active citizenship and volunteering;
- encouraging financial support from individuals and businesses through tax-efficient giving; and
- promoting public confidence and accountability by creating an appropriate legal and regulatory framework.

Helping the sector to become more effective and efficient:

- strengthening the sector's national, regional and local infrastructure;
- ensuring that charities and other not-for-profit organisations have access to appropriate information, advice and support; and
- encouraging the public, private and not-for-profit sectors to share best practice.

Enabling the sector to become a more active partner with Government in shaping policy and delivery:

- promoting and developing the Compact, which sets out the principles by which the Government and the sector will work together;
- promoting effective involvement of the sector in policy development and delivery; and
- encouraging a flexible, streamlined and joined-up approach to funding the sector across government.”

(Strategy Unit, 2002, p.32)

The first and fourth strands are the most relevant for the social enterprise agenda that develops as a result of this review. This is historically the point at which the Government begins to develop the capacity of organizations in the social economy in order to elevate or alter a portion of them so they may participate as partners with Government in public service delivery. Although the framers of these policies would not characterize their actions as being so interventionist, they do become so. In essence, this report re-characterizes what constitutes

the social economy and then identifies economic sections of this sector that have the most potential to then partner with New Labour in designing and delivering public services. As will be detailed in the following chapter when implementation dynamics are explored, while the language stresses partnership, in reality tensions emerge as the relationship between the Government and social enterprises is one that is less about working as equals and is actually more hierarchical in practice.

The report concludes with a summary of how the work will be taken forward. A list of all of the recommendations is included here in Appendix 2. Implementation of the review is described as having four main parts. First, the Active Communities Unit is tasked with developing, broadening, and co-ordinating the Government's strategic approach to the social economy, although it is phrased here as the 'charitable and not-for-profit sector'. It is acknowledged that some of the recommendations require changes in primary legislation whereas other will require changes in Government policy or administrative practice. The implementation programme is assigned to the ACU and other Departments and agencies as appropriate. This is relevant to reflect upon when the Government's first social enterprise strategy is examined in the following section. The Home Secretary is tasked with the responsibility for charity law in England and Wales, and it is explained that after the consultation period for this report, the Active Communities Unit will publish a detailed timeline for the preparation of legislation. It is acknowledged that the legal changes to reform Industrial & Provident Societies will require separate legislation. Finally, the ACU is tasked with publishing a Paper in 2003 setting out the Government's next steps and strategy for the sector (Strategy Unit, 2002, p.90). In Annex 1 of the report, it explains how the work was carried out and who had overall management responsibilities for it. Interestingly, David Blunkett was the Minister assigned to the process. Blunkett has remained an advocate for

social enterprise to this day.

The review is fraught with tensions that continue to play out as the policy agenda for social enterprise develops and moves into the implementation phase. Notably, there is a section in the report titled, “The independence of the sector and the role of government”. It is here that boundaries begin to blur as the document states:

The sector’s independence is vital to its success. But Government has an important role to play in setting the framework within which the sector operates. The Government wants to support a not-for-profit sector which is modern, dynamic, innovative, accountable, and engages with diverse communities. The Government’s strategy towards charities and the wider not-for-profit sector aims to encourage public support, help the sector to become more effective and efficient, and enable the sector to become a more active partner with Government in shaping policy and delivery (Strategy Unit, 2002, p. 7).

It is not clear why the Government has ‘an important role to play in setting the framework within which the sector operates.’ Perhaps as a regulator, but at the end of the day, the history of the British social economy has often been to take on the work that government is unable or unwilling to engage in (Harris, 2003).

This begs the question, why does New Labour see itself as needing to play such a strong *interventionist* role? The motives behind New Labour’s engagement in social enterprise are in part explained by the use of the Third Way as the description of their political approach. The rationale for intervening specifically can also be traced to the increased influence held by special advisers with a background in think tanks and policy research. There already existed a line of political argument that promoted social inclusion while prioritizing efficiency. Therefore, the architects of New Labour’s social enterprise strategy would have thought it justified to direct the apparatuses of the state to create a level playing field between private sector companies and those that delivered social and environmental benefits as well.

This scrutiny of the charitable and ‘wider not-for-profit’ sector as a whole is explained within a wider policy context. The review refers to the changes already made by New Labour during its first term in office; the initiation of the Voluntary Sector Compact, changes in the tax code to promote charitable giving, initiatives to promote volunteering, and programmes to promote partnership working with central and local government. The example cited is the National Strategy for Neighbourhood Renewal, which in chapter five, the data from this research shows actually played a significant role in developing social enterprise at community-level. In addition to this report, an earlier one titled, “The role of the voluntary and community sector in service delivery” addressed public service delivery opportunities and improved access to public regeneration funding.

How can we understand New Labour’s approach to policy-making in broader terms? Although based on the American system, James Anderson’s work (2000) describes different categories of policies. His model is summarized below:

Table 4.5 Anderson’s model of differing categories of public policy

CATEGORIES OF PUBLIC POLICIES	DESCRIPTION
1. Substantive versus procedural policies	
Substantive policies	Substantive policies involve what the government is going to do and directly allocate advantages and disadvantages, benefits and costs, to people.
Procedural policies	Pertain to how something is going to be done or who is going to take action
2. Distributive, Regulatory, Self-Regulatory, and Redistributive Policies	
Distributive policies	Involve the allocation of services or benefits to particular segments of the population- individuals, groups, corporations and communities.
Regulatory policies	Impose restrictions or limitations on the behavior of individuals and groups.
Self-regulatory policies	Involve restricting or controlling some matter or group- they are more controlled by the regulated groups as a means of protecting or promoting the interests of its members.
Redistributive policies	Involve deliberate efforts by the government to shift the allocation of wealth, income, property, or rights

	among broad classes or groups of the population.
3. Material and Symbolic policies	
Material policies	Either provide tangible resources or substantive power to their beneficiaries, or impose real disadvantages on those who are adversely affected.
Symbolic policies	Have little real material impact on people. They do not deliver what they appear to deliver; they allocate no tangible advantages and disadvantages. They appeal to people's values, such as peace, patriotism, and social justice.
4. Policies involving Collective Goods or Private Goods	
Collective (indivisible) goods	If they are provided for one person, they must be provided for all. One person's consumption of a public good does not deny it to others. (National defense)
Private (divisible) goods	May be broken into units and purchased or charged by the individual user or beneficiary, and are available in the marketplace. Others may be excluded from their use.

Summarized from (Anderson, 2000)

Anderson's policy typology is a useful one in that when applied to New Labour's social enterprise agenda it provides a framework through which the various ways the Government uses social enterprise can be identified. Within the first wave of social enterprise policy-making, several different types of policy are used. The inclusion of social enterprise in health policy is an example of a substantive one, in that it marks the continued opening up of publicly funded health and creates a mixed market approach.

Anderson's description of the distinctions in the electorate's mind between goods that are private and those that are public is useful when it comes to parsing out where market opportunities for state sponsored social enterprise exist. Anderson explains:

Various social goods provided by government (garbage collection, postal service, medical care, museums, public housing, and national parks) have some characteristics of private goods. Charges and fees are sometimes, but not always, levied on users. Whether such goods, which conceivably could be provided by the market economy, will be provided by the government is a function of political decisions influenced by tradition (parks), notions of the proper functions of government (the post office), the desire of users or beneficiaries to shift some of their costs to others...Generally, the more something is thought to have the qualities of a public good, the more likely people are to accept its provision by government. If it seems clear that some benefit more directly than others, there may also be a desire to levy

charges, fees, or taxes on the direct beneficiaries to cover part of the cost (Anderson, 2000, p.16).

4.5 Analysis of HM Treasury's review, *The role of the Voluntary and Community sector in Service Delivery*

In 2002, the Treasury published a report examining the role of the voluntary and community sector in public service delivery. The objective of the report was to identify both the barriers these organisations face and the potential they have to deliver public services on a basis where they provide increased social good and an efficient price for such good. The language remains both aspirational and full of assumptions- both characteristics which remain and become embedded in the language of the Government's subsequent social enterprise strategies. This is most clearly demonstrated in some of the introductory text to the report:

This Government is passionately committed to the work of the voluntary sector. We believe that voluntary and community sector organisations have a crucial role to play in the reform of public services and reinvigoration of civic life. We in government cannot do this on our own. So, as we begin the 21st century we look again to the voluntary and community sector to help us rekindle the spark of civic services that fires the building of strong civic communities; to reform the operation of public services and build a bridge between the needs of individuals living in those communities and the capacity of the state to improve their lives.

Our aim must be to build a new partnership using the sector's strengths to challenge and stimulate new ideas, complement our shared objectives and take forward the development of social policy generally. This partnership is about fresh ways of thinking through the role and structure of government and the voluntary sector and the way we deliver public services (HM Treasury, 2002, p.3).

The authors of this report describe the purpose as directly informing the Comprehensive Spending Review of 2002 to specifically examine how to change the mechanics of public service delivery in order to include VCOs within it.

The publication includes a section that describes the process the team went through to conduct it. The overall work was steered by a Ministerial group which was chaired by the Financial Secretary to the Treasury of the time, Paul Boateng. In addition to this, a steering group was established with Mavis McDonald serving as the chair, who was at the time the Permanent Secretary at the Cabinet Office. The steering group also included representatives from the voluntary and community sector. The work of the report was undertaken in five working groups: service delivery; social and community enterprise; capacity; the funding relationship; and the development of the Compact. A separate working group managed by the Home Office researchers carried out the mapping work on funding flows from government to the voluntary and community sector. Finally, all five working groups had contributions from representatives from the VCS and were staffed by Treasury officials. The working groups met between three to four times each (Treasury, 2002, p.11).

Why does the process of the review matter to the analysis here? It seeks to redress a gap within existing scholarship which not only does not engage in political analysis enough, but then often misunderstands the process of how policy objectives come about. Further, it demonstrates the extent of New Labour's commitment to these broader questions of the relationship between the modern British state and British civil society. The fact that two processes were conducted simultaneously within different branches of the British policy-making machine and at the highest level of decision-making is also revealing. While the Cabinet Office report does get mentioned in some scholarly literature, considerably less attention is paid to the Treasury Review, and rarely if never are they discussed as two parts of

the same process- one that led directly to the development of New Labour's social enterprise policy framework.

Further, the depth of the process also speaks to New Labour's commitment to consultation, and the way in which carrying out the review itself served as an awareness-raising campaign within Whitehall departments. If nothing else, Treasury officials were actively engaged in issues such as how the voluntary and community sector was funded and the role they played at the time in public service delivery.

There is a portion of the report that discusses the sources of income for the British voluntary and community sector, relying in data provided by the National Council of Voluntary Organisations (NCVO) and The Home Office's Local Voluntary Activity Surveys. The review picks up on the disparities in income distribution amongst voluntary and community sector organisations in two different English regions by comparing London to the North West. It was reported that under the category of 'general charities', London charities had total annual incomes of £7.5 billion compared to £1 billion per year in the North West in 1998-99. The Home Office's Local Voluntary Activity Surveys demonstrated that across fourteen socio-economically representative areas in England, the average income of voluntary and community organisations "varied by more than tenfold" (HM Treasury, 2002, p.16). The conclusion the report draws from the data presented is that the voluntary and community sector is a diverse one comprised of a large number of small organisations but where a smaller minority receive the greatest amount of funding.

When it came to the question of regional distribution of public sector funding for the voluntary and community sector, it was reported that based on data gathered from 2000-01, London was in receipt of almost twice as much funding per person, at £117, as the rest of the

regions- with the East receiving the smallest amount per person of £41 (HM Treasury, 2002, p.16). Additional facts reported that are interesting to consider are that in 2000-01, local authorities allocated a total of £1.1 billion to VCOs in England, while central government and their associated agencies provided £1.8 billion to the sector. The local authority allocation of spending had doubled from 1.5% of total authority spending during the 1980s to 3% of total authority spending in recent times. The report drew the conclusion that while some data was available, there were problems in the availability of detailed data. However, the one key conclusion that could clearly be claimed was that the public sector was becoming an increasingly important source of revenue for the voluntary and community sector, and that there was a clear precedence of practice where VCOs were actively delivering public services at various levels of government.

In another section of the review, the authors lay out a structure for what the relationship between the voluntary and community sector and the state in public service delivery may look like, and it is in this portion of the report that some key assumptions about why the state is interested in potentially increasing the role of VCOs in public service delivery are laid bare.

First, the report puts forth that a particular service as funded by the state can then have that service delivered in one of three ways. First, the state can deliver the service itself at either national or local government level. Second, the market or 'for profit' sector can do the delivery. Or third, the voluntary and community sector can deliver the public service. What happens next in the report is illuminating, because the assumptions about the value of VCOs are revealed:

Some hold that there are services- especially those to vulnerable or hard to reach groups- that the VCS is especially better placed to deliver than either the State or the market. And others go even further and claim that the VCS' ability to bring special skills and experience to service delivery- to bring its own unique 'added value'- make it the presumed provider of *all* public services...Although not always inherently better than other providers VCOs may yet have a *comparative advantage* in relation to other sectors in *certain kinds of policy environments*...VCOs may therefore be able to deliver services more effectively to certain groups because their particular structures enable them to operate in environments which the State and its agents have found difficult or impossible. *And these structures enable them to demonstrate more easily a range of specialised skills and experience needed to deliver services* (HM Treasury, 2002, p.19).

Within this cross-cutting review, New Labour makes the case for voluntary and community organisations to play a key role in public service delivery. VCOs are prioritised according to decision-makers in the Treasury because of their ability to reach marginalised groups and their ability to have what is deemed a comparative advantage when viewed against either the public sector or the private sector. What is also a new argument put forth is the value VCOs have in *designing* services, which is also pitched as an advantage when compared to their private sector counterparts. As Table 4.6 below demonstrates, Treasury officials build a case for why VCOs should be promoted as deliverers of public services based on five specific characteristics.

Table 4.6 The case for prioritising VCOs in public service delivery.

<i>Specialist knowledge, experience and/or skills</i>	This may come through direct experience of the user perspective. An example of this might be ex-addicts working on a drug rehabilitation programme or ex-offenders working with young criminals.
<i>Particular ways of involving people in service delivery whether as users or self-help/autonomous groups</i>	An example here would be an organisation working closely with users themselves or their families and friends to plan and deliver services.

<i>Independence from existing and past structures/ models of service</i>	VCOs are not bound by structures or rules in the ways in which more traditional public sector agencies are. They are independent and so can try to deliver services in new and innovative ways.
<i>Access to the wider community without institutional baggage</i>	Public service workers are often perceived as representatives of an authority which certain groups have learned to mistrust. The VCS is independent of government and therefore free to be unequivocally on the user's side
<i>Freedom and flexibility from institutional pressures</i>	The sector can offer responsive services which are user-centred as they are not driven by budgets and targets within the public sector. At best they can be flexible and innovative rather than prescriptive.

Adapted from (HM Treasury, 2002, p.19)

There are a clear set of operating principles and values underpinning the model laid out above, where the experience and trust of the user is at the heart of decision-making regarding accessing public services. What is most interesting is how two different approaches to the third sector emerge during 2002, and are to some extent encapsulated in the different language used to describe the sector within these two reviews, published in the same year. It appears that in 2002, the Cabinet Office's positioning of social enterprise as 'businesses first and foremost' wins out against the Treasury's notions of social enterprise as one of a range of models rooted in civil society. The argument goes in swings and roundabouts, and as this research will demonstrate- the first wave of policy making anchors social enterprises within the small to medium sized enterprise agenda. While the second wave, which begins with the

establishment of the Office of the Third Sector in 2006, transitions social enterprise back into the evolving discourse on the third sector.

The architects of the report also managed case studies to test some of these ideas. The lessons drawn from case studies of VCOs in adding value to service delivery, led them to a series of findings to guide policy development:

1. There are many different ways in which the VCS can add value to service delivery, from designing and planning services to direct service delivery. There is not one option but a spectrum of options for engagement.
2. The VCS can innovate but innovation needs to be managed, nurtured and evaluated.
3. In contracting with the VCS to deliver services, Government must ensure that regulation is proportionate and the independence of the sector is recognised. The greater the regulation the greater the risk that the best features of the sector are smothered.
4. Policy makers need to recognise that there is a significant lead-in time where new partnerships are being established to deliver services. The profile of funding and monitoring of outputs needs to reflect this (HM Treasury, 2002, pp.19-22).

The Treasury's review of the voluntary and community sector is a unique event, contained within a series of unusual activity taken towards re-framing the British third sector in relation to the state. The publication heavily cites critical academic texts and then puts forward its own interpretation. To a large extent, the process itself, particularly these two cross-cutting reviews that were undertaken by different parts of Whitehall at the same time, are an example of innovation in policy-making.

The authors of the report go to some length to stress the importance of transparency and accountability throughout the review process, and findings are presented as part of a well-constructed and clearly referenced argument. One would not normally expect to find policy makers within Treasury contemplating the role of the voluntary and community sector in generating added value in service delivery because of their location in accessing the most marginalised members of British society. Part of what this research aims to emphasize and

call attention to is how at almost every step of the policy formation process for social enterprise, New Labour took decisions and engaged in processes that were unusual and lay outside of traditional modes of policy making. In identifying and then analysing these actions, a clearer picture emerges of why various policy objectives were chosen and priorities over others, and to some extent, why Britain is now positioned as a global leader for social enterprise. In analysing these two reviews, some of Kingdon's principles of how policy ideas compete, mix and evolve, and the role policy entrepreneurs play in 'softening up' policy communities is demonstrated.

The last section of the report that is considered in this analysis is the portion that specifically discusses social enterprise. The wider positioning of the voluntary and community sector was included in this chapter as it was the precursor for the Government's subsequent identification and prioritisation of social enterprise as a preferred model within the range of organisational types within the voluntary and community sector generally.

Social enterprise is framed within the document as 'social and community enterprise' and receives its own section of the final report. What is particularly revealing is how the language used by the Treasury in positioning social enterprise is different from how the concept is described within the Social Enterprise Unit in the Department of Trade and Industry. In 2002, when this review is published, later on in the same year the Government's Strategy for Social Enterprise is also released. However, four years later, the view of social enterprise from Treasury is the one that essentially wins out in the competition of ideas that takes place internally within Whitehall. The Social Enterprise Unit in the Department of Trade and Industry is moved to the Office of the Third Sector in 2006.

The authors of the Treasury report define social enterprises as, “not for profit businesses driven by social objectives. They are an expanding part of the wider voluntary sector. And, in reality, there are a substantial number of VCOs that share some of the characteristics of social enterprises” (HM Treasury, 2002, p.27). While the DTI definition of social enterprises is then referred to, this is further qualified by the statement, “understanding social enterprise is therefore about identifying key characteristics common to such businesses rather than defining specific organisational forms. Social enterprise has more to do with what drives an organisation than how it is constituted. That is why social enterprises are said to be, ‘value-led, market driven’” (HM Treasury, 2002, p.27). This last piece is a direct reference to Westhall’s take on social enterprise as put forward in the Cabinet Office’s strategic review discussed earlier in this chapter. Case studies were also put together by Treasury to test the role of social enterprises in public service delivery. The lessons learned from those case studies are that social enterprises can “demonstrate entrepreneurial leadership; act as intermediate organisations delivering a wide range of services under contract; create training and employment opportunities- especially for excluded groups; build social capital; and lever in additional finance” (HM Treasury, 2002, p.27). The text then directly references the Government’s social enterprise strategy.

It should be noted that while the argument is made here that the two cross-cutting reviews should be viewed as a pre-stage in social enterprise policy formation, this author acknowledges that they were published very close to the time of the Government’s social enterprise strategy. However, the case being made is that while findings were published at a similar time as the first policy framework for social enterprise, the consultation processes that went on during first the Cabinet Office’s review and then HM Treasury’s review directly contributed to the thinking that went into the Department of Trade and Industry’s strategy.

Further, the fact that these two reviews took place demonstrates the level of commitment for social enterprise decision-makers within New Labour possessed and just how unique a time setting it was.

In analysing these two reviews, the language used within them, and the process approach taken, one can identify specific social enterprise discourses that change over time and based on which policy entrepreneurs are championing the ideas internally at any given time. This is an important point to make for the emerging scholarly literature, particularly as the current Coalition Government applies social enterprise in a third and different context yet again. For researchers engaged in studying this phenomenon, it is important to recognize the malleable nature of the varied concepts applied to social enterprise and the myriad ways in which it is used to fulfil differing political agendas. This research goes in some way towards demonstrating the tensions outlined in Dart's 2004 piece which question the extent to which social enterprise is a neo-liberal strategy to undermine charitable giving, or a radical interpretation and evolution of capitalist theory. While this debate continues, by undertaking a historical case study and mapping the emergence of policy support for social enterprise, a baseline is created against which future research may be conducted.

Chapter 5: The launch of the ‘enabling environment’ for social enterprise

5.1 Introduction

In this chapter, the policy framework put into place by New Labour is analysed. Beginning with the publication of the Government’s *Social Enterprise: A Strategy for Success* document (DTI, 2002) developments over a four-year period are examined, with attention paid to how policy objectives changed over time. In chapter three, different threads of state sponsored social enterprise were identified, as was the way that policy ideals evolved over time as they were put forward and championed by policy entrepreneurs. In this chapter, the same myriad policy discourses can be identified. New tensions emerge amongst policy entrepreneurs as the agenda moves from the idea phase through to implementation.

The analysis begins with the Department of Trade and Industry’s Social Enterprise Strategy (2002) and moves on to the Government’s Progress Report (2003). The chapter concludes with an overview of the Action Plan, which marks the end of the first wave of policy making to support social enterprise. These policy documents are analyzed because they track the beginning of the Government’s strategy for social enterprise and its subsequent implementation. While other social enterprise policy objectives were embedded across a wide range of departmental initiatives, this chapter focuses mainly on 2002-03 and the overarching work of the Social Enterprise Unit (SEU). The analysis presented here concentrates on the framework for social enterprise support as put forward by the SEU, and emphasizes the role the Unit played in both policy development and coordination between 2002 and 2006. What is interesting to consider is the concept that the Social Enterprise Unit, as housed within the

Department of Trade and Industry specifically, would be able to effectively take on the coordinating role prescribed to it, and that this role was in fact needed in the first instance.

By analyzing the policy objectives put into place for social enterprise development, this chapter builds on the idea put forward by New Labour of the ‘enabling environment’ and seeks to identify what it was comprised of in practical terms. This is undertaken in order to shed light on the extent to which New Labour’s approach was a successful one and to provide a baseline for future research into ongoing social enterprise policy initiatives.

The chapter covers:

- The ‘enabling environment’ as an innovative approach to social enterprise development
- How ideas of partnership working and collaboration as methods of policy formation were popularized under New Labour and applied to this agenda
- Key policy documentary analysis from 2002-2006
- The advancement of partnerships within the collaborative policy model put forth by New Labour as a means to engage key players from the UK social enterprise scene (outside organized interests)
- The emergence of ‘state sponsored social enterprise’. This comes forward through a range of policy measures introduced, and creates a demarcation between the state’s view of social enterprise as distinct from the ideal of social enterprise as rooted in British civil society. *While components of state sponsored social enterprise can be identified, it is not presented as a cohesive strategy.*

- Tensions begin to emerge between the state's view of social enterprise from those that consider themselves working outside of government's reach in an 'independent' sector.

Ultimately, with the 2002 publication of the Government's social enterprise strategy, New Labour begins what can be described as an interventionist role in social enterprise development. Through the creation of the 'enabling environment', the Government's policy language for the set of regulatory changes and business development incentives set into action, New Labour initiated long-lasting changes to the British social economy, and re-defined the relationship between the social economy and the state.

Chapter four explored the way New Labour used cross cutting thematic reviews as a mechanism to identify policy problems and generate workable solutions. Chapter five moves the discussion forward by identifying and investigating the policy framework and specific objectives New Labour put into place to develop social enterprise in Britain. One of the key findings generated by this research is the observation that without New Labour's holistic and comprehensive approach to developing social enterprise, Britain would most likely not hold the position currently as the global leader in this new field. How long Britain will maintain this position is as yet unknown.

The analysis presented here in chapter five ends with the 2006 *Social Enterprise Action Plan*. The report was the Cabinet Office's Office of the Third Sector's hallmark publication, as it was the first statement about the field to come out of the newly established Office. This is the last policy document analysed for this doctoral research because it signalled a change in leadership within New Labour as Blair stepped down and Gordon

Brown took over as Prime Minister. The first wave of social enterprise policy-making came to an end, and a second-wave began, which lies outside of the parameters of this research.

The *Action Plan* is evaluated because it becomes an example of how policy objectives changed over time. It demonstrates how the discourse evolved and which ideas won out within the wider debate on social enterprise. It is at this time that the Social Enterprise Unit within the Department of Trade and Industry was disbanded, and the Office of the Third Sector was established within the Cabinet Office. This change marks a significant shift in the passage of time between a first and second wave of policy-making. In the first wave, there exists the idea that social enterprise should be seen as another type of mainstream business and aligned with small to medium sized enterprises, a notion that disappears from policy making after 2006.

These policy documents are analyzed because they track the beginning of the Government's strategy for social enterprise and its subsequent implementation. While other policy initiatives took place, particularly around 2005 with the development of social enterprise within the public health agenda, the analysis focuses on this set of documents because they comprise the core of New Labour's overall approach and vision for social enterprise in Britain. By analyzing the policy objectives put into place for social enterprise development, this chapter builds on the idea put forward by New Labour of the 'enabling environment' and seeks to identify what it was comprised of in practical terms. This is undertaken in order to shed light on the extent to which New Labour's approach was a successful one and to provide a baseline for future research into ongoing social enterprise policy initiatives.

Much of how New Labour approaches social enterprise as an agenda, from policy formation through to implementation, demonstrates key themes in how New Labour

approached social policy generally. The main themes that bear out in this research are changes in the Government's approach to governance, moving from a hierarchical to a multi-level system. Devolution significantly shaped social enterprise policy design, and the Government of the day created incentives and a strategy from the centre, with room for the regions to co-design additional policy objectives further down the implementation ladder. Innovation can be identified in how policy measures were designed and delivered, with partnership working and collaboration key components of the Government's approach. Finally, one can identify evidence of the Third Way in action, as policy approaches promoted equity and efficiency, as equally important concepts, alongside one another.

5.2 Analysis of New Labour's *Social Enterprise: A Strategy for Success*, Department of Trade and Industry (2002)

The Social Enterprise Unit was established in the autumn of 2001 and placed within the Department of Trade and Industry by New Labour in order to coordinate Government's actions to support social enterprise. The strategy document is eighty-one pages long, and begins with the Government's definition of social enterprise:

A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners. Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy. By using business solutions to achieve public good, the Government believes that social enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy. Social enterprises are diverse. They include local community enterprises, social firms, mutual organisations such as co-operatives, and large-scale organisations operating nationally or internationally. There is no single legal model for social enterprise. They include companies limited by guarantee, industrial and provident societies, and companies limited by shares; some organisations are unincorporated and others are registered charities (DTI, 2002, p.7).

The passage above describes New Labour's framing of social enterprise, where it is cast as a hybrid business model. The language used here is reminiscent of the aspirational ways in which the Third Way is presented in discourse terms earlier in New Labour's time in power. New Labour described social enterprises as "business solutions to achieve public good", and made the claim social enterprises have a role to play in creating a "strong, sustainable and socially inclusive economy". It is in the framing of social enterprises primarily as business-centered solutions, rather than prioritizing social or environmental motives, coupled with the identification of the value of social enterprises in building a socially inclusive economy where the emergence of a new form of social enterprise begins to take shape.

In this first wave of policy-making, social enterprise is set out as activity that is distinct from the third sector, and divorced from charitable activity. As will become clear in this chapter and the next, this had two significant consequences. First, social enterprise was mainstreamed into small to medium-sized enterprise business support and policy making. A wide-reaching awareness campaign was undertaken to breakdown barriers in access to finance. Social enterprises were held up as ideal types- robust, fiscally responsible organisations. Because of this, a lot of time, money and energy were devoted to defining social enterprise and clarifying its messaging. As this chapter explains, on the one hand, this bold approach to position social enterprise as part of the mainstream private sector economy was innovative and could help explain why the UK maintains its position as a global leader in this area. On the other hand, because this positioning of social enterprise was so contradictory to what it looked like in practice, as it existed historically in the British social economy, there was a significant initial backlash from voluntary sector organizations. In the online resource *Charity Times*, an archived article from their Jan-Feb 2007 edition highlights the tensions felt

between social enterprise as supported by the then Government, and leaders from within the voluntary sector. David Adams writes:

Few things irritate the charity sector more than politicians sticking their oars in, and it's possible to see how politicians in government and opposition praising social enterprises to the skies could be galling for those working for charities, already irritated by the fact that when their own organisations are mentioned by politicians it is most frequently with reference to PSD (public service delivery), rather than other aspects of the sector's work (Adams, 2007).

Mr. Adams goes on to highlight what many broadly in the UK social economy experienced, namely that the boundaries between socially entrepreneurial activity and charitable activity were incredibly porous. Key leaders are quoted in the article from Social Enterprise London, National Council for Voluntary Organisations, and the All Saints Action Network, explaining that many social enterprises were started by charities.

However, it took a number of years before the charitable sector, and key organizational bodies like the National Council of Voluntary Organisations and the Charities Aid Foundation were willing to engage in discussions on social enterprise. New Labour launched its first strategy for social enterprise in 2002 and placed the emphasis of social enterprises as businesses first and foremost. New Labour then faced significant resistance to how social enterprise was framed. A shift occurred when Gordon Brown came to power, and with his subsequent appointment of Ed Miliband as the first ever Cabinet-level Minister for the Third Sector. It is at this point in time, in 2006, that social enterprise moved out of the Department of Trade and Industry and away from policy initiatives for small to medium-sized enterprises. It was instead relocated within the newly created Office of the Third Sector. Policy language changed considerably during this time period from 2002-2007, and the establishment of the Office of the Third Sector becomes a demarcation point between a first and second wave of policy support for social enterprise under New Labour. An example of

how these tensions played out in the discourse in real terms can be found in an information booklet prepared by Social Enterprise London.

The original booklet was titled, “Introducing Social Enterprise”, was published by the organization in 2001, and downloaded thousands of times. By 2007, Social Enterprise London had re-incorporated as a Community Interest Company, and re-branded and updated the booklet by titling it, “Social Enterprise in the Third Sector”. The debates around language and definitions became so magnified that Social Enterprise London included in the beginning of its free download introducing social enterprise a reference to the ongoing definitional debate:

This publication provides an introduction to the many forms of social enterprise. In establishing a new social enterprise, the principle that ‘structure follows strategy’ is important. Social entrepreneurs, who can be individuals or whole communities should first focus on developing viable business strategies. Once the objectives are clear the community can adopt the appropriate structure from the options open to them. Which form of social enterprise is best will depend on the circumstances and people involved. A good structure allows flexibility for growth and changing needs. The typology given here should not be interpreted rigidly: in some cases new ways of organising will be called for, and many interesting developments tend to spring up at the interfaces between existing types of organisation.

A regular cause of upset in this sector of the economy are labels and definitions. Trying to accurately define a social enterprise can be very difficult. If you are engaging with social enterprises for the first time, we hope the information here will help you recognise the characteristics shared by all socially enterprising organisations. But do not be put off by any language, acronyms or classifications. Use them if they help, but be confident about ignoring them if they do not. Above all, remember that social enterprise is a concept or movement, not a tightly defined business model. This concept has an important role to play in the 21st century economy and will present good business opportunities. As with all business development, creativity and innovation is called for (SEL, 2002, p.5).

SEL’s attempt to re-cast social enterprise in terms that are different from New Labour in 2007 to shift discourse is important to keep in mind as the Government’s initial foray into policy-making is analysed.

Returning to the Government’s 2002 *Social Enterprise: A Strategy for Success*, New Labour set out its stall, and to a large extent unintentionally defined a new type of social

enterprise- state sponsored. As was expressed in David Adams' article and the publication by SEL on social enterprise in the third sector, as well as in the breadth of research papers presented at the Social Enterprise Research Conference in 2005, and 2006, social enterprise became a label used to describe a broad range of social and economic activity. Some of this activity existed informally or on a micro scale at the margins. An example of a micro social enterprise operating at the time can be seen in the example of MillRace IT, a social firm based in Essex that trained those suffering from long-term mental illness. This can be compared to another social enterprise established at the time, the Oxford, Swindon and Gloucester Cooperative Group³¹ that had £738 million in annual sales in 2010-2011³². In taking an interventionist stance in supporting social enterprise, New Labour grouped a broad range of organizational activity into what it identified as an emerging sector within the British economy. Previously, as evidenced by Roger Spear's empirical work with the EMES Network, social enterprise often happened at the margins, where there was the absence of a critical mass (Spear, 2001). New Labour, through its policy language and initial Strategy for Success document, at this juncture grouped this disparate activity into what it defined as an emerging sector. Suddenly, organizations that would not have worked together previously, were then instructed by the Government they should be collaborating and that they have much in common with each other.

As becomes clearer in chapter five, when the implementation dynamics of this initial strategy are examined, the way New Labour framed social enterprise and identified it as a distinct sector created considerable tension amongst those running voluntary sector organizations and social enterprises across Britain. In addition, before New Labour's interventionist role in social enterprise development, people who operated these organisations

³¹ Now re-branded at the Midcounties Co-op, but in 2002 was OS&G.

³² See www.millraceit.co.uk, or www.midcounties.coop for more information [Accessed 1st June 2012].

often expressed their struggle to identify what they had in common with each other. During initial gatherings of the London Social Enterprise Network (a London Development Agency funded project managed by Social Enterprise London in 2003-05) early adopters of social enterprise were drawn to the way in which social enterprise as a process, or alternative business model, enabled them to achieve what was then referred to as the ‘double’ or ‘triple bottom line’ (Somers, 2005). It was a method by which those interested in doing things differently to the accepted norm could organize their operational activity. However, individuals, who were identified as ‘leaders’ of the time, complained that it was hard to draw out similarities between social enterprises that used different business models (Interview data, Crooks and Tranchell, 2005). Three examples of successful London-based social enterprises operating at the time were Green-Works, Greenwich Leisure, and the Day Chocolate Company.

In order to understand the breadth of diversity that existed in 2002 amongst this group of self-identifying leaders, it is insightful to compare Greenworks, Greenwich Leisure, and the Day Chocolate Company with each other. Colin Crooks, Mark Sesnan, and Sophi Tranchell were the three CEOs of Green-Works, Greenwich Leisure, and the Day Chocolate Company. Green-Works recycled unwanted office furniture from large corporations by promoting re-use and recycling in order to decrease waste that went to landfill. They also hired the long-term unemployed and offered additional training and support to their employees³³. Contrast this with the model used by Greenwich Leisure. Greenwich Leisure operated leisure centres across London using a cooperative business model. Finally, the Day Chocolate Company produced fair trade chocolate, which retailed under the name Divine Chocolate. All three social enterprises were based in London, and active in marketing

³³ For more information about how the organization operates, go to www.green-works.co.uk [Accessed 10th September 2012].

initiatives and participating in advocacy managed by Social Enterprise London, and organization that served as a formally constituted outside organized interest. Mark Sesnan and Sophi Tranchell served on SEL's board of trustees and did so for the majority of the years that the organization operated.

According to data gathered from interviews held at the time and participant observation during policy consultation, these early leaders pushed New Labour to portray social enterprises as businesses first. However, they did not expect to be grouped together in one category. Each of these leaders expressed their concerns, as they could not readily identify what they had in common with each other (Interview data, Crooks and Tranchell, 2005).

New Labour identified specific ways in which social enterprises could help the Government with its social policy agenda. It highlighted five areas where social enterprises held particular value; 1) driving up competitiveness and productivity economically, 2) creating wealth through sustainable economic activity, 3) neighbourhood and urban renewal and regeneration, 4) public service delivery and reform, and 5) social and financial inclusion by promoting social capital and active citizenship (DTI, 2002). Next, the Government set out the challenges social enterprises faced when it came to growth, and then ended the original strategy with the launch of what New Labour referred to as the launch of the "enabling environment". The strategy document also included two additional sections, one titled "making social enterprises better businesses" and then concluded with "establishing the value of social enterprise". These sections are discussed in detail in the following section (DTI, 2002).

New Labour set out its strategic vision for social enterprise and cited it as a means through which five key policy objectives can be achieved:

- Helping to drive up productivity and competitiveness
- Contributing to socially inclusive wealth creation
- Enabling individuals and communities to work towards regenerating their local neighbourhoods
- Showing new ways to deliver and reform public services
- Helping to develop an inclusive society and active citizenship (DTI, 2002, p. 7).

The Government went on to explain the characteristics of social enterprise that it valued. Social enterprises were described as being able to gain independence and autonomy through trading; possessing entrepreneurial, innovative, and risk taking behavior; adopting flexible and adaptable practices; maintaining a focus on customers and community; promoting stakeholder engagement; encourage democratic participative management; delivering socially and/or environmental and financial benefits; and were deemed financially viable- gaining their income from selling goods and services (DTI, 2002, p.16).

The Government's *Social Enterprise: A Strategy for Success* in many ways extended the policy groundwork laid out by the wider review of the charitable and third sector that preceded it. The notion of partnership work was extended. In the strategy document, New Labour made explicit the action points the Government was responsible for, and the areas those working in the sector would need to deliver. Partnership within the Strategy took on two forms. First, New Labour committed to 'promoting and sustaining' social enterprise activity at national, regional and local levels. This promise of engagement appeared to be a direct result of pressure exerted by external stakeholders from the broader social enterprise community. Presented within the text almost as an exchange for such support, New Labour then set out how social enterprises could play an important role in helping to deliver many of the Government's key policy objectives. This was described as; "helping to drive up productivity and competitiveness; contributing to socially inclusive wealth creation; enabling individuals and communities to work towards regenerating their local neighbourhoods;

showing new ways to deliver and reform public services; and helping to develop an inclusive society and active citizenship” (DTI, 2002, p.19). Third Way thinking came through in the language New Labour used to describe the attributes of social enterprise and even in its use of a ‘strategic approach’ to the sector in the first instance. The Third Way as an expression of political values had a significant impact on shaping social policy discourse. Social enterprise, in terms of the discourse used by New Labour and the way policy support was designed and framed, demonstrated the party’s engagement in Third Way thinking as a significant influencing factor.

On the one hand, there was evidence of innovation. The key tag line in the strategy document is “Dynamic and sustainable social enterprise, strengthening an inclusive and growing economy (DTI, 2002, p.19). The idea that social enterprise was an integral part of economic productivity and equality is itself a new way of conceiving social enterprise and its role within advancing the goals of the state. What is also interesting and a departure from how policies are typically structured is the notion of a *strategic* approach to social enterprise development. Here, by invoking the term *strategic*, the Government explained that it would use the Social Enterprise Unit within the Department of Trade and Industry in an advocacy and coordinating role within Whitehall, which it described as undertaking “...so as to maximize the benefits of individual initiatives and deliver a real step change in the Government’s approach” (DTI, 2002, p. 19).

One of the complexities of analyzing New Labour’s foray into supporting social enterprise is that at first glance, it all appears rather agreeable. Who doesn’t want this utopian vision of a world in which Britain has a vibrant, dynamic and productive economy filled with these wonderful socially driven businesses? Yet upon further analysis, several problems emerge. First, where is the precedent for a government in power to actively go about setting

up a new sector and supporting businesses in this way? This is an example of policy extension, where earlier precedents have been broadened and applied in new ways. There is a long history in the US and the UK of creating measures to support the growth of community organizations through local economic and community development initiatives. However, in these cases, the growth of organizations is targeted to a particular geographic area and this is key- *to a specific end*. For example, there may be a national funding program to promote citizen activity on housing estates to combat local crime and promote socially inclusive neighborhoods. The criteria for geographic areas would be tightly drawn, as having to demonstrate certain socio-economic indicators.

Further, it appears the Government is actively engaging in supporting the growth of social enterprises in real terms because there is an assumption on the part of Government that these organizational hybrids produce additional social *impacts just because* they operate an alternative business model. Targeted measures of success are absent from all of the key policy documents reviewed in this chapter. For example, the Government does not set out its policy framework by stating the goal is to create 1,000 new social enterprises operating in the UK's largest twenty urban areas which will work in named policy areas; moving long-term unemployed into permanent employment or providing low cost childcare to lone parents. Rather, for Government, the innovation in the way in which this policy was designed was to instead create an 'enabling environment' in which organizations could emerge according to market principles, although in this case the marketplace was one where demand was expressed as social need and the ability for an organization to meet these needs using trading activities.

Within the first social enterprise policy, social enterprises were cast as analogous to SMEs- small to medium sized enterprises, which constituted the largest employer in Britain.

The assumption was, by casting social enterprise as economic activity that should be demarcated within its own sector, the Government was adding alternative business approaches to the mix of overall business types within the UK economy. As this was the starting point policy makers used and wrote about within the *Strategy for Success*, it followed logically that the next steps were to identify barriers to growth and then see what New Labour could do to minimize these obstacles. New Labour saw itself as intervening to help a new sector of the economy grow.

To develop recommendations for the first *Strategy for Success*, policy makers oversaw eight working groups that had a combination of civil servants and stakeholders from the wider UK social enterprise scene. The details of how this process was initiated and managed were referenced within earlier chapters of this thesis. Through the collective work of these eight groups, a range of barriers for social enterprise development were identified:

- Poor understanding of the particular abilities and value of social enterprise;
- Little hard evidence to demonstrate the impact and added value of social enterprise;
- Fragmented availability of accessible, appropriate advice and support;
- Difficulty accessing and making use of what is perceived to be limited appropriate finance and funding available;
- Limited account taken of the particular characteristics and needs of social enterprise within an enabling environment; and
- Complexity and lack of coherence within the sector, combined with widely varying skills and knowledge bases (DTI, 2002, p. 8).

The Government went on to explain that it would address these barriers and achieve three outcomes over a three-year period; ‘creating an enabling environment, making social enterprises better businesses, and establishing the value of social enterprise’.

Many of the views expressed above were taken from the perspective of those working in startup social enterprises, and the early joiners who saw advantages to self-identifying as such. These were compared to views of those working across the public sector system, to test assumptions behind perceptions of social enterprise within relevant government departments.

Between the initial *Strategy for Success*, the subsequent *Action Plan* and the Bank of England's 2003 report into financing, what emerged within the policy discourse was a significant focus on access to finance.

The financing angle is compelling to unpack for a number of reasons. First, it begged the question, why was Government so keen to identify private sector sources of funding for what it acknowledged to be activity that generated public good? Second, what does this emphasis on access to finance reveal about this new 'business movement' that the emerging organizations seem unable to clearly articulate their financial sustainability in the short-term and longevity in the medium-term that high street banks appear unwilling to offer loans? Is loan financing even the most appropriate source of funding for organisations set up for a social purpose? To what extent were New Labour's motives more about moving civil society based organizations from grant dependency to trading income, and what were some of the assumptions that underpinned this? As stated in the Strategy, "Some start out as independent businesses...others are making the transition from a grant dependent voluntary sector or community organization to one which is independent. While fledgling social enterprises may derive less than half their income through commercial activity, mature social enterprises aim for close to 100%" (DTI, 2002, p.21).

5.3 The modernization agenda as an influencing factor in social enterprise policy design

Reflecting on some of the motives for state intervention and support for developing social enterprise in Britain under New Labour, aside from structural changes in the core executive and the influence of the Third Way as a political doctrine, to what extent can other perspectives shed light on how to interpret this set of policy measures? In 2002, devolution was simultaneously in full swing. While New Labour was examining how to invigorate the

British third sector, it was also attempting to decentralize decision-making and empower stakeholders throughout the change-making process. Janet Newman is the researcher whose work sheds the most light on how modernization connected to Third Way thinking and affected policy design during this time. As Newman (2001) summarised:

Modernisation, then, was a programme of public sector reform around principles closely linked to the politics of the 'Third Way'. A reaction against state provision through large state bureaucracies was evident, and the result was an emphasis on the retention of the mixed economy of service provision but with a stronger emphasis on the importance and value of the 'third sector' in the mixed economy of provision. There was a softening of the rigidity of purchaser/provider splits and a new emphasis on the language of collaboration and partnership both within and between sectors. There was also a continued focus on consumerism and choice, though with a shift away from a reliance on market mechanisms alone as the guarantor of choice (Newman, 2001, p.52).

With the social enterprise agenda, one can identify the way in which Third Way thinking continued to influence how policies from 2002 through 2006 developed. Through the trajectory of the key policy documents over a five-year period, one can see how social enterprise as a means to re-structure the third sector and then influence the way its resources were used to become part of a devolved and extended welfare state is compelling. What is also interesting to consider is the way in which social enterprise became a potential solution to the dilemma highlighted by Newman above, which was finding another mechanism besides the market to serve as an arbiter of citizen choice. To what extent did social enterprise become a mechanism through which citizen/consumers could express preferences in terms of service provision? The use of social enterprise by the state to address citizen/consumer choice is one that is still ongoing in current Coalition Government politics.

Before 'The Third Way' emerged, two competing paradigms framed the debate on the provision of public services in Western social democratic countries in the post World War II era. One scenario entailed government providing all of the services that citizens required. However, this model was based on the state providing the same unit of service to each

citizen, in a system where specialization was not feasible, or even considered desirable. In the second scenario, the state does not provide services to citizens; rather citizens pay for private provision for whatever their needs are. In the first model, significant taxes are raised to fund state provision. In the second scenario, individuals pay the prices set by providers in the private market, based on supply and demand. In reality, most social democratic states opt for a complex system of mixed provision, and the way these two 'choices' are discussed here is an oversimplification of an established sub discipline within politics. As a heuristic device it helps to illustrate how the positioning of social enterprise by New Labour becomes a challenge to these two dominant discourses that have framed the debate on public service provision since World War II. The weakness in the first model is a system that cannot provide specialization. The weakness in the second model is a system where some citizen needs may not be met because supply and demand may not meet at a price point where either providers or citizens can afford it.

State sponsored social enterprise, as designed by New Labour, and potentially extended by the Coalition Government, sees the state as the controller of a system of quasi-markets. In this scenario, the state still plays an active role in defining what the service is, oversees commissioning it to a third party, and then acts as a monitor for the externalization of the service. To some extent, New Labour viewed supporting the creation of a new social enterprise sector as a way to address some of these issues, where supply and demand could meet more equitably. The assumption was, social enterprises would emerge where there were clients to serve who desired their services. Creating a fertile environment for these organizations to flourish was worth the 'investment'. The best would rise to the top and a subset would be contract ready to provide services the government wanted to externalize, with social enterprise becoming a softer and more palatable option. Social enterprise becomes

a way to 'soften' the effects of market provision of public services and becomes a way governments use social enterprise as a reforming mechanism to counter the increasing dominance of global capitalism. Connections can be made here between the day to day work of government, through the setting of policy objectives and their implementation, to the study and significance of greater shifts in modern state theory and understanding how state behavior may be changing when confronting global economic forces.

As an example of the rhetoric New Labour used to identify social enterprise as a means to deliver public benefit, there is no stronger language used than Tony Blair's introductory remarks for the Government's first social enterprise strategy.

When I hosted a social enterprise breakfast at No.10 in February, I met people from every part of the social economy... I was struck by the fact that social enterprises are delivering high quality, lower cost products and services. At the same time, they create real opportunities for the people working in them and the communities that they serve. The combination of strong social purpose and energetic, entrepreneurial drive can deliver genuine results. But if the UK is to benefit fully, then I believe it is important that the Government seeks to do all it can to help the future development of social enterprise.

Our vision is bold: social enterprise offers radical new ways of operating for public benefit. By combining strong public service ethos with business acumen, we can open up the possibility of entrepreneurial organisations - highly responsive to customers and with the freedom of the private sector - but which are driven by a commitment to public benefit rather than purely maximising profits for shareholders.

Many social enterprises are already showing how this can be done. But we recognise that they are currently only a small part of our economy. We want to build on this foundation and create an environment in which more people feel they are able to start and grow such businesses. Through this strategy, we aim to provide a more enabling environment, to help social enterprises become better businesses, and ensure that their value becomes better understood (DTI, 2002, p.3).

With these words, Tony Blair launched New Labour's 'enabling environment' for social enterprise. This wide reaching policy framework would position Britain as the global leader for social enterprise for years to come. Patricia Hewitt, as Secretary of State for Trade and Industry, followed with her vision of social enterprise and the role the Department of Trade and Industry would play in shaping the social enterprise agenda. This too reveals the way Ms.

Hewitt, as a key insider and policy decision-maker, would eventually have a significant influencing role in how social enterprise policy would be placed and prioritized.

I have always believed that there need not be a conflict between seeking to create a strong and inclusive society and encouraging enterprise and entrepreneurship. Far from being mutually exclusive, the realities of a 21st century economy mean that social and environmental issues should be increasingly viewed as commercial opportunities, and drivers of business success, rather than as threats. Social enterprises are dynamic, progressive businesses that we can all learn from. They experiment and innovate, and have the advantage of being able to draw upon best practice in the voluntary sector, as well as the entrepreneurial flair that exists in the best of our companies...

There are very real opportunities...to promote social enterprise as a key component in the process of modernising and reforming our public services. I want to ensure that we do more to encourage, grow and sustain social enterprises - to ensure that social enterprise is not seen as a 'side show' to the 'real' economy but rather an integral and dynamic part of it. That is why we are publishing the Government's social enterprise strategy: to identify the issues which directly contribute to the success of the social enterprise sector; and, where necessary, to seek to remove the barriers that are preventing its growth and development.

Let me be clear, this is not an exercise in political correctness but rather a simple recognition of the fact that social enterprises can make a very real contribution to our economy whilst also actively benefiting the communities and wider society in which we all live. Of course, there is a lot that needs to be done: to join-up Government, to challenge the established models - financial, legal and regulatory - so that we unlock the potential in the social economy. This cannot be done by Government alone, **but I believe we now have a real opportunity to create a much larger mainstream social enterprise sector in Britain.** I look forward to working in partnership with you to make this strategy become a reality (DTI, 2002, p.4).

The statement in bold (my emphasis) in the passage above, I would argue, is one of the key policy objectives New Labour puts forth with respect to the social enterprise agenda, and it is one that now in 2012 can clearly be seen to have been achieved.

5.4 Identifying New Labour's policy objectives for social enterprise

The Government's *Social Enterprise: A Strategy for Success* is a comprehensive document that sets into motion a considerable amount of action to support the growth and development of a social enterprise sector in the United Kingdom. To some extent, the significance of this moment in historical terms, and the reach of the 'enabling environment' established by New Labour have gone unrecognized to date in social enterprise research. The

creation of the Social Enterprise Unit in the Department of Trade and Industry in 2001, and the publication of the Government's three-year strategy several months later creates a watershed moment. Before this time, social enterprise is not a formalized sector. It is a collection of disparate activity, often operating at the margins of the economy, or on a micro scale.

While there were successful examples of large-scale social enterprises with multi million pound a year turnovers, awareness of social enterprise generally was limited. By working with the leaders from successful social enterprises, and a group of membership networks and bodies like the Development Trusts Association, Social Enterprise London, Social Firms UK, and Cooperatives UK, along with a broad range of experts and external stakeholders, what New Labour set into motion with the implementation of its *Social Enterprise: A Strategy for Success* led to radical change within Britain's social economy.

First, New Labour identifies that social enterprises can make a contribution to the Government's social policy agenda by helping to "drive up productivity and competitiveness; contributing to socially inclusive wealth creation; enabling individual and communities to work towards regenerating their local neighbourhoods; showing new ways to deliver and reform public services; and helping to develop an inclusive society and active citizenship" (DTI, 2002, p.7).

It aims to support social enterprises in three main ways; by creating an 'enabling environment', making social enterprises better businesses, and by establishing the value of social enterprise (DTI, 2002, p.8). New Labour describes its goal of creating an environment "where social enterprises can flourish". It sets out to achieve this by first coordinating government action through the Department of Trade and Industry, and next through the Regional Development Agencies, Government Offices, other government departments and

local government. These are the public institutions New Labour identifies as having a clear role in implementing the Strategy.

Next, it seeks to address relevant legal and regulatory issues by ensuring these systems do not directly hinder the development and growth of social enterprise. The Strategy references the Performance Innovation Unit Review into the legal framework for the voluntary sector as one action it took to examine the various legal issues facing social enterprises and organizational registration. As mentioned in the previous chapter when analyzing the charitable sector review undertaken by the Strategy Unit, the numerous legal statuses social enterprises can apply for was seen as a hindrance rather than a help. Public sector procurement is the next item under the Government's 'enabling environment' and here New Labour identifies local authorities as having an important role to play in re-thinking local procurement processes. However, the Government also acknowledges that social enterprises need additional support in order to be able to take on competitive tendering processes (DTI, 2002, p.9). The Government also set up a Cross-Government Sustainable Procurement Group, led by the Department of the Environment, Food and Rural Affairs in order to consider how central government and its various agencies can procure goods and service in ways that better support the Government's sustainable development objectives. The purpose of the group was to make recommendations for a policy framework that joins up the Government's objectives for procurement with sustainable development, and "helps encourage innovation in the market, and overcomes inertia in purchasing practice" (DTI, 2002, p.52).

The second strand of the Government's strategy fell under the category of 'making social enterprises better businesses'. Here, commitments were made to improve the quality of and access to business support and training services, both private and publicly funded

provision. The Government followed this up with a pledge to help social enterprises access financial services, acknowledging that many social enterprises are under-capitalized and face barriers to mainstream provision. The specific sources of finance the Government sought to ensure were made available to social enterprises were; grants, donations and help-in-kind, government contracts, government programmes such as New Deal or the Single Regeneration Budget, or European funding initiatives such as the European Social Fund, programme related investments from foundations and trusts, debt finance from banks or specialized community loan facilities, and equity finance, either as shareholder with limited rights or through accessing social venture capital, and even in some cases mainstream equity (DTI, 2002, p.63).

The third and final strand of the Government's strategy was 'establishing the value of social enterprise' which it aimed to do in three ways. First, New Labour undertook to establish the knowledge base, explaining how a lack of data as to the size and shape of the British social enterprise sector limited the ability of decision-makers across the public, private, and third sectors to know how to engage with social enterprise. This, the Government felt, limited opportunities for social enterprises. Interestingly, this is a theme that is repeated as continuing to be an issue that is mentioned in policy rhetoric today and currently investigated by the social enterprise research community.³⁴ Second, New Labour pledged to 'recognize the achievement and spread the word' about social enterprise. "Government has a crucial part to play in the active promotion of social enterprise, and...awards offer the opportunity to recognize and reward success, promote the sector, and provide examples of innovative and entrepreneurial models for other enterprises" (DTI, 2002, p.9). It goes on to

³⁴ Based on papers presented and in-session discussion at the 4th Annual International Social Innovation Research Conference, hosted by the Third Sector Research Centre, University of Birmingham, 12th-14th September 2012.

mention the importance that the sector has a national voice to represent its interests, raise quality, and to help build the sector's capacity. The final heading under this category is the Government's intention to help 'create trust'. As the Strategy details:

Social enterprises have an impact much broader than just financial return. The ability to show that a social enterprise is meeting both its financial and its social bottom lines - reconciling its mission and its money - will be increasingly important if social enterprises are to play an expanding role in the delivery of public services. There is also a need for a social enterprise to 'prove' itself to build confidence. To help achieve this, it may be helpful to develop and agree minimum standards of behaviour or an accreditation system - for instance along the lines of Investors in People - which allows 'social enterprise' to be clearly identified and 'trusted' (DTI, 2002, p.9).

The language used and priorities set by New Labour in its three-pronged approach demonstrate the interventionist role the Government portrayed in 'growing a sector'.

5.5 Barriers to social enterprise growth

Part of the notion of promoting an 'enabling environment' for social enterprise as put forward by New Labour in the *Strategy for Success* document was to provide information back to the sector as a result of the consultation process with key leaders on the state of the sector as such. The way the Strategy document was laid out presents an argument essentially for the Government to work in partnership with early adopters of social enterprise in order to develop a growing and distinct sector. Although already mentioned, the assumptions behind this idea of sector building were extremely problematic for those social entrepreneurs who hailed from within charities, and felt they were soon on the other side of some sort of invisible boundary (Interview data, 2005). However, some key inside and outside organized interests actively advocated to approach the development of social enterprise as a discrete sector distant from the British charitable sector.

As part of the process of writing the Strategy, and in addition to the significant amount of consultation New Labour undertook as part of writing the other cross-cutting

thematic reviews, further engagement took place with social enterprise leaders about a range of barriers to entry for social enterprises into the marketplace. The main barriers as reported in the Strategy are described in this section with the purpose of showing which items the Government identified as problems that the policy objectives of the ‘enabling environment’ were meant to then address. Further, insight is gained as to what the Government was prioritizing in this first wave, and how it positioned the Social Enterprise Unit as a coordinator of a very wide reaching and cascading policy framework.

5.5.1 A poor understanding of the particular abilities and the value of social enterprise

With the first barrier, several issues are revealed. The framers identified the lack of understanding of the value of social enterprise as a barrier in that opportunities where social enterprise could grow and flourish are missed out. The first example given is policy makers because they do not know enough about social enterprise to see it as a solution for various social and economic problems. The Government goes to great lengths to undertake awareness raising itself within Whitehall to place social enterprise on as many decision-makers’ agendas as possible. An example of New Labour’s commitment to embedding social enterprise across Whitehall can be found in the section of the Strategy titled “The role of other government departments”. Here the Government commits to setting up an Interdepartmental Government Working Group to consider how to promote social enterprise across Whitehall. Table 5.1 below maps the breadth of engagement across government in social enterprise support and development when the Strategy is launched in 2002, and in many ways forms a baseline for Government engagement (DTI, 2002, p.28).

Table 5.1 Mapping social enterprise development activity across Whitehall in 2002

GOVERNMENT DEPARTMENT/ AGENCY	DESCRIPTION OF SE WORK
Department of the Environment, Food and Rural Affairs (DEFRA)	Promoting the work of social enterprises in generating economic activity across rural areas. Specifically, the Strategy mentions that social enterprise can support the delivery of services that are not readily available because of market failure, rural regeneration and economic development
Office of the Deputy Prime Minister (ODPM)*	Social enterprise is seen as having a role to play within the Neighbourhood Renewal Unit, New Deal for Communities, and the Urban Policy Unit's programme of work. The Neighbourhood Renewal Unit tackles the 'root causes' of deprivation and invests resources in the 88 most deprived local authorities in England and delivers the New Deal for Communities programme- over ten years, communities will receive in total £1.9billion. Local Strategic Partnerships bring together representatives from public, private and voluntary sectors to develop plans for deprived areas. The Urban Policy Unit looks at how to revitalize urban areas and runs a special grant programme that supports work undertaken by national social enterprise bodies, including the Development Trusts Association and the Association of British Credit Unions.
Home Office*	The Active Community Unit (ACU) launched by Blair in 1999 and re-launched in 2002 by the Home Secretary. Promotes a vision of 'a society where the voluntary and community sector flourishes and where all individuals and communities are enabled to play a full part in civil society.' Objective to move voluntary and community organisations towards trading income and away from grant dependency. ACU identified a paucity of capacity building and technical support for the sector, as well as investment-based grant funding. To take the lead on the implementation of the Treasury's cross-cutting review of the role of the voluntary sector in public services.
Department for Work and Pensions (DWP)	New Deal for Young People- programme launched in 1998, then added unemployed for people over 25, lone parents, 50 plus, and disabled people. Programme participants can work in social enterprises through New Deal funded placements.
Department of Health	The Government speaks in terms of promoting social enterprise within the National Health Service, and how citizenship is a key principle of health and social care policy in terms of shaping local service provision. Interestingly, social enterprise is spoken of in terms of its ability to encourage a 'shift in attitude towards risk-taking'. The only specific area of work mentioned is the Engaging Communities programme across Primary Care Trusts where PCTs are asked to identify and support potential social enterprise ventures in their local communities.
Department for Education and Skills (DfES)	The role of the DfES is limited to a coordination role of a pilot project called 'Enterprising Communities' run in conjunction with the Small Business Service, the Social Enterprise Unit, and the Active Communities Unit. The initiative is explained as being funded under the Treasury's 'Invest to Save' Budget, which is

	telling of one of the ways social enterprise is viewed internally. The Neighbourhood Nurseries Initiative is also mentioned as an area where social enterprise can play a role in potentially delivering alternative nursery care. Between 2001-2004, over £300m will be delivered through Early Years Development and Childcare Partnerships to fund 45,000 new childcare places in the most deprived communities, and social enterprise and specifically co-operative structures are being promoted through this scheme.
Department for Culture, Media and Sport	While the Strategy mentions areas of work that may have links to social enterprise, the only specific programme mentioned is the National Lottery and its corresponding New Opportunities Fund. No funding amounts for social enterprise is given.

(Based on information provided in the Strategy, DTI, 2002, pp.41-44)

*The Departments with asterisks by them are discussed in greater detail in chapter six, which explores the implementation dynamics of the Government's strategy.

Other stakeholders were identified as needing to engage with social enterprise and understand its value. The groups named in the publication were business support advisers because if they do not understand the complexities of the hybrid business model, they cannot then offer support to them; finance providers because of their unfamiliarity with social enterprise they do not know how to assess them their credit worthiness; voluntary sector organizations are identified because the Government sees social enterprise as a model through which VSOs can become less grant dependent and move towards financial independence; and the general public as social enterprise is not yet seen as a valid career or employment option.

It is in sections like this that the amount of thought that has gone into developing social enterprise conceptually and understanding the myriad ways it can be applied to the Government's agenda shows through. Perhaps it is because so many different experts directly participated in the policy formation process through consultation that the discourse is as varied and rich as it is. Two themes become clear as the *Social Enterprise: A Strategy for*

Success and its follow up *Progress Report* are analyzed. One, this notion of an opening up of the policy making process, co-production of policy outputs and collaboration that are thought to be the hallmarks of New Labour's social policy approach show through in the way the Government envisions and designs social enterprise policy (Powell, 2002; Powell and Exworthy, 2002; Clarke and Glendinning, 2002). Two, within this collaborative agenda there are specific measures intended to build the capacity of a portion of the social economy to transform a critical mass of organizations into ones capable of successfully engaging in public service delivery. It is within this flurry of activity of measures introduced where the demarcation can begin to be seen between approaches that seek to encourage structural reform of the British social economy as a whole, versus a more interventionist stance taken to more directly influence social enterprises that can participate in delivering the Government's agenda.

The mention of business support advisers and financial service providers as target groups for awareness raising is noteworthy because it goes back to the original position taken by New Labour when introducing mechanisms to support social enterprise that it is 'first and foremost about business'. By framing social enterprises in this way, the Government then seeks to round out support services for social enterprises that already exist for small to medium sized enterprises (SMEs). This is indicative of the Government's decision to establish the first ever Social Enterprise Unit within the Department of Trade and Industry and under the auspices of the Small Business Service. As will be discussed in greater detail under implementation dynamics in chapter six, the Business Link network is earmarked as an existing support mechanism that can serve the needs of start-up social enterprises.

With respect to the financial provision, much confusion arises from the way in which the Government seeks to make the argument to private providers of finance that social

enterprises need to be given special consideration when applying for loan financing. Barriers to appropriate access to finance are a theme that resurfaces multiple times, and is the subject of the dedicated report in 2003 by the Bank of England. However, as will be discussed in greater detail later on in this chapter, there is much to unpack and critically analyze within the way Government engages with the financial industry on behalf of the social enterprise community.

5.5.2 Little hard evidence to demonstrate the impact and added value of social enterprise

The Strategy mentions the lack of hard evidence to demonstrate the impact and added value of social enterprise, specifically around the size and growth of the social enterprise sector in the UK. It cites one of the challenges to impact measurement is the ‘double’ or ‘triple’ bottom line these organizations seek to deliver. Meaning beyond financial return, social enterprises also strive to deliver a social and or environmental return. A lack of clear data about social enterprises and the added value they seek to deliver makes it difficult for policy-makers, business support providers and financiers to understand how to engage with them.

The social impact agenda has continued to grow in prominence since first being identified here in 2002, to the extent that in 2012, the Social Impact Analysts Association was established, with support from some of the same policy entrepreneurs that served as primary architects for New Labour’s ‘enabling environment’ framework. There are many strands of this initial strategy where further empirical research is warranted and could shed light on whether or not some of these individual policy objectives are ideas that are effective in practice.

5.5.3 Fragmented availability of accessible, appropriate advice and support

The publication acknowledges there are a range of support services available; however they are not joined-up in their approach, nor are they consistent in their advice giving. This is another example of New Labour's attempts to approach policy making as a means to influence a range of structures both inside and outside of direct government control. Corporatist theory is again useful here in understanding how New Labour attempts to direct the various networks under its influence. It also points to the prevalence of Third Way thinking throughout this agenda, as one of the underlying drivers is to align scarce resources and partner with the private and third sector in order to create the maximum possible impact overall in a way that also promote equity. The Government seeks not just to improve the quality and effectiveness of the business support services under its guidance, but also to improve provision of business support services provided by the private and third sectors.

5.5.4 Difficulty accessing and making use of what is perceived to be limited appropriate finance and funding available

Here the Government flags up what came out of various consultations with successful benchmark social enterprises- that a lack of understanding about the hybrid business model meant the organizations faced considerable resistance when trying to access mainstream sources of finance. In addition to what is published in the Strategy document, interview data with leading social entrepreneurs and participant observation data demonstrated these challenges as well. For example, several leading social entrepreneurs described meeting with mainstream financial institutions and being advised to drop their environmental or social mission in order to maximize the profit they were able to generate. In addition, social

enterprises reported difficulty in accessing lines of credit to support working capital, as they were unable to offer assets as collateral due to various constraints in governance (particularly with co-operative models). It was also repeatedly mentioned that social enterprises did not have the business acumen to describe their activities effectively in business plans and other strategic documents.

5.5.5. Limited account taken of the particular characteristics and needs of social enterprise within an enabling environment

The Government refers to an ‘enabling environment’ which it defines as being comprised of financial, legal and regulatory frameworks. Because social enterprises as hybrid business models do not readily fit into the existing structures, they are often left out of opportunities or treated as mainstream private sector businesses, where their added value is neither recognized nor maximized. By including the barriers flagship social enterprises face in their external operating environment within the Strategy as the starting point, the Government then goes on to design a comprehensive and wide-reaching set of measures in response.

5.5.6 Complexity and lack of coherence within the sector combined with widely varying skills and knowledge bases

Under this final barrier, the Government describes the complexity of the social enterprise sector:

Understandably, social enterprises have not always been good at presenting themselves coherently to policy makers, financiers, and business support providers. Combined with a lack of clarity over what social enterprises are, this has diluted the impact of the sector and made it more difficult for their needs to be identified and met. If a social enterprise is to be sustainable, its managers need to possess good business, financial and personnel management expertise. Because of the social purpose that drives the organization, those supporting and training the sector need to be aware of both the ‘money’ and ‘mission’, and work with social enterprises to find effective ways of handling these dual priorities. *Social enterprises must see themselves as businesses, seek to become more professional and continuously raise their standards of performance and their ambitions* (DTI, 2002, p.29, emphasis mine).

One of the remarkable attributes of New Labour's initial policy document, *Social Enterprise: A Strategy for Success*, are the number of ideas presented that introduce new concepts that go against the historical norm or the prevailing ideas of the recent past. To some extent, it is compelling to analyze because it is one of the first documents that expresses the zeitgeist and in many ways marks just how much policy language changed from the time New Labour came to power in 1997. By the time it is introduced in 2002, there is a certainty behind some of the ideas. For example, notions of partnership working and collaboration were already embedded in other social policy areas by this time. A re-positioning between New Labour and the voluntary sector was already under way. The introduction of social enterprise in policy terms and New Labour's wide-reaching support for it marks a paradigm-shift in how we understand what a productive economy looks like and which sectors comprise it. It is crucial that these changes are reviewed against the broader policy context between the state and the British social economy and that the emergence of social enterprise policy is understood within this historical context.

Table 5.2 The Role of Government in the enabling environment

- We can help to ensure that social enterprises are able to compete effectively with mainstream businesses by “leveling the playing field”
- We can make sure that the specific and justified needs of social enterprises are recognized and taken into account in policy making and programme delivery
- We can help ‘change the culture’ and show through the Government’s own actions, and the promotion of others
- We can help ‘change the culture’ and show through the Government’s own actions, and the promotion of others, that there are ways of doing business which are socially inclusive and sustainable;
- We can make sure that social enterprises have access to appropriate finance;
- We can make sure that timely and appropriate business advice is as widely available to social enterprises as it is to any mainstream business;
- We can help ensure that appropriate advice and support is available to voluntary and community organisations that wish to become more sustainable enterprises but are currently dependent on grant aid; and

- We can encourage public sector bodies actively to consider social enterprise solutions when making procurement decisions.
- To succeed in achieving our stated outcomes, the Government believes a range of measures and interventions are necessary. Some of these will be quickly visible – there are a number of small-scale, low-key interventions that could be helpful. Large-scale changes are also required but will obviously take longer to deliver. The strategy therefore encompasses both practical, pragmatic and low-key interventions as well as ambitious large-scale change.
- Key partners in the delivery of the strategy will include central government and its agencies, the devolved administrations, Regional Development Agencies, local authorities, the Co-operative Movement and other key stakeholders in the social enterprise sector.

(DTI, 2002, p.30)

5.6 The role of intermediaries and other organizations (outside organized interests)

In identifying what the Government could do within the structures of partnership, the policy framers also identified the role that intermediaries and other organizations could play in taking this agenda forward. The Government in this section of the report began by acknowledging the extent to which there was already in place a support infrastructure within the UK social enterprise field, comprised of the Development Trusts Association, Co-operatives UK, Community Action Network, Social Firms UK, and Social Enterprise London. In the case of Social Enterprise London, as a result of negotiations between social enterprise leaders and decision-makers within the Government, one of the action points within the Strategy was to support the creation of a national Social Enterprise Coalition. The Government offered seed funding for the setting up of this organization for the first three years of its operations in partnership with Co-operatives UK. Even this extent of partnership is indicative of the unique relationship the British cooperative movement has with the Labour Party and demonstrates that Labour as a political party was uniquely placed to bring social enterprise to the fore because of this historical relationship.

Also noteworthy was the way regional support networks were discussed as part of an emerging infrastructure of support for social enterprise development, with funding or support

by the then recently established new Regional Development Agencies and Business Links, with direct support from the Government's Phoenix Fund. The Government noted the role of the Social Enterprise Partnership GB as being outside of the realm of central government influence, and yet seeing it as an entity that could help in partnering with Government on moving the agenda for social enterprise forward.

5.7 New Labour's social enterprise strategy and the role of Europe

Within the Strategy document itself, there is a section on the role of Europe and the importance of attempting to influence and join up domestic efforts with European policy making. As reflected in the passage below:

The Government intends to raise the profile of social enterprise at European level, ensuring that the interests of the social enterprise sector are better represented, and promoted more widely across Europe. We will work closely with other European governments to ensure that this is achieved (DTI, 2002, p.17).

The creation of the Social Enterprise Partnership under European EQUAL funding added a different element to the policy-making framework introduced by New Labour. While ideas of joined-up thinking were mentioned throughout, the inclusion of the EQUAL project within the Government's strategy serves as a tangible example of how joined-up thinking worked in practice. Throughout the language of the *Strategy for Success* document, when referring to other partners, particularly at different levels of government, the expressed goal was to maximize limited resources and guide the direction that various projects and interventions take. The Social Enterprise Partnership was a consortium of support organizations that came together for a three-year period and won £3.8 million in public funding. The organizations that comprised the partnership were the Development Trusts

Association, Co-operatives UK, Social Enterprise London, the Local Government Association, the New Economics Foundation, and Social Firms UK. The sources of funding were the European Social Fund's EQUAL programme with a range of match funding from domestic public sources, such as the Small Business Service, Regional Development Agencies, and some local authorities (DTI, 2002, p.32). The project ran from May 2002- May 2005.³⁵

The Social Enterprise Partnership's work programme had four objectives: to raise awareness of social enterprise and its contribution to economic and social inclusion; improve the performance of social enterprises; make the social enterprise support system more effective; and to mainstream best practice and innovation within the sector in order to have an influencing role over national and regional social inclusion and employment policies. As part of the group's stated aims it sought to reduce local duplication and overlap of services through joint working, formalize and consolidate practitioner-to-practitioner working, create peer networks, establish a body of knowledge on social enterprise and its development on a national scale, develop a range of new training materials, nationalize training and development provision for the sector and set up agreed accreditation systems for social enterprise support (DTI, 2002, p.32).

³⁵ For the purposes of transparency, I served as SEL's representative to the SEP Board on the 'Measuring what matters programme' and I led several of the projects the Group undertook from 2003-2005.

5.8 How other cross-cutting reviews undertaken by New Labour influenced the design of the Government's Social Enterprise Strategy for Success

In the Strategy, the Government described its early work in 1997 with the establishment of the Social Exclusion Unit as a means to produce 'joined-up solutions to joined-up problems'. When addressing neighbourhood renewal, the Government set up eighteen crosscutting Policy Action Teams (PAT) to cover work in England. These were set up to develop and implement a wide-reaching multi-faceted policy programme. As the Strategy signposts, some of these teams addressed issues that were relevant to social enterprises as part of their work. Two in particular, Policy Action Team 3, which dealt with business, and Policy Action 15 that dealt with learning lessons fed directly into the Government's National Strategy for Neighbourhood Renewal and proposed changes that will benefit social enterprises. The report submitted in 1999, by PAT 3 on business suggested that social enterprises should play a role in helping to tackle social exclusion and that these organizations can "act as a bridge between the community and the mainstream economy". It also recommended that the Small Business Service include social enterprise as part of its advisory service and that Regional Development Agencies include social enterprise in their regional economic strategies. PAT 16 on Learning Lessons published its findings in March 2000. One recommendation was to encourage individual social entrepreneurs to play a greater role in reviving deprived neighbourhoods (DTI, 2002, p. 35).

5.9 How New Labour viewed the role of the regions in bringing the social enterprise agenda forward.

New Labour's devolution plans were in full swing by the time social enterprise emerged as a policy agenda in 2001. Within the Strategy, the Government assigned a role for the Regional Development Agencies and Government Offices in continued policy design and implementation. It was when addressing the remaining governance structures as part of the Strategy that the importance of the document as a call to action and a way to ensure the many components of the public governance machinery were working in concert comes to bear.

First, the Regional Development Agencies established a Social Enterprise Network to cover all of the English regions. Because of the timing of where devolution stood in 2001-2002, many of the Government's first wave initiatives are directed in England geographically, in order to allow the newly established regional governments time to set their own priorities. Also, as social enterprise was linked to economic and community development, it was felt that this fell within the regional jurisdictions and while the centre could provide guidance and support, it was up to the Welsh Assembly, Scottish Parliament and Northern Ireland Assembly to determine which initiatives were best suited for their geographic conditions.

The Strategy goes on to provide some descriptive information about the condition of social enterprise development and the leading players in each of the English regions. The inclusion of this information in the Government's Strategy document was demonstrative of its commitment to serve a coordinating role within and across government at central, regional and local level. Particularly as this was the first publication issued by the recently established Social Enterprise Unit, the document provided a comprehensive picture of the state of social enterprise, as it was understood in 2002.

The state of the English regions engagement with social enterprise is included here for two reasons. First, it creates a baseline against which additional empirical data generated by the local government survey administered as part of this doctoral research can be compared. Second, it provides further insight into how social enterprise was being positioned, and in many ways managed from the centre. It provides an additional layer of detail to ensure this analysis of the first wave of social enterprise policy making is detailed and not just descriptive. So far in this thesis, earlier chapters covered the emergence of social enterprise conceptually and its location in civil society. Then the way the topic develops in New Labour's second term as a policy idea is investigated in depth. In this chapter, the policy framework for social enterprise is analyzed, to see what specifically was eventually put into place.

5.9.1 East of England

Within the East of England regional economic strategy there was a priority to maximize growth and investment in the social economy. It reported that in this region, the third sector as a whole provided 30,000 full time jobs, 13,500 part-time jobs and generates an estimated turnover of £4.7bn for the region. The East of England Development Agency had match-funded a European Social Fund EQUAL programme partnership, titled 'Supporting the Social Economy in the East of England Region' or SSEER with Business Link Hertfordshire serving as the lead partner. The project objectives were to 1) develop a robust business support framework through the collaboration and integration of specialist social economy and mainstream business support agencies, 2) create innovative community development finance institutions, promote networking, inter-trading and sharing best practice, 3) strengthening the role of social enterprise in meeting public sector procurement and

service delivery needs (DTI, 2002: 40). The SSEER Partnership also undertook a mapping and labour market assessment of the social economy on which to base its work.

5.9.2 East Midlands

In the East Midlands, the Government Office for the East Midlands was working in partnership with the East Midlands Development Agency and the social enterprise support organization, Social Enterprise East Midlands, or SEEM. SEEM's objectives were to develop support structures for existing and emerging social enterprises, to develop social enterprise clusters, promote social audit techniques, develop a training programme for business support advisers from all sectors, undertake research and mapping, and develop a best practice strategy for the region. The East Midlands Development Agency undertook to core fund SEEM for the first two years of its activities (DTI, 2002, p.40).

5.9.3 London

The work mentioned in the Strategy focuses on the London Development Agency (LDA). The LDA published a comprehensive Economic Development Strategy in Jul 2001, in which it committed to supporting the growth of social enterprise in the Capital. Examples included funding the 'Enterprise for Communities' three-year investment programme which funded Social Enterprise London to deliver support and finance to London-based social enterprises. They developed guides and a business support service for those interested in setting up social enterprise nurseries, and they funded the first MA in Social Enterprise at the University of East London, to train postgraduate support advisers. Many of the graduates from this programme, which eventually closed when the seed funding ran out, went on to

start specialist social enterprise support agencies and became significant contributors to the sector.³⁶ The London Development Agency also supported the work of the London Rebuilding Society, one of the first community development finance initiatives.

5.9.4 North East

One North East was the name of the Regional Development Agency that operated in this area. It supported the creation of the North East Social Enterprise Partnership which delivered a capacity building programme to the social enterprise sector from 2002-2005 with a total spend of £240,000. These funds were half provided by One North East and half available through the national ESF EQUAL funded Social Enterprise Partnership GB project. The focus of the work was to bring together a network in order to provide coordination for the implementation of the region's overall economic development strategy. In addition, One North East co-founded a pilot training project at Durham Business School, which was also supported by the Department of Trade and Industry's Social Enterprise Unit (DTI, 2002, p.40).

Several themes began to come forward as the starting points for the various regions level of engagement in social enterprise in 2002 are reviewed. First, European Social Fund money served as a catalyst for many of the projects. Interestingly, because the EQUAL programme required domestic sources of match funding, they created a situation where social economy based organizations had a carrot with which to engage regional development

³⁶ The information provided by the Strategy is supplemented here by the author's data collected from participant observation in various networking events and interview data.

agencies.³⁷ The EQUAL programme had a significant impact on how quickly social enterprise grew in Great Britain from 2002-2005 and how strategically various groups were able to work in partnership with each other. A second theme that emerges is the demand for mapping social enterprise activity in each region, alongside the demand for specialist business support and advice. The focus on these two components for social enterprise growth were innovative and highly effective, and led to the establishment of an extensive support network for the emerging field, as demonstrated by further empirical work presented in the following chapter.

5.9.5 North West

The North West Development Agency ran an internal Social Enterprise Officers Working Group and partnered with the independent regional Social Economy Task Group and the Small Business Service. They are the first Regional Development Agency to talk about funding their social enterprise work on a sub-regional basis, which is a trend that other areas, specifically London, take up in later years.³⁸ The example provided is their work in 2002 in Merseyside, where they had an expressed commitment to invest £2.5m over three years in the local social economy.

5.9.6 South East

The South East England Development Agency approached supporting social enterprise

³⁷ For more information about the design of the EQUAL programme during its duration from 2000-2008, how it operated and which areas it covered, go to the programme's legacy website- www.ec.europa.eu [Accessed on 1st July 2012].

³⁸ Based on participant observation of the London Social Enterprise Network, run by Social Enterprise London, and observed in 2004.

taking a different tact. Rather than setting up or working with an independent social enterprise support agency, or helping to establish one in the region, the RDA decided to support the growth of a social enterprise network instead. In addition, it held a review of existing barriers that may have existed in the region and undertook steps to remove them. It played a proactive role in identifying which geographic areas within the region would make the best locations to support social enterprise growth. It also created a social investment strategy to support the growth of the sector and explored the use of community and private finance bonds in order to do so (DTI, 2002, p.40).

While the Regional Development Agencies played a significant role in shaping local social enterprise development, independent social enterprise agencies raised concern about the extent to which RDAs were listening to local stakeholders and overriding their objectives, or creating their own visions for what the local social economy should look like. This dissent took many forms. Some vocalized concern at regional networking events or through established independent social enterprise agencies. Others used media outlets to write op-ed pieces, such as Third Sector magazine and later Social Enterprise magazine (Social Enterprise Magazine, 2002-2004).

Another tension that emerged is where sections of government, and even New Labour itself, were accused of having suddenly ‘discovered’ social enterprise. This was a particular tension in those areas where flagship social enterprises had been operating for decades. Many community-based social enterprise leaders were frustrated with the notion of New Labour having taken over their agenda and then dictating new directions and incentive schemes that were not necessarily driven by the social enterprises themselves. This was further exacerbated amongst social enterprises themselves where it was felt that the larger more

commercially successful organizations dominated the agenda and attempted to speak on behalf of a cohesive sector, which did not at that point actually exist.

5.9.7 South West

The South West Regional Development Agency provided the start-up funding for a local social enterprise agency called RISE, or Regional Infrastructure for the Social Economy. RISE's first tasks were to undertake research and mapping and it hosted with the RDA a regional conference to promote better understanding about social enterprise. RISE went on to run as an independent organization from 2003-2012. In 2012, it essentially ceased operating, but instead took over the running of the national organization, Social Enterprise Mark, which seeks to manage branding standards for organizations operating as social enterprises.³⁹

5.9.8 West Midlands

The RDA Advantage West Midlands made sure the development of social enterprise and the social economy were highlighted as key priorities within the West Midlands Economic Strategy. In addition, the RDA led a coordinating role in forming a regional group called 'Enterprise in Communities'. The group was formed in 2000 and serves as a loose partnership of a range of regional organizations interested in the social economy. The Group supported the development of the Advantage Community Loan Fund, which launched in May 2002.

³⁹ Go to <http://www.rise-sw.co.uk/> for more information [Accessed on 30th June 2012].

5.9.9 Yorkshire and the Humber

Yorkshire Forward, the RDA, commissioned research into policy initiatives for the social economy and examines strategic issues that affected the sector in the region. (Talk about 2002 as a watershed moment and why.) They published their report, “Advancing Community Partnerships- the Social Economy in Yorkshire and the Humber” and as a response, set up a practitioner led Social Economy Task Group. This Group was tasked with developing a Social Economy Framework, which included social enterprise.

5.10 The role of zeitgeist in social enterprise policy design

Perhaps because many of the influential architects of social enterprise policy for New Labour hailed from a think tank past, the agenda was more susceptible than others to being linked with the next ‘big idea’. Examples of this can be found in several of the policy measures introduced, and in the big tent approach taken in shaping the policy framework. Specifically, the Strategy mentions the role of ‘clusters’. Regional Development Agencies were required to develop clusters in each of the nine regions for social enterprises. The idea was to target resources where a critical mass of activity already existed in a local area, in order to strengthen what was begun organically, rather than starting up something new. Ideas of social capital were also linked to the use of clusters in local economic development (Roelandt and Hertog, 1999; and Rosenfeld, 1997).

The Strategy mentions that RDAs should consider developing their social enterprise clusters where cooperative development agencies were located. In addition, the Strategy

recommends that RDAs consider incubators, managed workspace, networks, the development of local supply chains and the promotion of inter-trading between social enterprises as additional methods. It cites the Regional Innovation Funds, worth £50m per year in England, for RDAs to access, which was targeted at supporting clusters and incubators (DTI, 2002, p.40). With respect to supporting the development of networks, the DTI explains the Government’s position, “Whilst Government cannot itself create such networks, it can play a role in facilitating the development of infrastructure that promotes their existence” (DTI, 2002, p.59). When it comes to supporting networking between social enterprises and private sector businesses, the position is, “Government also recognizes the important link that can, and should, be made between mainstream businesses and the social enterprise sector through secondments, mentoring, cash, or ‘in kind’ support. Both sides have much to learn from each other and the Government wishes to encourage more of this cross-fertilisation of ideas and mutual support” (DTI, 2002, p.59).

5.11 New Labour’s action points arising from the Social Enterprise Strategy for Success

In terms of implementation, the table below outlines the specific tasks the Government committed to over a three-year period.

Table 5.3 New Labour’s internal tasks relating to the enabling environment

Creating an enabling environment	<ul style="list-style-type: none"> • Legal and regulatory: Follow up with recommendations made by the Performance Innovation Unit Review relating to social enterprise
	<ul style="list-style-type: none"> • Procurement: work with partners to promote social enterprise among those responsible for public sector procurement at national and local level
	<ul style="list-style-type: none"> • Prepare and disseminate to social enterprises and social enterprise specialist advisors a ‘toolkit’ to share best practice for social enterprises winning public sector business
Making social enterprises better	<ul style="list-style-type: none"> • Ensure social enterprises are supported by all Business

businesses	Links and make sure mainstream schemes offered by the Small Business Service and the DTI are available to social enterprises
	<ul style="list-style-type: none"> • Monitor take-up by social enterprises of the Learning and Skills Council's New Entrepreneurship Scholarships and consider if there needs to be a separate social enterprise bursary scheme
	<ul style="list-style-type: none"> • Facilitate networking
	<ul style="list-style-type: none"> • Review existing advice, information and websites available to social enterprises, assess what else is needed and work with partners to fill any gaps
	<ul style="list-style-type: none"> • Work with the social enterprise sector and the RDAs to design a series of social enterprise awareness raising days and practitioner-led training events to be available throughout the English regions
	<ul style="list-style-type: none"> • Work with partners to develop business and finance training for the non-business members of social enterprise boards and management committees; and identify and support methods of replicating successful social enterprise business models
Finance and funding	<ul style="list-style-type: none"> • Work with partners to increase the capitalization of the Community Development Finance Institutions specializing in the social enterprise market and encourage CDFIs generally to consider how they could improve service to this market
	<ul style="list-style-type: none"> • Ask the Bank of England to review the debt and equity finance available to social enterprises, including that offered by CDFIs, mainstream banks, business angels, venture capitalists and other. Where there are gaps or barriers identified by the Bank on either the demand or supply side, we will take forward recommendations on how best to address them
	<ul style="list-style-type: none"> • Develop a financial awareness programme for social enterprises
	<ul style="list-style-type: none"> • Explore how best to address any real and perceived barriers to the transfer of assets to social enterprises
	<ul style="list-style-type: none"> • Work to ensure that the rules and flexibilities on claw back are fully understood and implemented
Establish the value of social enterprise	<ul style="list-style-type: none"> • Develop a case study database covering the range and diversity of the sector
	<ul style="list-style-type: none"> • Establish baseline data about the social enterprise sector through research
	<ul style="list-style-type: none"> • Create guidance on mapping social enterprise to improve the comparability of future research
Recognize achievement and spread the word	<ul style="list-style-type: none"> • Continue to support the 'Enterprising Solution' National Social Enterprise Award
	<ul style="list-style-type: none"> • Sponsor a specific award, as part of this year's 'Inner City 100', for the fastest growing social enterprise in an inner city area
	<ul style="list-style-type: none"> • Work with the social enterprise sector to review promotional material on social enterprise and commission materials to meet the needs of key target groups

	<ul style="list-style-type: none"> • Encourage social enterprises to engage with their local schools to raise awareness of social enterprises as a possible career option
	<ul style="list-style-type: none"> • Work with Enterprise Insight and others to ensure that social enterprise is included alongside mainstream examples of entrepreneurship in their programmes
	<ul style="list-style-type: none"> • Continue to support and work with the Social Enterprise Coalition so that it is a strong, inclusive and coherent focal point for the sector
Create trust	<ul style="list-style-type: none"> • Support research into existing social auditing methods, identify the most effective approaches for measuring social and economic impact, and then help spread this information
	<ul style="list-style-type: none"> • Investigate the development of a quality standard and a branding scheme within the sector
Making sure it happens	<ul style="list-style-type: none"> • We will set up an Interdepartmental Official Group • Set up an External Stakeholder Consultation Group • Set up subgroups on specific issues; and • Arrange interdepartmental Ministerial meetings as necessary
In support of the Strategy, the Social Enterprise Unit will...	<ul style="list-style-type: none"> • Co-ordinate work across Whitehall and the regions to ensure that, where change is needed, action is taken to bring this about • Work with and support practitioners, intermediaries and other key stakeholders as they implement their parts of the strategies; and • Deliver on the specific tasks allocated to the Unit directly
The remit of the Social Enterprise Unit is...	<ul style="list-style-type: none"> • To act as a focal point and co-ordinator for policy making affecting social enterprise • Promote and champion social enterprise • Take action needed to address barriers to growth of social enterprises; and • Identify and spread good practice

Adapted from (DTI, 2002)

How can the detailed tasks listed above in response to the creation of the ‘enabling environment’ be best analysed and understood? Recalling corporatist theory from the previous chapter, the modern post-industrialist British state was incentivized to work with industry leaders and those outside of the state machinery, as it has lost its ability to directly control labour, capital accumulation, and resources. However, by using the language and model of ‘partnership’ the government was able to exert influence to direct or control the

resources of an industry in order to achieve some of its own goals alongside the efforts of what captains of industry are trying to achieve.

Yet even this explanation seems superficial and does not uncover the underlying tensions that a system such as this creates. In this view of the world, there is little acknowledgement of power and the forces of coercion. The language of partnership may imply an equal or symbiotic relationship of balanced or aligned interests, but this is far from the case. In the previous chapter, we began to see this is how different versions of state sponsored social enterprise made it into the policy framework, and ultimately it was precisely because policy entrepreneurs had differing amounts of influence, the agenda that emerged was a blend of differing views. We must also not forget the importance of the role of the state as an institutional entity separate from the politics of the governing party, and the way in which the apparatus of the state is able to grease the wheels for new policy ideas or to have a dampening effect.

Returning to the language of partnership, David Byrne in his article "*Partnership-participation- power: the meaning of empowerment in post-industrialist society*" begins to explore the inequalities of partnership, and the ways in which empowerment as a concept is used as a "benchmark against which claims of 'partnership' will be tested" (Byrne, 1999, p.244). As Byrne asks, "What are the antagonistic interests in the contexts in which 'partnership' is being proposed as the panacea for the solution of problems of urban social disorganization and social exclusion?" (Byrne, 1999, p.244). As a quote from Blunkett and Jackson is incorporated into Byrne's analysis as a response:

There is a crisis at the heart of British Democracy. Freedom and the right to dissent have been curtailed. This arises from the fact that it is in the interests of international capital to turn as many activities as possible into a commodity which can be bought and sold...The international market is becoming the arena which determines every aspect of the nation's political decision making (Blunkett and Jackson, 1987, p.1; as cited in Byrne, 1999, p.244).

“In practice, in post-industrial capitalism the marginalized are, in fact a crucial component of the reserve army of labour, but the term still has value in distinguishing a component of that reserve army by reference to the processes that created it” (Byrne, 1999, p.245). Byrne is cited thus in part because of the eloquence he uses in pinpointing the mismatch in power structured into the partnering relationship between government and the objects of change generally. When reflecting on the myriad objectives listed in Table 5.3 above, a strong sense of government *intervening* or even interfering in British civil society comes through. Through this analysis, this appears as New Labour crafting a new sector to fulfill its own aims and objectives, and here one can see the identification of the emergence of state sponsored social enterprise.

Thought about another way, to what extent does New Labour use support for social enterprise as a means to reach this ‘reserve army of labour’ and to attempt to actually increase the productivity of the economy and further the aim of capitalism, rather than to truly empower those who are marginalized or constitute the “fourth world”. In fact, taking a contrarian view, to what extent can states or state action ever truly serve as empowering agents for those who are marginalized- this is the central tension at the heart of state sponsored social enterprise- the tug of war between action based in civil society, independent of government and drawing power from collaborative and radical action versus the state, commanding the forces of collective action to further their own agenda. As Taylor (2003) notes:

The rediscovery of ‘community’ over recent years is heartening to many who have been critical of the individualism and competitiveness of the market, and the ascendancy of economic over social agendas. After years of market supremacy, it is encouraging to see the attention being paid by policy makers and academics across the world to the need to invest in ‘social capital’ as well as the individual skills and financial resources that are needed to combat social, economic and political exclusion. It is equally encouraging to see recognition being given to the territory between the state and market that tended to be lost in ideological battles between right and left...The very flexibility of this language, however, which allows it

to be adopted across significant ideological divides, urges caution, along with the frequent and interchangeable use of the different terms as a 'spray-on' solution to cover the fault lines of economic decline and social fragmentation (Taylor, 2003, pp.2-3).

The tensions described by Taylor above offer a critical response to some of the ways in which social enterprise is invoked by New Labour as a means to resolve inequality and inefficiency. To some extent, using Taylor's language, there should perhaps be caution urged that the prioritization of social enterprise may actually be an attempt to paper over these same fault lines by in some ways oversimplifying the complexities that exist within communities. Is social enterprise here another market-based approach to addressing the issue of communities? How can one really view its inclusion in large New Labour programmes such as Neighbourhood Renewal and the New Deal for Communities policies?

5.12 DTI's 'A Progress Report on Social Enterprise: a Strategy for Success' (2003)

The first notable characteristic about the *Progress Report* was the inclusion of a 'view from the sector' written by Baroness Glenys Thornton, Chair of the Social Enterprise Coalition, after Patricia Hewitt, Secretary of State for Trade and Industry and Nigel Griffiths, Parliamentary Under-Secretary of State for Small Business and Enterprise. Although published by the Social Enterprise Unit in the Department of Trade and Industry, the Report very clearly showed the extent to which the Unit worked with the Social Enterprise Coalition and the sector more broadly over 2002. It is also interesting to examine how Patricia Hewitt's use of language in describing the sector changes over time, now that the Social Enterprise was up and running.

Reading through this report, I hope you, like me, will be struck by how far we have come since we launched the Social Enterprise Unit in October 2001. It was less than a year later - in July 2002 - that we published the Government's first ever strategy for social enterprise. In that, we said we would report on progress on implementation during the first year by October

2003. This document fulfills that promise and renews our commitment to delivering on the remaining two years of the strategy... Across central government it is clear that the interests of social enterprise are now visibly embedded in Departmental business plans and strategies, in policy thinking and business support programmes... This growth of recognition and understanding of social enterprise in policy making is an important first step to achieving the longer- term acceptance we are aiming for and must have if social enterprise is to grow and contribute to Britain's progress and wellbeing.

As we look to the future and next stages of delivering the social enterprise strategy, there is much more to come - from progressing the Community Interest Company option to helping more social enterprises build their business skills. I am also clear that we need to deepen understanding of particular aspects of social enterprise to help more diverse businesses grow - those run by black and minority ethnic people, women, underrepresented groups, those in rural communities - and identify opportunities in more sectors, such as the creative industries or housing, where social enterprise can play a greater role (DTI, 2003, p.3).

Patricia Hewitt's comments above demonstrate the extent to which social enterprise, as a policy idea, was being embedded across a range of social policy areas.

Nigel Griffiths Parliamentary Under-Secretary of State for Small Business and Enterprise Department of Trade and Industry reports, "... A Strategy for Success provides the framework for the real, direct, practical support needed. The sector leaders have told us frankly about the advances we have made and what clear actions must now be put in hand" (DTI, 2003, p.5). One year on, the Government reports back that plans for social enterprise development are being taken forward across the UK, with the devolved administrations leading plans in their areas, and the DTI taking a leading role in England, alongside the support of Regional Development Agencies and Government Offices.

Progress made during the year is described in three topic areas:

- Improving the evidence base, specifically undertaking mapping initiatives and promoting social accounting tools
- Facilitating networking, promoting joint working and partnership, ensuring integrated business support, awareness raising, and supporting trade fairs

- Technical assistance, for example capacity building, investigating asset transfer models, providing support for CDFIs and other forms of grants and loans, ensuring the provision of incubation space, promoting web based services for the sector, and increasing Business Link advisers to support social enterprise (DTI, 2003, p.7).

While many of the milestones the Report mentions have already been included in this chapter in the overall policy timeline for social enterprise, what is most remarkable is the eventual introduction of two new legal forms- the community interest company and the charitable incorporated organization, along with modifications to existing legislation for industrial and provident societies to provide an ‘asset lock’ to protect members’ interests in the long-term. These initiatives originated in the Strategy Unit’s review of the sector as a whole that pre-dated the Government’s social enterprise strategy, but the original ideas were then validated and refined through the consultation process New Labor engaged in as part of developing its social enterprise strategy. These changes, brought through in New Labour’s Charities Bill, became the Charities Act 2006. They will by their very nature have a long-term impact on how the British social economy is structured.

Also notable is the development of the Futurebuilders, a New Labour programme to establish a £125m investment fund to support third sector organizations with an interest in bidding for and delivering public sector contracts. The development of Futurebuilders was carried out in conjunction with the production of a public service procurement toolkit for social enterprises.

Under the heading of ‘making social enterprises better businesses’ the Government’s strategy for small business was written to include social enterprise. Since April 2003, all Business Link Operators nationally were required to include support for social enterprises in

their business plans. The Bank of England published its report into the financing of social enterprises, which the Social Enterprise Unit and the Social Enterprise Coalition aimed to address. The Business Support Directory launched by the Government was written in order to be accessible to and relevant for social enterprises. The list of activities appears almost endless in the Report. More examples under the banner of ‘establishing the value of social enterprise’ include promoting and funding the Enterprising Solutions National Social Enterprise Award, and the funding of the first national social enterprise trade fair. Further support for the Social Enterprise Coalition is offered (DTI, 2003, p.10).

In describing how work has progressed throughout 2003, the Report explains:

From the beginning, the Government’s approach has been to listen to those involved in social enterprise. Throughout the year, there have been regular, honest exchanges with key stakeholders and with a wide range of individual social enterprises. Their views have been sought on Government proposals affecting the sector. We are grateful to those who have contributed to these many consultations and to the members of the Implementation Group³ for their much valued advice and support. We will continue to work closely with stakeholders in an open and transparent way to ensure that the strategy remains relevant and effective. The DTI’s Social Enterprise Unit will continue to be the focal point in Government for ensuring delivery of the strategy over the next two years (DTI, 2003, p.11).

The Report continues by providing significant detail across a broad range of policy measures introduced. The publication discussed the inclusion of social enterprise within a National Employment Plan, through to the launch of a consultation within the Department of Health that investigated how social enterprise could potentially play a role in public service delivery. Children’s services were mentioned, along with the example of the Children’s Trust Pathfinders, another initiative designed to provide a coherent approach to commissioning children’s services. It is through the dissemination of examples like these where evidence of ‘joined-up’ thinking in practice is demonstrated.

When it comes to the devolved administrations, the Social Enterprise Unit through the publication of this Progress Report, offered up a synopsis of how social enterprise

development initiatives were faring. It summarized that each of the devolved governments had at this point formally taken up social enterprise at policy level in some way, shape, or form. For example, in January 2003, the Scottish Executive published *A Review of the Scottish Executive's policies to promote the Social Economy* (DTI, 2003, p.18). Alternatively, the Welsh Assembly Government included social enterprise formally as part of the portfolio of the Minister for Social Justice and Regeneration. In the English regions, the role of the Government Offices is mentioned. Neighbourhood Renewal teams were set up in each of the nine Government Offices which at this point were working directly between local community based groups and the Neighbourhood Renewal Unit in central government. Strategies and action plans for social enterprise were now live in each of the nine English regions.

On the one hand, there was coordination across the different geographic areas through the development and implementation of strategies and action plans for social enterprise. For example, in the East Midlands, the East Midlands Development Agency provided support for a regional independent social enterprise support organization, called Social Enterprise East Midlands, or SEEM. The organisation received start-up funding plus an additional £200,000 for the group to facilitate the development of a support infrastructure and to lead research. SEEM was also given £2 million in grant funding to disburse via managing a programme to support the sector's growth. Funding could be given out for feasibility studies and initial business planning for start-up social enterprises, the development of assets (for example in the case of the transfer of property from local authority control to community ownership), capacity building for existing organizations and the development of new markets in which social enterprises could participate (DTI, 2003, p.25).

The design of support for social enterprise in the East Midlands was contrasted with the

approach taken by One North East where the North East Social Enterprise Partnership was launched in March 2003. The Partnership represented a consortium of groups, rather than the creation of an independent and stand-alone organization. The Partnership developed the Social Enterprise Regional Action Plan, which was aligned to the regional economic strategy. Key objectives were to raise the profile of social enterprise, increase training provision and build organizational capacity. The RDA chose to provide a secondment for one of its officers to the partnership in order to develop potential business and growth opportunities and to help build bridges between public sector buyers and potential social enterprise suppliers (DTI, 2003, p.25).

The description of activity in the regions was not meant to be exhaustive, but rather intended to provide a flavor of the two different aspects of how social enterprise policy was designed from the centre. First, there was evidence of a strong managerial and coordinating aspect to the policy design, as regions were meant to work in the same strategic direction as the centre- all headed towards shaping and growing a British social enterprise sector. The newly established regional infrastructure, through the regional development agencies and government offices, along with other cross-cutting strategies such as the Neighbourhood Renewal programme were intended to create linkages between local areas through to the centre. Joined-up thinking is evidenced here, with the goal that limited resources were used creatively and efficiently to maximize their impact. Yet there was another component to how social enterprise policy was designed in this first wave by New Labour, and that is that decision-makers throughout the governance system were encouraged to work in partnership with regional and local stakeholders to co-design initiatives that were best suited to the needs of their geographic regions. There were indications of innovation and differentiation in approach, which brought with it a host of strengths and weaknesses. Many of these are

explored as part of the next chapter on implementation dynamics, where the ‘enabling environment’ for social enterprise moves beyond the setting up phase and analyzes projects that were under way.

In the end, if one reflects back on how social enterprise debates were originally positioned and the range of expert stakeholders that influenced its inclusion in New Labour’s policy agenda, to what extent does what was put into place meet original expectations? By focusing on the creation of an ‘enabling environment’, what New Labour actually put into place was a framework that allowed social enterprise to cascade out throughout the public governance system. Through its design, this policy structure empowered decision-makers at many different levels to design initiatives that were suitable to their departmental or organizational context, and in the case of regeneration and economic development officers in local authorities, many became early advocates for local social enterprise development. The flexible and open framework New Labour set into motion with its *Social Enterprise: A Strategy for Success* enabled public sector professionals to take on entrepreneurial attributes themselves for a time. This, and other lessons learned from the empirical part of this research are detailed in the following chapter.

5.13 The transition from first to second wave policy making for social enterprise

In May 2006, Ed Miliband became the first Minister for the Third Sector, and the Office of the Third Sector was established. The Office was an amalgamation of the Social Enterprise Unit from the Department of Trade and Industry, and the Active Communities Unit from the Home Office. With the creation of a Cabinet-level position for the third sector, social enterprise rose in prominence within New Labour policy. In terms of the scope of this

doctoral research, the publication of the Government's Social Enterprise Action Plan in 2006 marks the end of the time period under study. This is because next Gordon Brown becomes Prime Minister, and social enterprise policy development took on a second phase. Tony Blair summarized the status of social enterprise within New Labour in the foreword of the Action Plan:

Within the publication of this action plan, government support for social enterprises enters a new phase- but it is built on deep foundations...Now, after years of energetic campaigning by the sector and its umbrella bodies, after championing from the Social Enterprise Unit and amid a rising tide of ethical consumerism, social enterprise is breaking into the public consciousness. Increasing numbers are learning what the sector has to offer. In its promotion of a fair society, we are seeing increasing innovation and confidence. In deprived areas, we are seeing its ability to increase employment and opportunities. In public services, we are seeing its ability to offer innovation. In the years to come, I believe we will see more social enterprises, making greater strides towards social justice, working more easily with conventional businesses and the public sector. We will see social enterprises thrive (OTS, 2006, p.2).

In 2006, the social enterprise policy agenda changed. For the first time, when the Government published its next stage of social enterprise policy initiatives through the Action Plan, Tony Blair as Prime Minister wrote the introduction, followed by Gordon Brown, Chancellor of the Exchequer, and then Ed Miliband as the first Minister for the Third Sector. This demonstrated the extent to which social enterprise in conceptual terms became central to New Labour's approach to social policy-making, and it provided an indication of the amount of support it received from the leaders of the Labour Party.

5.14 The key components of the *Social Enterprise Action Plan*

What new initiatives did the Government put into place with the Action Plan and the setting up of the Office of the Third Sector? First, the language used when describing the contribution of social enterprise changed. Thinking about social enterprise as a mechanism for change became clearer, more focused, and more precise. In the Action Plan it stated “the contribution of social enterprise” which was achieved through four different objectives; encouraging ethical markets, meeting social need, improving public services, and increasing enterprise (OTS, 2006, p.16). Under the banner, ‘improving public services’ it stated social enterprise contributed by shaping service design, pioneering new approaches and winning contracts to deliver services. In the first *Social Enterprise: A Strategy for Success*, when envisioning the role social enterprises can play, the merits were ascribed to being a provider of services. In the Action Plan there became a new emphasis on the role social enterprises could play in influencing how the services themselves were conceived and structured, as well as showing public service providers how to be innovative and re-think the process of the service on offer.

This shift shows in some ways the maturation of the field over this four-year period, and the extent to which lessons were distilled and shared. Rather than focusing on business support and impact measurement, although these are still themes that exist, they were no longer as predominate. Rather, there was a focus on social enterprises as providing learning and innovation that could in turn significantly influence service design. There was a new idea introduced in the Action Plan that social enterprises had the potential to *drive up* quality in public service provision. It became a more active stance than was previously expressed when earlier measures focused on the procurement process itself and capacity building.

The Action Plan reported the Government's progress in implementing the original strategy for social enterprise, and reported distance travelled in a way that promoted accountability and transparency. The next stages of initiatives were described as "an action plan for growth". The key messages were about building on the work undertaken in the original strategy and now scaling it up. The first objective is to foster a culture of social enterprise (OTS, 2006, p.30). Much of the language was similar to what has come before, but something that was new was the idea to encourage young people to engage in the field- either by starting up their own social enterprises or by considering careers. Further, there was a new objective to ensure social enterprise was embedded within the wider education system and students were made aware of what social enterprise means.

Another significant observation is the dropping of the reference to social enterprise as a distinct sector. Instead, the Action Plan described social enterprise as a broad range of activity and sector distinctions were no longer dominant. The language began to shift towards what came next- social innovation, and the positioning of social enterprises as social innovation organizations. The remainder of the Action Plan was clearly extending the work initiated by the Strategy in 2002. The language of policy objectives is on the whole more general, and it is clear that the policy framework moved on from a start-up phase to one that sought to maintain the initial policies and embed them across government. It was also more about consolidation, and there was little emphasis on awareness raising and policy development within Whitehall.

5.15 Conclusion

This chapter investigated New Labour's initiation of policy support for social enterprise and tracked its development from the Government's initial review of the wider charitable and wider not-for-profit sector, through to the publication of the Government's first Social Enterprise Strategy for Success in 2002, the Progress Report in 2003, and the Office of the Third Sector's Social Enterprise Action Plan in 2006. With the launch of the 'enabling environment' for social enterprise, New Labour put into motion a wide range of measures that would significantly alter the shape of the British social economy and its on-going relationship with the state for years to come.

The most significant outputs were the legal changes put into place with the introduction of the Community Interest Company and the Charitable Incorporated Organization, along with the modifications to Industrial and Provident Societies. In addition, the Government raised the profile of social enterprise across the public sector machinery and in the wider economy through its robust support for independent social economy based support organizations. New Labour directly contributed to increasing the number of social enterprises operating in Britain and influenced the extent to which they were able to operate without facing significant barriers. Finally, New Labour embedded social enterprise across a range of cross-cutting initiatives, including the devolution agenda, urban and neighbourhood renewal, national employment strategies, social inclusion agenda, the shift to multi-level governance and the remit of regional development agencies and government offices, and health and social care provision. In the next chapter, the implementation dynamics of New Labour's 'enabling environment' are explored, specifically investigating what implementation looked like at regional and local levels through local authorities.

Chapter 6: Implementation dynamics at regional and local level

6.1 Overview of chapter

In the previous chapter, New Labour's policy framework for social enterprise development as it emerged between 2001-2006 was analysed. As a review, the Social Enterprise Unit was established in 2001, and the first policy documents to support social enterprise development were published in 2002, with the intention of outlining a three-year work programme for the Government. In 2006, the establishment of the Office of the Third Sector, which incorporated the Social Enterprise Unit, and the subsequent publication of the *Social Enterprise Action Plan* signalled the end of the first wave of policymaking and a shift towards new ways of conceiving social enterprise programmes and support.

In this chapter, the goal is to shed light on what implementation of the original 2002-2005 policy framework for social enterprise looked like as it made its way through the regional and local governance system. In the previous chapter, the various ways in which New Labour established policies to develop the field of social enterprise were set out. In this chapter, the impacts of some of New Labour's approaches at community level across England are explored. If policymakers set the direction for social enterprise growth from the top of the governance hierarchy, the question arises- who became the implementers of this agenda within the public sector machinery? How did these actors respond to the sometimes disparate measures coming from Whitehall, and did they work in concert with one another or independently? Finally, what were the impacts of European, central, regional, and local public sector funding on how projects developed on the ground?

One of the main questions that emerged after considering the shape and structure of New Labour's 'enabling environment' is to what extent was there in fact a role for local government? Did local authorities take up the social enterprise agenda as envisioned by New Labour, and if so, who within local councils championed it? Did local government efforts help or hinder New Labour's vision, and what impact may some of the measures have had on how organizations operating in the British social economy understood their relationship with the state? How did concepts of co-production of policy outputs bear out in practice? What form did partnership-working take? By focusing on local government in England generally, and then the greater London-area over a one year period specifically, the dynamics of the implementation of New Labour's 'enabling environment' can be better understood.

To answer these questions, the chapter is structured in the following ways. First, the findings of an England-wide local government survey are shared, followed by the presentation of key themes that emerged from the work of a London-wide social enterprise development network, LA Connects. Both the England-wide survey and the interviews and participant observation of LA Connects were undertaken by the author to address the research questions of this doctorate, and represent an original contribution to the existing research base. This primary data is further supported by a review of some key secondary data sources; namely the Annual Small Business Survey of 2005, where social enterprises were included within it, and *Social Enterprises in London: Report of the Economic and Social Development Committee*, published in April 2004.

There has been little to no policy analysis of the initial measures put into place by New Labour to date. While there have been one-off programme-based reviews of policy initiatives, for example the final evaluation report for the Futurebuilders programme

published in 2010, there is very little critical or scholarly work that explores the extent to which the ‘enabling environment’ approach used by New Labour was effective. Further, with the establishment of the Third Sector Research Centre, scholarly work investigating the social economy generally has taken off. However, efforts to research social enterprise specifically, particularly in policy terms, are still limited. Because the policy framework was so extensive, taking into account measures to change company law, tax regulations, through to including social enterprise in cross-Departmental policy development, focusing on one geographic area allows us to understand how these measures were translated into action on the ground. In this way, insight is gained into the utility of New Labour’s multi-faceted approach to social enterprise development.

6.2 Findings from study: Implementing Innovative Policy: Local Government and Social Enterprise, 2005-06

As part of this doctoral research, a study was designed to collect data that mapped the extent of local authority support for social enterprise across England. This survey data was then supplemented by interviews with and participant observation of a pan-London support network for local authorities interested in social enterprise development called LA Connects, as managed by Social Enterprise London and received start-up funding from the Association of London Government.⁴⁰ The study sought to examine the variations in local policy and practice. The project was intended first to establish a baseline of local authority support for social enterprise across England. Second, the goal was to examine the growth of this agenda across the Greater London area.

⁴⁰ Now referred to as London Councils.

Three different data collection methods were used. First, a questionnaire was developed and distributed to chief executives of all local authorities in England, which represented 395 councils. The contact details were gained by accessing the *Municipal Year Book Listings for 2004*. In this first round, only twenty-five responses were received. This was done intentionally to test the hypothesis as to whether or not the agenda for social enterprise development at local level was being driven by chief executives setting policy through strategy development of cross-cutting themes, or rather if the agenda was instead engaged in by regeneration and local economic development units. Because of the poor response rate, the questionnaire was re-distributed in a second phase to the heads of economic development and regeneration units. As a result, sixty-four responses were received, and confirmed the hypothesis that the interest in social enterprise development at local level was mainly taken up through the regeneration banner, rather than from a strategic policy-making vantage point coordinated through chief executives.

The second data collection tool used was semi-structured in-depth interviews to explore the development of social enterprise, and to identify motivations for local engagement as distinct from the drivers New Labour envisioned at the top of the public governance hierarchy. The purpose of designing the study in this way was to serve as an empirical check on what the 'enabling environment' promised from the centre, and to investigate some aspects of the implementation dynamics associated with New Labour's approach. Several themes were investigated at regional and local level; the drivers for local government engagement, sources of leadership for the agenda, local authority approaches to development and implementation, boundaries between local, sub-regional, regional and national players, and the extent of public resources available at local, regional, national and European level.

The third data collection method used was participant observation of LA Connects, a London-based working group for local authorities developing social enterprise policy that was staffed and coordinated by Social Enterprise London. The group launched in April 2004, and during the time period of data collection, which was 2005-2006, the group grew to include representatives from twenty-eight of London's thirty-three local authorities. Of these twenty-eight members, twenty-two participated directly in this research. As an elite working group with a highly committed membership, interviewing LA Connects participants was intended to shed light on different approaches to local development. One of the interesting dimensions to researching the dynamics of local implementation in London as a region was its complexity from a governance standpoint.

Although one metropolitan area, due to historic circumstance, it is governed by thirty-three distinct local authorities. During the time period in which the study was undertaken, the region was undergoing significant change with the recent establishment of the Mayor for London, the abolition of the Greater London Council, and the replacement of the London Assembly (Pimlott and Rao, 2002). The newly established Mayor's Office was responsible for the setting the region's economic development strategy, in conjunction with the London Development Agency, as a new regional development agency. By choosing this geographic area, one can study what the 'enabling environment' looked like in practice for those working at community level, while also gaining insight into how New Labour's social enterprise policies fit into a wider context of significant policy change.

Finally, in terms of the local government empirical study, participant observation was employed to observe the quarterly meetings of LA Connects for one year, during which time many sector events were attended in order to analyse how the policy agenda developed. This

included direct participation in the European Learning Network; or LNET, and attendance and contribution to three European-level meetings; one in Milan, one in London, and one in Brussels.⁴¹ The European Learning Network was a five-city forum exploring enterprise and social enterprise development in deprived urban areas.

The group was funded by the European Commission and managed in the United Kingdom by the Greater London Enterprise. The group was comprised of London, Amsterdam, Milan, Hamburg and Prague. Meetings in different cities were for dissemination sessions where individual cities shared their approaches and experiences of developing social enterprise. Participating in this forum and observing research findings from other European cities was useful in putting the UK experience into a broader policy context. Through participation in this network it became clear that the United Kingdom was the only one of the participating countries amongst Italy, The Netherlands, Germany and the Czech Republic from 2004-2006, where local government was active in developing social enterprise. The other countries approached social enterprise through regional economic development strategies, whose outputs mainly took the form of subsidizing managed workspace in under-utilised public buildings and spaces.

It was also through LNET that it became clear that LA Connects was the only coordinating mechanism of its kind, intended to strategically develop social enterprise policy. This is itself an interesting finding, as it demonstrates aspects of New Labour's approach to social policy design, and the encouragement of 'joined-up' thinking. It also goes some way to show how theories of corporatism and the role of the state in seeking to guide the resources of other sectors and industries to fulfil state needs is in evidence during this period of time.

⁴¹ See <http://www.thelearningnetwork.net/> for more information [Accessed on 7th July 2012].

Table 6.1 below lists the councils across England that participated in the survey research. The councils which have an asterisk by them note those councils that were also members of LA Connects.

TABLE 6.1: PARTICIPATING COUNCILS ACROSS ENGLAND, 2005-06 (88)⁴²

Amber Valley	Dudley	Kingston-upon-Thames*	Preston
Barking and Dagenham*	Ealing*	Knowsley	Reading
Bedfordshire	East Cambridgeshire	Lambeth*	Redbridge
Bexley*	Ellesmere Port and Neston	Lancashire	Richmond*
Bolton	Enfield*	Lancaster City	Rochdale
Bridgnorth	Gateshead	Lewisham*	Sedgefield
Bristol	Gloucestershire	Lichfield	South Shropshire
Bromley*	Halton	Liverpool	Southwark*
Buckinghamshire	Haringey*	Luton	Stratford on Avon
Burnley	Harrow*	Manchester	Suffolk Coastal
Bury	Havant	Merton*	Surrey Heath
Camden*	Havering*	Newark and Sherwood	Telford
Charnwood	Hertfordshire	Newham*	Tendring
Cheshire	Hillingdon*	Norfolk	Tower Hamlets*
Colchester	Horsham	Northamptonshire	Vale of White Horse
Corby	Huntingdonshire	North Lincolnshire	Walsall
Cornwall	Ipswich	Oxford	Waltham Forest*
Corporation of London*	Kensington and Chelsea*	Oxfordshire	Wandsworth*
Coventry	Kerrier	Peterborough	Warwick

⁴² This represents the aggregated data collected from both the first round of Chief Executive responses and the second round data collected from Regeneration and Economic Development Departments.

Croydon*	Kingston upon Hull	Portsmouth	Warwickshire
West Devon	West Sussex	Wirral	Wokingham DC
Wolverhampton	Worcester	Worcestershire	Wycombe

(ESRC-funded England-wide survey data, 2005-06)

The picture that emerged from the England-wide data was an informative one. First, the overwhelming majority of participating councils described themselves as either very or somewhat familiar with social enterprise.⁴³ When one considers the time frame for when data was collected, 2005-2006, and factors in the Government only first published its social enterprise strategy in 2002, and notes there was no specific pot of funding ear-marked for local government, one-quarter of all English councils aware of social enterprise can be viewed as a significant number. The argument can be made that the reason for the success of New Labour's vision for social enterprise is attributable more to the power of the rhetoric versus its actual importance within a local government policy agenda.

The table below maps the extent to which councils by regional development area were active in social enterprise.

TABLE 6.2: ENGLISH COUNCIL SURVEY PARTICIPATION BY REGIONAL DEVELOPMENT AGENCY 2005-06

Regional Development Agency	Number of participating councils
London Development Agency	19
Advantage West Midlands	12
South East of England Development Agency	12
North West Development Agency	10
East of England Development Agency	9

⁴³ A full copy of the questionnaire that was distributed is included in Appendix 1.

East Midlands Development Agency	4
South West Regional Development Agency	4
One North East	2
Yorkshire Forward	2

(ESRC-funded England-wide survey data, 2005-06)

6.3 Mapping the local government response

To some extent, London was going to skew the data because there are more boroughs in the greater London area than any other region in England, thus more boroughs were represented within the London Development Agency catchment area than other regional development agencies. However, read another way, at least half of RDAs had a large cluster of councils that were active in social enterprise as an agenda, demonstrating an emerging level of activity at local level.

When it came to the political leadership of active councils and its potential role in determining the local government response to social enterprise engagement, the data revealed an interesting twist. While Labour controlled councils were more active in social enterprise, it was only marginally. Seven Labour controlled councils described themselves as very involved in social enterprise development as compared to only two for the Conservative Party. However, more Conservative led councils described themselves as somewhat involved (the next descriptive category) than Labour controlled ones, meaning that there were twenty-two Conservative led councils engaged in social enterprise compared to Labour's twenty-four. When comparing political leadership by council within specific regional development agencies, Labour only came out on top in two areas- London and the North West. For Advantage West Midlands, East of England Development Agency, South East of England

Development Agency, and South West Development Agency, Conservative held councils were the active ones in social enterprise. In the remaining regions, there was a tie between the number of Labour and Conservative led councils active in the agenda.

This finding is significant for several reasons. First, while New Labour was the political party in power to first introduce policies to promote social enterprise in the United Kingdom, there was something within the agenda that appealed to the Conservative Party as well. This characteristic may have been an early indicator that social enterprise as a policy ideal would also appeal to the Conservatives in power, which has proven to be the case during the present Coalition Government and their extension of social enterprise policies within the Big Society framework.

The data also raises another question, at local level, to what extent is social enterprise an agenda pushed forward by elected politicians or driven by public sector professionals? The survey data and the LA Connects interview-level data suggests that social enterprise is an agenda that is valued by those who work in economic and community development within local government, rather than a platform engaged in by locally elected politicians. This may also help explain why social enterprise as framed by New Labour becomes a policy ideal that is appealing to other political parties. In policy rhetoric, social enterprise becomes in many places a proxy for more effective and competitive delivery of public services and charity. In interviews with key stakeholders, as will be discussed in greater detail further on in the chapter, the role of social enterprise as *a mechanism* through which policy entrepreneurs are able to achieve their own goals is highlighted.

6.3.1. Evaluating the implementation of the 'enabling environment' at local level

One of the tenants of New Labour's strategy was to encourage all local councils to write a social enterprise strategy, which was to serve as a cross-cutting approach to encouraging social enterprise within many aspects of a council's work. It was intended to mimic the Government's approach to developing an Intergovernmental Working Group across Whitehall departments. The survey across England revealed three years on from the Government's publication of its social enterprise strategy, eleven councils reported having a social enterprise policy already in place, while another ten were in the process of developing them. However, the remainder of the sixty plus participating councils fed back that they had no plans to put such a strategy in place. In addition, when reviewing the timing of when the existing social enterprise strategies were implemented at local council level, many were developed before 2003, predating the publication of the Government's strategy. This indicated that those engaged in social enterprise development at local level were not interested in the agenda from a policy perspective, but more from a programmatic and project-based one. This finding was further supported by discussions within the LA Connects group and supports the idea that local government officers valued social enterprise for its ability to serve as a vehicle or mechanism to organize activity.

6.4 The influencing role of the centre?

New Labour produced key policy strategies to support social enterprise and tasked the Social Enterprise Unit within the Department of Trade and Industry with policy coordination. In establishing the approach of the 'enabling environment' stakeholders within Whitehall were placed in charge of leading awareness-raising about social enterprise internally. One

significant question that emerged when considering how to evaluate the implementation of New Labour's policies was the extent to which the centre was actually able to exert influence on decision-makers at regional and local level. Did building awareness about social enterprise across departments necessarily mean it would transit further down through the system? Ultimately, to what extent did the strategy documents provide a focal point for how other branches of the public sector either took up, engaged in, or ignored social enterprise as a policy idea?

Interviews carried out for this study indicated that central government was able to influence social enterprise locally in a number of ways, although perhaps not necessarily in the ways the original policy framers were expecting. New Labour was able to provide technical guidance through the publication of various resource documents, set policy targets for specific topics like procurement, and by including social enterprise within the broader funded programmes, for example as mentioned in the previous chapter the inclusion of social enterprise within the Neighbourhood Renewal programme and Futurebuilders. Rather than set up of a fund against which local authorities could bid into specifically for social enterprise development, New Labour instead chose to invest in third party organizations which offered services that were free at the point of use. Specific examples included when the Small Business Service established the Phoenix Development Fund, which sought to increase business and entrepreneurship in disadvantaged areas and amongst under-represented groups. Social enterprise was included in this agenda. The Phoenix Fund operated by supporting specialist business support agencies and financial intermediaries.⁴⁴ This strategic decision had the knock-on effect of creating what became referred to as a 'second-tier support organization' sector. The role of multi-year regeneration programmes on social enterprise

⁴⁴ See the Small Business Service website at www.sbs.gov.uk for more information [Accessed 1st June 2009].

development locally is explored later in this chapter. The overall conclusion from the survey and interview data is that in specific instances, central government had a limited influencing role on the way local government went about shaping and supporting social enterprise at community level. However, central government did enable most of the local work to take place, through the provision of public funding and changes in the regulatory environment.

In the England-wide survey, officers were asked whether or not central government departments influenced local social enterprise decision-making to determine the extent to which the messages within the Government’s strategy documents had an impact outside of Whitehall. While the Social Enterprise Unit received the most frequent mentions, a number of respondents reported that *no* central government department had *any* influence at all. The Table 6.3 below reports the responses provided by survey participants.

TABLE 6.3 WHITEHALL DEPARTMENTAL INFLUENCE OVER LOCAL SOCIAL ENTERPRISE POLICY FORMATION

Department	Influencing role?	
	Yes	No
Social Enterprise Unit, Department of Trade and Industry	60%	30%
HM Treasury	14%	74%
Department for International Development	5%	77%
Department for the Environment and Rural Affairs	9%	74%
Office of the Deputy Prime Minister	44%	47%
Department for Work and Pensions	6%	77%
Home Office	5%	75%

(ESRC funded England-wide survey data, 2005-06)

Where councils reported that there were other non-central government departments with influence over social enterprise development, they indicated either their Regional Development Agency or their local Business Link as having the greatest influence. The two Regional Development Agencies that were most often mentioned in the England-wide data were the East of England Development Agency and the South East of England Development Agency. Considering that both the RDAs and the Business Link branches are funded by central government, this indicates that the government's aim to provide an 'enabling environment' was achieved by indirect means.

One of the components of the 'enabling environment' put forward by New Labour was a strategic review of how local authorities engage in procurement processes. As stated in the *Strategy for Success* document, there were two goals when it came to procurement. First, the objective was to promote greater understanding of social enterprise amongst those who make public procurement decisions, particularly at local level. Second, the purpose was to educate social enterprises about how to position themselves to participate in a competitive tendering process (DTI, 2002). The Department of Trade and Industry published in 2003 *Public Procurement: A Toolkit for Social Enterprises* (DTI, 2003b). In addition to the Toolkit for social enterprises, specific objectives to include social enterprises in procurement practice were written in to the *National Procurement Strategy for Local Government in England 2003-2006*. When the survey was carried out between 2005-06, two to three years after the guide's publication, it appeared to have made little impact in how councils approached letting contracts to social enterprises. Only twenty-nine of the eighty-eight councils reported that they were at the time engaged in letting contracts to social enterprises, or roughly 33% of the research participants. However, fifty-three councils reported they foresaw letting contracts to

social enterprises in the future, and twenty-five had already addressed the recommendations for social enterprises within the *National Procurement Strategy*. As one officer explained:

We have been inconsistent as an authority. It is still difficult to get good contractual agreements in place...Departments are still too autonomous and corporate strategy is still not being adhered to by some Departments. (Although) County wide strategic documents all contain references to social enterprise opportunities to enhance community engagement and service delivery (Survey data, 2006).

The respondent above explains one of the key challenges advocates for social enterprise within local government face, and that is building awareness across an entire council. Officers reported that social enterprise is valuable in its role in serving as a vehicle through which multiple policy objectives can be achieved. However, local government is structured based on departmental units, each responsible for their own discrete areas of work. Social enterprise poses significant challenges to how local government works.

One officer explained how contracting with a local social enterprise Groundworks presented operational challenges for the local authority.⁴⁵ Groundworks is a social enterprise that takes at risk youth and moves them into the labour market by teaching them about grounds landscaping and maintenance. It also uses environmentally positive products and thus delivers both social and environmental outputs that are valuable to the council's strategic goals. However, the officer explained that the contract available to let was delivered through a maintenance stream, which was looking for best value. It took a lot of additional work to explain how a social enterprise like Groundworks could in fact be the better option. In councils where such strategic procurement was taking place, it was dependent upon someone internal to the local authority acting as a champion for social enterprise. When the London

⁴⁵ See <http://www.groundwork.org.uk/> for more information about Groundworks [Accessed on 16th July 2012].

data is reviewed in greater detail further in the chapter, the idea of the internal social enterprise champion is explored.

6.5 The emergence of a local agenda

While New Labour's vision for social enterprise was innovative and far-reaching in scope, to what extent did it sync with local expectations and what social enterprise delivery in public services looked like at community level? Ultimately, did New Labour's vision for social enterprise as set at the centre match policy goals at local level, or was there a different policy agenda for social enterprise led by local authorities? In this next section, the issue of multi-level governance as promoted by New Labour is considered and the potential implications for social enterprise development are explored.

The first issue to consider is that social enterprise, as an alternative organizational model, comes in many shapes and sizes. Some of the different uses of social enterprise and historical origins were discussed in chapter two as part of the literature review. New Labour's multi-faceted approach to social enterprise development sought to encourage the growth of social enterprises in absolute numbers. The underlying assumption on the part of the Government was that they inherently deliver additional environmental and social benefits to Britain, and thus the more of these organizations there are, the more dynamic and equitable Britain's mainstream economy would be. Social enterprise was included as another form of mainstream business and advice for social enterprises became part of all Business Link advisory services nationally.

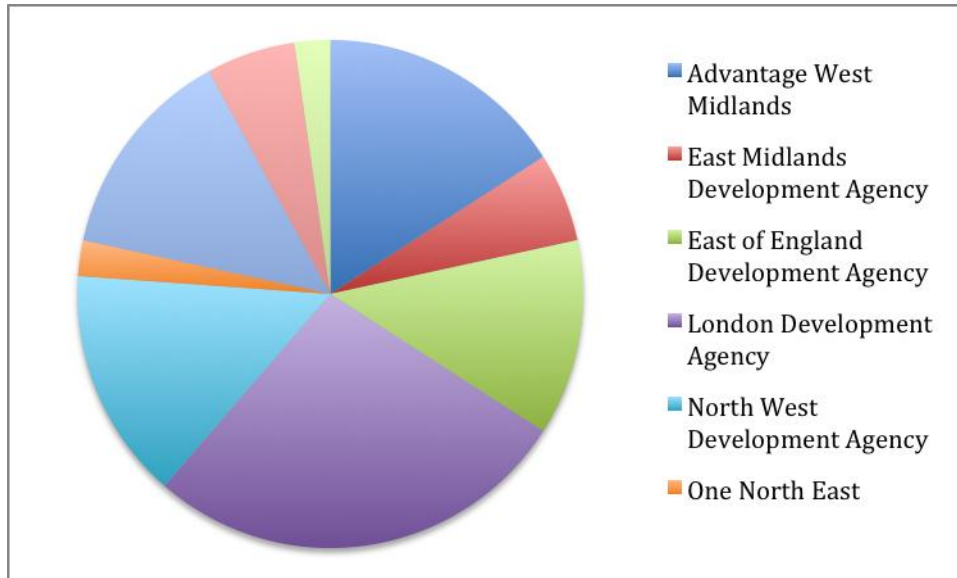
However, there were also aspects of New Labour's policy agenda for social enterprise that pertained to including them in the work the government undertakes on a regular basis. Social enterprises were viewed in 2002 as having a role to play in the delivery in public services first. Second, there was another agenda to have various governmental bodies work in partnership with social enterprises to help steer the work social enterprises undertook outside of government contracting, in order to connect public sector resources with social enterprise sector ones, to maximize the production of public benefit. Some policy objectives for New Labour had social enterprise as part of the local government agenda, but at the same time, there were additional policy objectives included in the regional government agenda. In this section, the data gathered from the England-wide survey and the follow up interviews with stakeholders reveals how these two different agendas played out in real terms.

One of the clear advantages of moving a variety of policy objectives through a multi-governance system is the opportunity for innovation in policy design and delivery (Newman, 2001). New partnerships formed and there was a great deal of variety in programme design (Mayo and Taylor, 2001). However, the main disadvantages of this variety of activity meant that there could be considerable difference in what social enterprise meant in different locations and the way social enterprise was positioned in local economies.

The survey data revealed the extent to which social enterprise had been taken up within local authorities across the various regions of England. The highest concentration of activity occurred in London, and the weakest regions in terms of council participation were Yorkshire, the North East and East Midlands. This is an interesting revelation, as these were also the areas with significant regional development agency-led activity where separate

support bodies for social enterprise were set up. The chart below maps local authority activity in social enterprise development in 2005-06 according to regional development agency area.

FIGURE 6.4 LOCAL AUTHORITIES ACTIVE IN SOCIAL ENTERPRISE DEVELOPMENT BY REGIONAL DEVELOPMENT AGENCY CATCHMENT AREA, 2005-06



(ESRC-funded England-wide survey data, 2005-06)

The research revealed that even when there is a lack of political leadership or support from a council's chief executive or elected councillors, the agenda thrives regardless based on the championship of specialist officers within local authorities. Formal councillor or chief executive support for social enterprise as a condition for change does not appear to be necessary. The survey showed that two-thirds of participants did not even know whether or not councillors supported social enterprise, even though these respondents were from councils that were active in the field. Further, where councillor support was mentioned, it was often restricted to a handful of active councillors, rather than broad consensus across political leadership. Where councils had elected councillors from the Co-operative Party, they were

active in promoting social enterprise at local level. The findings revealed strongly that social enterprise engagement at local level was largely shaped by council officers.

6.5.1 Social enterprise development work led by local council officers

Local council officers engaged in social enterprise were for the large part regeneration officers. Across England, it was reported that in 2005-06, fifty-five councils had departments that were working on projects that included the promotion of or support for social enterprise, with forty-five reporting that a specific member of staff was assigned such work. In London, many were specialist social enterprise development workers, hired on project-based two-year contracts for the purpose of supporting the growth of social enterprise locally. As the England wide survey data indicated, and was further supported by a subset of respondents who were interviewed, the majority of officers working on social enterprise had previous professional experience of either the private or charitable sectors. Some officers even had direct previous work experience with social enterprises. These officers were almost exclusively based within economic development and regeneration departments within local authorities.

This in turn shaped how councils approached their plans for social enterprise development. Many plans involved supporting start up social enterprises as pilots, and working with local community members on awareness-raising and local market development. Further, there was evidence of similarities in approaches taken and the resources these teams within local authorities were able to offer, even in areas where no external co-ordination was present at regional level. Data from both interviews and surveys showed that in most cases, local government officers were working in partnership with the local community to develop

social enterprise. In these circumstances, officers become enablers within a multi-level local governance system. These findings were in line with other aspects of New Labour's approach to regeneration and partnership working at community level (Mayo and Taylor, 2001; Pearson, 2001; Williamson, 2001; Byrne, 2001; Haynes, 2001).

To further support this, observation of the work plan of LA Connects in its second year revealed a great time was spent discussing the tensions, opportunities, and constraints of operating between the local, sub-regional and regional level. The officers explained the changing nature of their roles and the new emphasis on becoming operators across these different tiers of governance. Much time was spent attending partnership or network-based meetings, in order to ensure awareness about opportunities as well as to ensure some level of coordination. However, in many cases, of the limited time of an officer's schedule given over to social enterprise development amongst a wider set of work to do, there were some periods where all of an officer's limited social enterprise work time was given over to event and meeting participation, rather than any significant project-based work.

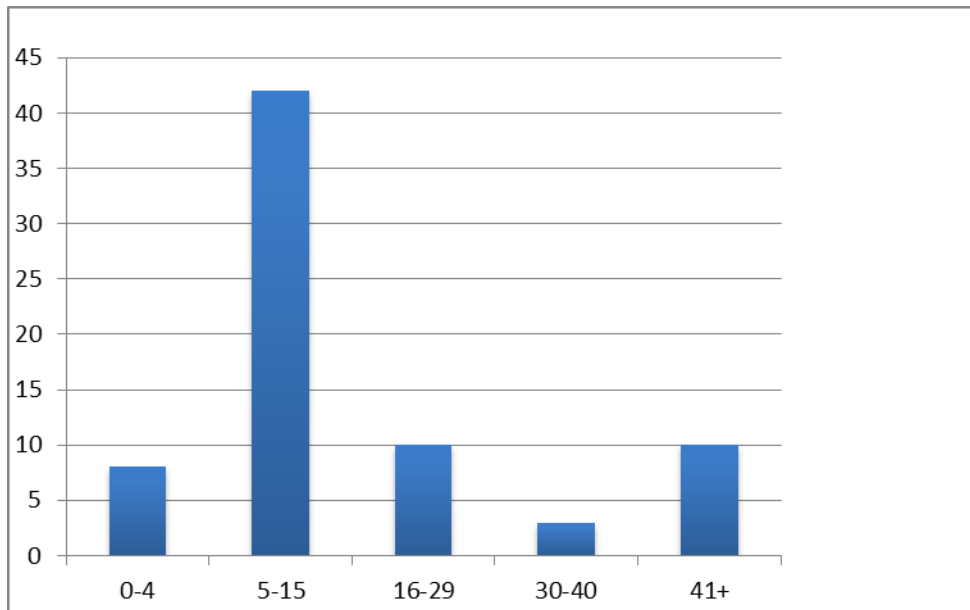
The next task of the research was to understand how officers work to promote social enterprise at local level and the extent to which they are able to implement New Labour's policy objectives as laid out in the various strategy documents. The survey-wide data revealed that between 2005-06, fifty-five councils across England had departments that were working on projects that included the promotion of or support for social enterprise, with forty-five reporting that specific member of staff was assigned such work. It became clear from the interviews that officers contribute additional resources to social enterprise development including their own professional expertise and access to information on public

funding opportunities across local areas, regions, national government and the European Commission.

As to developing individual councils' approaches to social enterprise, some officers began by building partnerships between councils located next to theirs, in order to pool resources from a sub-regional or regional funding source, while in other cases officers encouraged established local social enterprises to take the lead within the community. Interview data also revealed that in some local areas, officers were asked to participate on steering boards for the third sector in order to give them a formal link to the sector. This came mostly in the form of participation in a local strategic partnership. In addition, there were also examples of elected councillors serving as trustees of local third sector bodies in order to establish formal partnership links. Where either link to a council was present, either through the participation of a council's political leadership, or its administration, local stakeholders had a greater input into social enterprise planning and development (ESRC survey data, 2006).

To some extent, the size of a local social enterprise community determines the form of action officers take. Participants were asked to estimate the size of their local social enterprise community. A little more than half of the participating councils rated their local community's social enterprise activity as consisting of between five and fifteen organizations. As the table below illustrates, social enterprise communities were clustered and at different stages of growth, although the majority were in the early stages of development. These findings give an overall picture of social enterprise that is consistent with the findings of the Department of Trade and Industry's 2005 mapping report.

FIGURE 6.5 SIZE OF THE LOCAL SOCIAL ENTERPRISE COMMUNITY



(ESRC England-wide survey data, 2005-06)

The interview data and observations of LA Connects further revealed that in some cases, local officers acted as business support providers themselves by offering capacity-building advice to local social entrepreneurs. They also provided initial grant funding on a micro scale. When these approaches were taken, it was to address gaps in the existing local marketplace where specialist social enterprise business support was unavailable. New Labour's strategy for social enterprise development from 2002-2005 included significant public funding for business support for emerging social enterprises. This was achieved in two ways; first through the inclusion of social enterprise as an objective within broader thematic programming as was the case with Neighbourhood Renewal, and second, by directly funding specialist social enterprise support organizations, which came to be known as second tier support organizations. The term second tier referred to the status these organizations held as

being funded by government to provide free at the point of use advice to a specified client group.⁴⁶

As part of the Government's agenda for social enterprise, establishing the value of the sector was cited throughout each of the publications over a four-year period. A key component of this was to map the size and shape of emerging social enterprise activity. One method for estimating the size of the local social enterprise sector, as promoted by the Government through its guidance report written by ECOTEC was to ask local authorities and other coordinating bodies to estimate the size of their local social enterprise community (ECOTEC, 2003). The questionnaire distributed within this research took that recommended approach, and twenty-three councils described their areas as having either a medium to substantial sized local social enterprise community. A medium-sized community was defined as having between sixteen and twenty-nine organizations, while a substantial community was defined as having forty-one or more.

While there was a considerable supply of public funding for business support to social enterprises, many officers interviewed complained that the way this support was packaged made it difficult for target groups to actually use. For example, the majority of funding available from 2002-2005 was for start-up business advice, which focused on introductory principles, provided through a one to many training format.⁴⁷ The types of social enterprises that were being developed and supported by local authorities were often complex organizational hybrids with seconded staff from public and charitable organizations. As a

⁴⁶ The term was revealed as one commonly used in programme descriptions and contracts provided by regional development agencies to a range of organizations that populated the business support provider field. This information came up in several interviews with key stakeholders.

⁴⁷ A good example of this is the series of introductory training sessions that were run by Social Enterprise London during this time period. The organization was paid for the number of people trained, rather than on a specific outcome for the organization that was participating and starting up.

result, the support required was specialist in nature and success was dependent upon how flexible and tailored the advice was. Examples of social enterprises cited in this category included organizations established to provide childcare to the financially and socially excluded, and intermediate labour market organizations that recruited employees from those who were most excluded from the labour market.

It became clear from the interviews that these same local economic development officers in many cases served as gatekeepers, determining what the local social enterprise agenda looked like, setting priorities and designing programmes. Local officers were able to bid for public funding to develop local social enterprise programmes, often leading to a maximization of public resources, as different funding streams were combined for optimal impact. One officer explained how social enterprise as a local agenda compared to others he worked on:

There is a political element to this- in local government, being parochial is phenomenally influential. People do want to be seen doing stuff that is sexy- like social enterprise...For my job, it is absolutely brilliant that everyone agrees with social enterprise, yet it's not got a huge spotlight on it. The difficulty for e is that as long as a Councillor can see something is being done on it, they are not bothered about it, unless something goes wrong. In an agenda like Neighbourhood Renewal, which is very visible, nothing can get done. Double-edged sword, I am glad social enterprise doesn't have a massive political agenda because I can get on with my job. It is never going to be hauled over the coals with scrutiny. But the flip side is when I want to get something done corporately I may not have the political will to move it forward. Ultimately, I just want to get it done and get the best possible outcome (Interview data, 2006).

The view from this officer is an insightful one. Because social enterprise is not driven by a strong local top down political agenda it was an easier one in which to engage administratively. It was an area where officers across the board felt they could get things done, and in many cases, be entrepreneurial themselves. However, the flip side of the gatekeeping function that local authority officers held when it came to furthering the local

social enterprise agenda was that officers could also turn down opportunities to grow the sector.

As the England-wide survey data revealed, not every council wound up supporting social enterprise, nor would the ones that supported social enterprise undertake their development work with the same vision in mind. While this variation could lead to innovation in programme design, the extent to which success could then be replicated to a similar degree across all local councils was extremely limited. Further, during participant observation of the London Social Enterprise Network, local social enterprise managers indicated that rather than local authorities seeking to create an ‘enabling environment’ for social enterprise growth, their individual approaches to development between boroughs actually served as a hindrance. As a manager within Ealing Community Transport, a leading social enterprise that operates nationally, explained that approaches varied considerably between individual boroughs.⁴⁸ Some councils were eager to develop relationships with local social enterprises while others were not.

6.5.2 Extending Kingdon’s notion of policy entrepreneurship

In Kingdon’s work on agenda-setting and understanding who plays a key role in pushing policies through and influencing their design, he coins the term ‘policy entrepreneur’. Within this doctoral research, the origins of social enterprise policy-making under New Labour have been thoroughly examined. From the outset, it has been identified that a set of inside and outside organized interests, or key stakeholders, were able to exert

⁴⁸ For more information about Ealing Community Transport, or ECT, go to <http://www.ectgroup.org.uk/> [Accessed on 16th July 2012].

significant influence over how policy ideals within social enterprise were developed and how programmes to support the growth of social enterprise were shaped. In this, the notion of Kingdon's policy entrepreneur was firmly established. From central government level, the range of insider actors that played a role in the social enterprise agenda were clearly identified as taking on the status of policy entrepreneurs. Some actors stayed consistent in their support for social enterprise, even when changing job within the Government, or leaving it altogether.

However, when the analysis moves further on in the public governance system and the role of local authority officers is considered, additional entrepreneurial behavior is identified that could arguably extend Kingdon's earlier notions of how policy entrepreneurs behave. Kingdon focused more on the role of policy entrepreneurs in the agenda-setting process, and in identifying who wields power as policy ideas are generated. Here, the role of policy entrepreneurs in extending policy design during implementation is considered.

The section above discussed aspects of the survey and interview data that pointed to how social enterprise was taken forward in local authorities across England during the implementation phase of New Labour's first social enterprise strategy. The following section explores the extent to which local authority officers' policy objectives for social enterprise were similar to or distinct from the agenda the Government passed down from the centre. Table 6.6 below lists the six potential drivers for social enterprise policy development as framed by New Labour, and the extent to which local authority officers agreed with the objectives set from the centre.

TABLE 6.6: SIX POTENTIAL DRIVERS OF LOCAL COUNCIL TAKE-UP OF NEW LABOUR’S SOCIAL ENTERPRISE AGENDA

Driver	Number of councils agreed	Number of councils disagreed
For social enterprises to participate in local public service delivery (co-production)	31	38
As a business model to provide sustainability for regeneration projects that were coming to an end	32	33
As a means to promote social and economic inclusion	39	30
To provide a more financially sustainable business model for the local Voluntary and Community Sector	51	15
As a bridge to employment (intermediate labour market organisations)	41	28
To take advantage of specific public funding programmes that were incentivizing social enterprise	21	49

(ESRC funded England-wide survey data, 2005-06)

*The list above was generated by building upon emerging themes from policy development forums, and then tested through pilot interviews with stakeholders at the beginning of the ESRC funded portion of the study.

As the table above demonstrates, the research revealed divergence in priorities between central government goals and local objectives. Officers were asked to rank motivations for social enterprise development according to which were most in line with their views. They did this first in the England-wide survey data and then these issues were discussed further at the interview stage. There was a considerable range in the answers given, without clear patterns emerging across the majority of themes. This pointed to the notion that individual councils chose to engage in social enterprise development for their own reasons, driven by the characteristics of their local area.

The main themes to emerge from this question were that firstly, very few councils viewed social enterprise as an opportunity to bring additional public funding into the local council. Secondly, the majority of councils active in social enterprise development in England at this time viewed it as a means to streamline the local voluntary and community sector. As was suggested by a handful of comments, the local social enterprise agenda became a way to wean the local voluntary and community sector off of local council grant-based support (Survey and interview data, 2006).

Although there were a number of councils that opted for stand-alone social enterprise policies, or had included social enterprise within broader policy frameworks, the majority of active councils did not plan to incorporate social enterprise into local formal policy design. While twenty-seven councils either had a social enterprise policy or were in the process of preparing one, the majority of councils stated they had no such plans. One reason why policy making at local level was not given the importance that might have been expected when New Labour made the recommendation for local councils as part of its strategy documents is that social enterprises do not readily lend themselves to close local authority direction. As an officer from Cornwall County Council explained, “Social enterprise must be, like any enterprise, economically sustainable and viable. Too much policy weight on their role will result in too many poorly managed social enterprises” (Interview data, 2006).

New Labour’s ‘enabling environment’ prioritized the capacity-building of nascent social enterprises, the mainstreaming of social enterprise within other support mechanisms for private enterprise in the British economy, and in many respects the testing of social enterprise for its potential role in public service delivery. Although some early policy rhetoric explored the use of social enterprise in public services, this part of the Government’s agenda

is more fully developed once the Office of the Third Sector was set up in the Office of the Deputy Prime Minister in 2006, and the *Social Enterprise Action Plan* was launched.

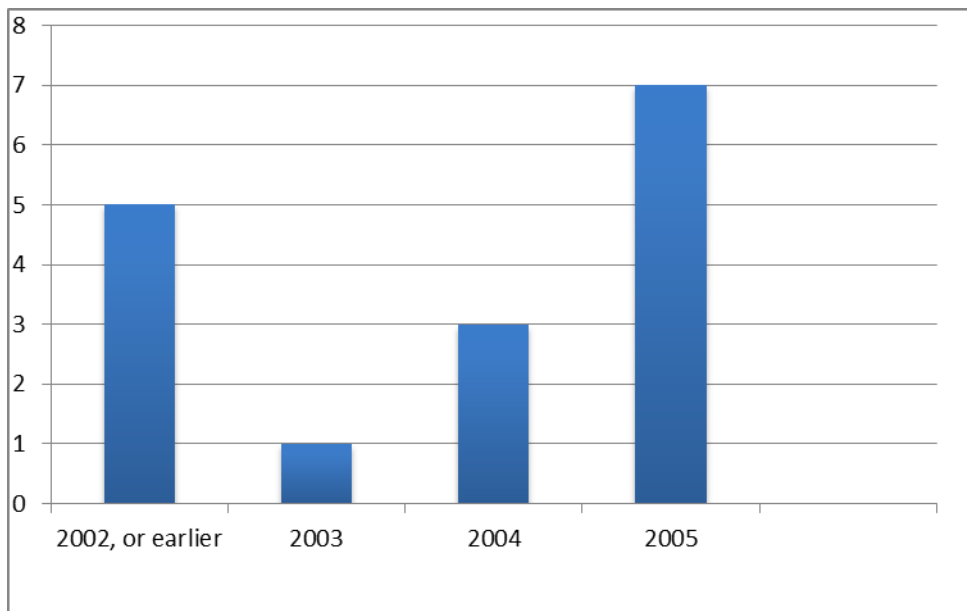
6.6 Social enterprise development in London 2005-06, LA Connects

London is a useful microcosm to study when it comes to social enterprise development for several reasons. First, there are thirty-three boroughs operating in a small geographic area, which creates a setting where variation in policy design and implementation can be more easily detected and data can be compared. Second, as set out earlier in this chapter, because London went for Mayoral government at a regional level, it is an area where many of New Labour's key changes in governance can be readily analysed. Third, because of the existence of LA Connects, as the country's only coordinating body for social enterprise development across local government, a good opportunity for studying policy development arose. The local authorities based in London who participated in LA Connects and this research were Barking and Dagenham, Bexley, Bromley, Camden, Corporation of London, Croydon, Ealing, Enfield, Haringey, Harrow, Havering, Kensington and Chelsea, Kingston-upon-Thames, Lambeth, Lewisham, Merton, Newham, Richmond, Southwark, Tower Hamlets, and Waltham Forest, Wandsworth. Of these councils, Camden, Croydon, Ealing, Haringey, Havering, and Southwark were the most active in the extent to which they engaged in supporting social enterprise. Finally, London was home to many firsts within the growing British social enterprise movement. The first specialist support organization, Social Enterprise London, was based in the Capital, as was the subsequently established national body for social enterprise, the Social Enterprise Coalition.⁴⁹

⁴⁹ This organization changed its name from the Social Enterprise Coalition to Social Enterprise UK.

The first relevant finding from the London based mini case study was that the development of social enterprise at local government level preceded policy development at national level. While it had already been discussed that social enterprise grew from cooperative traditions during the Industrial Revolution, and that social enterprise activity was firmly established in the British third sector for some time, it was not expected that there would have been significant local government support and action for social enterprise before New Labour prioritized it within national party politics. After New Labour published the *Social Enterprise: A Strategy for Success*, all three main political parties included social enterprise within their election manifestos for the following election in 2007. More than two-thirds of the London research participants learned about social enterprise before 2001-meaning before the setting up of the Social Enterprise Unit within the Department of Trade and Industry and prior to the publication of the Government's social enterprise strategy, as Table 6.7 below demonstrates.

TABLE 6.7 YEAR LOCAL AUTHORITY OFFICERS IN LA CONNECTS INITIATED WORK ON SOCIAL ENTERPRISE



(ESRC-funded London-wide interview data, 2005-06)

The table above shows the timing when officers began work on social enterprise within local councils across London. Most officers began working on social enterprise as part of their post in 2005, while roughly one quarter began work in 2004. This illustrates just how new local government in social enterprise was, and how quickly things moved on from awareness-raising to action. Further, while respondents claimed that New Labour's social enterprise policies had little to do with the work they undertook, on the whole, it appears the 'enabling environment' big tent approach actually did lead to the sort of wide scale engagement and change the Government was originally hoping for, even if research participants didn't fully understand where programme incentives and funding for social enterprise development at local level originated.

This leads to the question, how did these officers first learn about social enterprise? Building on the notion above that New Labour's approach to social enterprise development

was more successful and in many ways pervasive than many at community level appreciated, the majority of officers in London learned about social enterprise either through attending an awareness-raising event or from policy documents. Many others learned about social enterprise through the work of local organizations. Most officers reported that the impetus for deciding to get involved in social enterprise from within their departments was because social enterprise complemented work they were already engaged in. Officers reported that social enterprise became a useful way of thinking about policy objectives that were sustainable as many publicly funded regeneration projects were coming to an end. Specific examples cited by interviewees included the end of the Single Regeneration Budget programme, and Neighbourhood Renewal, along with various European Social Fund programmes, such as the EQUAL fund and the European Regional Development Fund initiatives. In these cases, social enterprise was seen as a business model that could anchor and support partnership work that had come together in a local area around issues such as managing employment programmes, and the regeneration of physical spaces.

The next most frequent reason given for local authority support for social enterprise was the opportunity to develop work within existing public funding rounds. This differs from the overall national picture provided by the England-wide survey data, however, it can be explained because various sub-regions within London qualified for significant regeneration funding during this time period. There was only one case in London where a council initiated work in social enterprise mainly because a councillor wanted the administration to get involved.

6.6.1 Highlighting the role of officers as internal local council social enterprise champions

When asked to describe the status of their social enterprise development work, the majority of interviewees stated that their projects were either on-going or about to begin. However, while almost all stated they were working on social enterprise in some capacity, one-third stated there were no plans to formally support social enterprise through direct action. This finding strongly indicated that a lot of the work that was undertaken during this first wave was driven by individual officer interest. In a handful of cases, the council used funding from Neighbourhood Renewal, the European Social Fund, or Single Regeneration Budget funding to support the hiring of a specialist social enterprise development officer. These officers had two-year contracts and the objective of growing the local social enterprise sector. For the remainder of the LA Connects participants, they engaged in social enterprise out of their own professional interest, rather than being assigned the topic as part of their formal workload.

The fact that economic development and regeneration officers took to social enterprise out of interest and became unexpected internal champions for the agenda at local authority level further complicates the implementation story behind New Labour's efforts. First, it becomes clear that New Labour's awareness-raising strategy and funding of third party organizations *outside* of the public sector (through the Phoenix Development Fund for example) creates a flurry of activity at local level that actually winds up encouraging entrepreneurial behaviour in ways that were unanticipated. This can mostly clearly be seen in the way LA Connects, as a group functions, and the range of activities members are initiating. Social Enterprise London, as an independent and specialist support organization, received funding from the London Development Agency between 2003-2005 to run the London Social

Enterprise Network. This was a business network that ran quarterly events for social enterprises based in London. At the same time, in 2004, Social Enterprise London receives funding from the Association of London Government, the lobbying organization for all thirty-three London councils, to develop LA Connects, as a network for local authority officers interested in supporting social enterprise in their local area. Through this plus a range of national awareness-raising events held by Business Link for London, the Social Enterprise Coalition, and other events sponsored by the Social Enterprise Unit in the Department of Trade and Industry, local authority officers learn about social enterprise, which organizations operate in their area, what sort of support they need, and the range of programmes running where either public funding is available or free capacity building sessions are on offer.

The way local council officers respond to this environment is where things become even more unexpected, and pose a challenge to how traditional bureaucrats are usually represented in the public management scholarly literature. First, there is a subsection of officers who do not have social enterprise specific funding, but develop work in this area because it complements what they are already doing and fits in with their world view. These officers act as internal champions for social enterprise, and wind up supporting the development of their local social enterprise community through the donation of their time and expertise to various community boards and projects. They also on the whole review the range of regeneration and economic development funded programmes available to bid in to, and then actively seek partners to develop projects for additional support. Finally, they behave entrepreneurial, connecting leaders in the local social economy together with a range of resources from free capacity building sessions on offer through to meetings with internal procurement officers and putting local social enterprise leaders in touch with departments that may run under-utilized buildings and public spaces for development.

The other group of active officers is those who were hired, mainly through Neighbourhood Renewal funding, to be formal social enterprise support officers over a two-year period. These officers behave similarly to their colleagues, with the exception that they may have budgets to spend and so they can develop their projects on a wider scale. Through a co-ordinating mechanism that they lead, like LA Connects, these internal social enterprise champions are then able to partner together to make the most of whatever resources are available. As a group, they continued to raise awareness about social enterprise across the Greater London area. Individually, they partnered with councils that bordered theirs, and did much to support fledgling social enterprises directly. In all, this action was able to take place because of the wide and far-reaching remit New Labour put into place when it designed its social enterprise strategy. This is an example of a very positive innovation that occurred as a result of the devolved approach to governance and policy design. However, one of the risks of such a strategy was the extent to which any of this action was sustainable in the long-term.

Another interesting characteristic that emerged from the interview level data with LA Connects participants was their professional background.⁵⁰ Most had experience outside of the public sector, in either the private or voluntary sector, and some even had direct experience of working with social enterprises in the past. One officer had even completed one of the first Masters degrees in Social Enterprise by 2005 from Middlesex University, and the majority of officers held degrees in the social sciences. When recruited into the council, twelve answered an advertisement for their post and four were referred to the post by someone they already knew. All officers worked either in a regeneration department or a local economic/ community development department focused on development and managing

⁵⁰ Of the twenty-two LA Connects members, sixteen participated in a series of semi-structured interviews held over 2005-06, with some participants interviewed more than once.

a range of projects. This meant none worked in a council policy unit or in a chief executive's office, which gave an indication of the level at which implementation occurred within a local authority. Twelve of the sixteen interviewees knew about social enterprise prior to 2002, predating the publication of New Labour's strategy, suggesting that those officers who ultimately became internal social enterprise champions were those who were familiar with and interested in the subject area before the Government became involved. The table below gives a snapshot of some of the characteristics of how these social enterprise champions across London worked:

TABLE 6.8 SNAPSHOT OF LONDON AREA COUNCIL-LEVEL SOCIAL ENTERPRISE CHAMPIONS

-
- Twelve of sixteen officers reported usually holding budgets for their other work, but only seven held budgets to spend on their social enterprise plans
 - Eight worked with Greater London social enterprise development initiatives (outside of the council)
 - Nine worked with other internal council departments on developing social enterprise plans (very high)
 - Seven worked with local regeneration and strategic partnerships on developing social enterprise (outside of the council and in the community)
 - Half of those running social enterprise projects reported actively seeking funding to keep their projects going after current rounds of funding expired
-

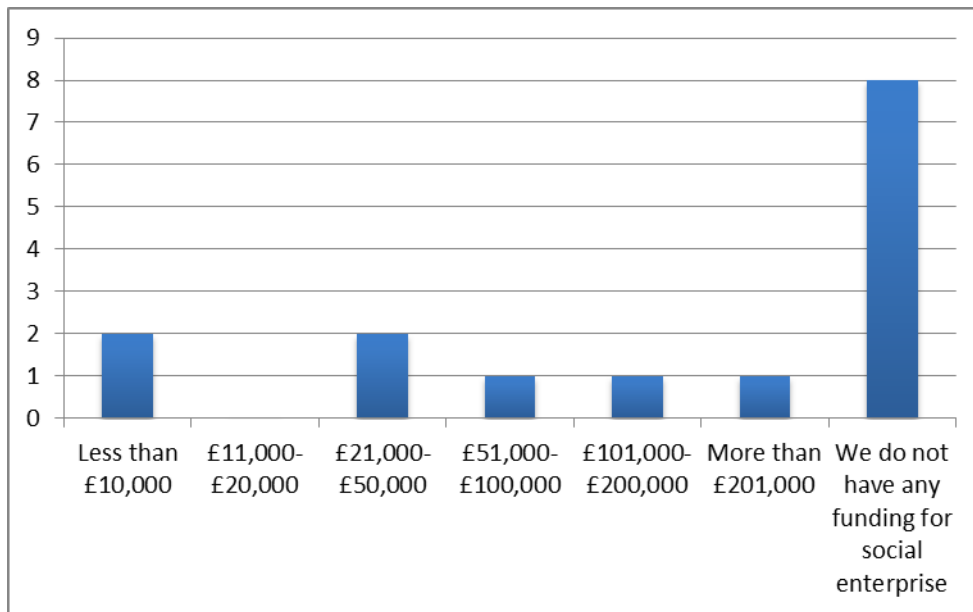
(ESRC-funded London-wide interview data, 2005-06)

What becomes clear from following the work of LA Connects members is the extent to which social enterprise development activity from within local councils in London is dependent upon social capital within a specific geographic area between councils and the local social economy along with the desire of individual officers to instigate change themselves. Even when councils did not have any additional project money to spend on social enterprise development, officers took it upon themselves to signpost people to where they

knew resources to be available, and they gave up some of their time and professional expertise to participate on community level boards to promote the growth of social enterprise.

Table 6.9 below shows the range of funded amounts local councils had to actually spend on social enterprise development up to 2006.

TABLE 6.9 RANGE OF SOCIAL ENTERPRISE DEVELOPMENT BUDGETS HELD ACROSS LONDON COUNCILS, 2005-06



(ESRC London-wide interview data, 2005-06)

Very few officers reported they had funding available to spend on social enterprise development. This was demonstrated by the fact that only seven London councils, out of twenty-eight LA Connects participants, reported having money committed to spending on social enterprise. Two of these councils had already completed their social enterprise development work by 2005, and were participating in LA Connects as a means to gain ideas and resources to keep their projects going after the formal funding had ended. The most

notable case was the London Borough of Croydon. However, almost double, or twelve officers, reported normally having funding to spend on their areas of work, making social enterprise unusual in its lack of a budget.

The range of project funding reported indicates the extent of resources available to councils to develop social enterprise; the size and breadth, however, could vary considerably. The largest provider of funding in London was the London Development Agency, with seven councils reporting they used LDA funding for social enterprise development in their area. The programmes most often cited that have been used were the European Social Fund, the Single Regeneration Budget programme, and Neighbourhood Renewal Fund. The table below shows the range of public funding programmes officers accessed to take forward their social enterprise projects.

TABLE 6.10 SOURCES OF PUBLIC FUNDING FOR LOCAL SOCIAL ENTERPRISE DEVELOPMENT: LONDON CASE STUDY

FUNDING PROGRAMME	GOVERNANCE LEVEL	NUMBER OF LONDON COUNCILS IN RECEIPT OF FUNDING FROM THIS SOURCE
London Development Agency	Regional	7
Neighbourhood Renewal Funding	England	5
Core Local Council Funding	Local	3
European Social Fund	European	3
European Regional Development Fund	European	2
New Deal for Communities programme	England	2
Single Regeneration Budget	England-wide	2
Phoenix Fund- Department of Trade and Industry	National	1
Change Up programme- Home Office	National	1
National Lottery Funding	National	1

(ESRC funded London-wide interview data, 2005-06)

In order to understand the implementation dynamics at play and what the environment was like during this time period, it is important to first review some of the larger relevant public funding programmes available for eligible councils to bid in to, and the extent to which the delivery of these programmes affected how local government officers worked during this period of time. First, there was the Single Regeneration Budget programme, which ran from 1994 to 2004. It was a programme that originated with the Conservative Government and was extended when New Labour came to power. It was part of a range of programmes known as ‘area based initiatives’. It is also an example of policy extension under New Labour. In the evaluation report for SRB, some of the findings were that it was based on a partnership model for delivery, and it was successfully able to leverage in private sector resources. This set a precedent for how local government officers, as implementers, then viewed the resourcing of social enterprise pilots in their area.

The experience of the voluntary sector was varied across SRB areas. However it was reported that in later rounds, thus coinciding with New Labour’s social enterprise agenda, Government Offices were effective in encouraging voluntary sector representatives to participate in the regeneration process. The Single Regeneration Budget aimed to provide a coordinating mechanism through which a range of mainstream programmes, for example in education, health, housing, crime and safety, would be brought together in new ways to address on-going problems strategically, coordinated, and in a cost effective way, within a specific geographic area. The evaluators referred to the activity of providing customized policy delivery and leveraging resources from the private and third sectors as ‘bending’ mainstream activity. One important characteristic of the SRB programme as it developed over the years was the ability to bid in to successive rounds, meaning the programme itself

was able to develop in response to the needs of its target participants. Second, the Single Regeneration Budget programme is a good example of the way New Labour approached cascading policy design- where local divergence was encouraged. Variation was a key hallmark of the SRB programme, which is similar to what emerges under New Labour's social enterprise policies.

Because New Labour's strategy for social enterprise development coincided with several key innovative regeneration and economic development programmes, to what extent did these preceding initiatives create a foundation upon which social enterprise development could be nurtured locally? Several officers within the LA Connects group, when interviewed, cited their familiarity with the SRB programme and its ways of working as an influencing factor in how they envisioned developing successful local social enterprise support partnerships. Three influential characteristics of the SRB programme according to the final evaluation report were:

...the ability to submit regeneration bids for thematic schemes, which focused on the needs of particular groups of individuals, was of great value and allowed tailored approaches to be developed...Partners found the flexibility in the SRB funding format allowed regeneration schemes to be customized by geography, size, duration and objective.

This was conducive to securing innovative and well-designed approaches and enabled match funding. The lack of formally defined boundaries under SRB was a strong feature of its design and greatly assisted the regeneration process. It enabled a bid for funds to be submitted by a partnership in any location in England and for virtually any sort of regeneration activity. This meant that some areas with no tradition of making bids or receiving funds for regeneration could apply. It was a change from the essentially 'boundary' driven approach that had characterised much of previous regeneration activity (i.e. Urban Programme, City Challenge etc.) (Tyler and Rhodes, 2007).

One of the values of examining the emergence of public policy to support social enterprise under New Labour is to understand the context within which such policies were initiated. By starting with a foundation that built upon this specific set of regeneration programmes, it becomes clearer why local government officers approached policy design the way they did. Using in-kind match funding, secondments of staff, and working with external stakeholders to set programme objectives would have become part of the regular way in which regeneration officers worked in 2005-2006.

While the Single Regeneration Budget programme pre-dated the Government's social enterprise strategy, the ChangeUp programme, launched by the Home Office in 2003 came online one year later. It was part of the Government's response to the *HM Treasury Cross-Cutting Review of the Voluntary Sector in Public Service Delivery* and it aimed to radically improve the support available to third sector organizations by 2014. The goal was "that by 2014, the needs of frontline voluntary and community organizations will be met by support which is available nationwide, structured for maximum efficiency, offering excellent provision which is accessible to all whilst reflecting and promoting diversity, and is sustainably funded" (Home Office, 2003). The purpose was to significantly improve the organizational performance and efficiency of those voluntary sector organizations that participated in front line delivery of public services. The ChangeUp programme was meant to work in harmony with New Labour's objectives of including social enterprises as alternative public service delivery partners.

6.7 Phoenix Development Fund- Department of Trade and Industry

Another programme that pre-dated the launch of New Labour's social enterprise strategy, but was amended during implementation to include social enterprises was the Phoenix Development Fund administered by the Department of Trade and Industry. The Phoenix Development Fund aimed to tackle social exclusion by supporting projects that delivered business support in dis-advantaged geographical areas and to groups that were underrepresented among business owners- specifically targeting ethnic minority owned businesses, people with disabilities, ex-offenders, and women owned businesses. The Small Business Service ran the Phoenix Development Fund from 2000 to 2008, and administered a total of £189 million. It was a direct response to the Policy Action Team 3 paper on 'enterprise and social exclusion', and is another example of how the strategic reviews undertaken by New Labour during its first term towards the third sector led to the launch of significant cross-departmental funded policy programmes. All of this activity taken together not only embedded social enterprise in policy terms, but it also changed the shape of the British social economy. Over the eight-year programme, the Phoenix Development Fund supported more than 100 projects aimed at providing business support to promote social inclusion through enterprise development.

The Phoenix Development Fund managed several different initiatives over the life of the programme including the original development fund, a Challenge Fund, loan guarantees to resource a number of community development finance initiatives, a national network of volunteer mentors for pre and early stage business start-ups, known as the Business Volunteer Mentoring Association, City Growth Strategies, a community development venture fund, and a development fund for rural renewal. Although launched before the Government's social

enterprise strategy, it was extended and amended to include social enterprise measures during its on-going implementation.

The final evaluation of the Fund over its eight-year span led to some useful findings that can also be applied to other aspects of New Labour's broader social enterprise agenda, how it was framed, designed and implemented. The evaluators reported that overall while the Fund was considered a success, it "contributed greatly to the knowledge base on what does and does not work with regards to providing business support to promote social inclusion through enterprise" (Ramsden Freiss, 2005, p.5). This was attributed to the innovation the Fund promoted and the flexibility in its design. The report continued:

The Fund has genuinely encouraged fresh thinking in terms of defining the issues and developing new innovative approaches to providing outreach to those not served by mainstream business support provision. Those projects that worked best tended to have both clearly defined intervention logic (understanding of the issues and how they could make a difference) and methodology (appropriately designed services). There was insufficient information on costs of different approaches used by projects to reach a judgment on value for money. Projects were successful at reaching underrepresented groups: 57 per cent of clients surveyed were women and a third were from black and minority ethnic (BME) groups. PDF has not succeeded in transforming the mainstream specialist providers of business support...PDF has increased the capacity of specialist business support, *but the expansion does not appear to be sustainable once funding ends*" (Ramsden Freiss, 2005, p.15).

While the Phoenix Development Fund overall was able to reach those groups which normally face difficulty accessing business advice, it was not able to effectively influence mainstream provision. Instead, the PDF wound up funding niche programmes, which were ultimately not financially sustainable beyond the lifetime of the programme itself. This is a theme that emerges across New Labour's approach to social enterprise development, and is raised again when it comes to the Futurebuilders programme and New Deal for Communities.

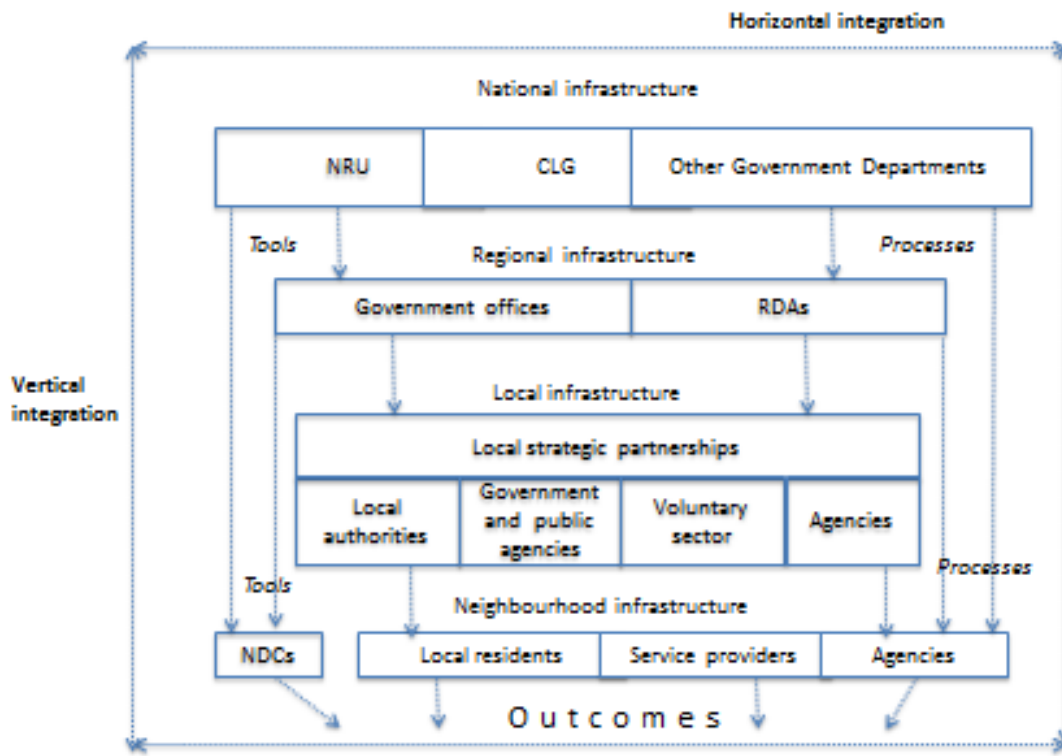
While it is outside the scope of this research to investigate the evaluations of wide-scale regeneration projects under New Labour, it is important to mention them as part of the

analysis of how the various strands of New Labour's social enterprise policy platform were implemented, and the extent to which they were effective. As the London-wide interview data reveals, local authority officers who then became internal social enterprise champions within councils, were also heavily influenced by this particular set of England-wide and national programmes.

6.8 Neighbourhood Renewal Fund

A significant programme cited by local authority officers as having an impact on how social enterprise developed locally was the Neighbourhood Renewal Fund. The Neighbourhood Renewal programme began in 2001, and included initiatives like New Deal for Communities. Under the Neighbourhood Renewal banner, over £3 billion was spent to cover all of England over a nine-year period.

FIGURE 6.11 THE NEIGHBOURHOOD RENEWAL DELIVERY FRAMEWORK



(Department for Communities and Local Government, 2010, pg. 8)

The figure above was taken directly from the *Evaluation of the National Strategy for Neighbourhood Renewal* and illustrates the complexity of the delivery framework over a ten-year period. It is a useful graphic when considering the environment for social enterprise development across London between 2002-2005, as local authority officers would have navigated this complex territory.

6.9 New Deal for Communities programme

The New Deal for Communities programme was evaluated on a national basis by a consortium led by Sheffield Hallam University. The New Deal for Communities was another programme launched by New Labour in 1998, prior to the initiation of the social enterprise strategy, but one that was amended to include social enterprise further on during implementation. The New Deal for Communities programme was considered one of the “most intensive and innovative area-based initiatives ever introduced in England” (Tyler and Brennan, 2010). Over a ten-year period, the programme aimed to transform thirty-nine deprived neighbourhoods, each of which encompassed roughly 10,000 residents. Each of the thirty-nine New Deal for Communities partnerships received £50 million over a ten-year period. Partnerships were meant to improve crime, community, housing and the physical environment, while also seeking to improve education, health, and worklessness.

Other objectives were to: ‘close the gaps’ between these thirty-nine areas and the rest of the country; achieve value for money transformation of these neighbourhoods; secure improvements by working with other delivery agencies such as the police, primary care trusts, schools, Jobcentre Plus, local authorities- to be rooted in partnership working; and finally to ‘place the community at the heart of the initiative’, and sustain a local impact after the programme funding ceased (Tyler and Brennan, 2010).

So what actually happened? According to the evaluation, between 1999 and 2008, the thirty-nine NDC partnerships spent a total of £1.71 billion on 6,900 projects across England. An additional £730 million was levered in from other private, public, or voluntary sector sources. It is not possible to determine of the 6,900 projects, which ones in the end did become sustainable outside of project funding, and which of these used social enterprise in

any way. The example here of the New Deal for Communities programme demonstrates another challenge with studying the implementation of New Labour's social enterprise approach. In amending the legal and regulatory framework for social enterprise, while Government initiated a new legal registration- the community interest company. However, it left other legal options open to social enterprises.

Further, a tax incentive was not put into place for social enterprises, meaning it was not possible to determine the number of social enterprises that were up and running the way that the US government can through the filing of tax exemption status annually through the Internal Revenue Code (Finkler, 2009). Therefore, it remained difficult to track how many social enterprises were in operation at the time, beyond the number that chose to self- identify with sector-based bodies. While an assumption can be made that all community interest companies can be classed as social enterprises, one is not able to readily determine how many companies limited by guarantee or charities operate as social enterprises. Further, it is not possible to link community interest companies formed during this time period to specific initiatives such as the New Deal for Communities without an expensive mapping exercise. Finally, no one to date has conducted a formal evaluation of New Labour's social enterprise strategy, and the reason in large part is because of the way the Government set up the objectives of the strategy in the first place.

It is difficult to exaggerate how much activity was taking place in local economic and community development between 2001-2006 across England, running parallel to the Government's social enterprise strategy. By focusing on how local government officers approached social enterprise development, insight is gained into how New Labour's vision was interpreted and the extent to which it stood out against a range of cross cutting themes.

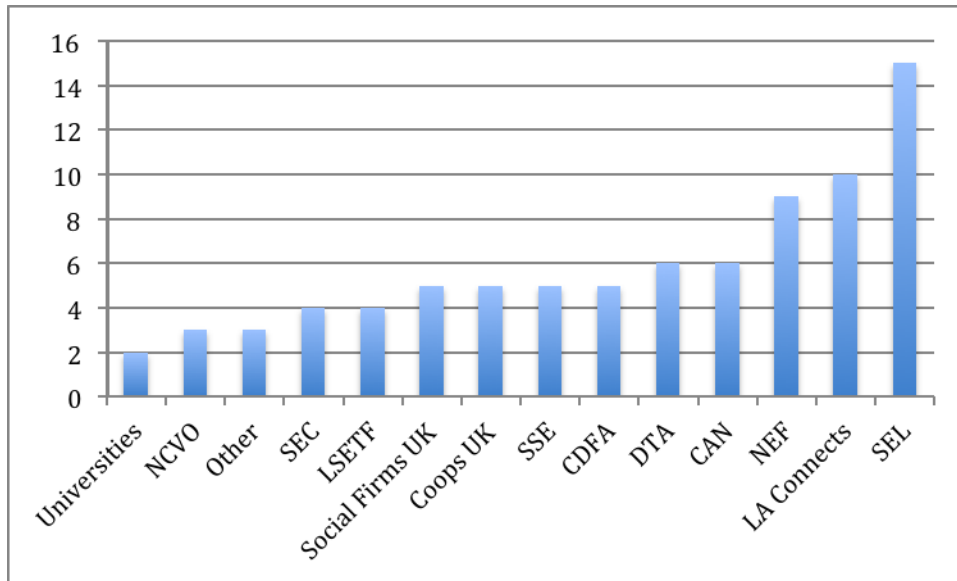
The European Social Fund, the Single Regeneration Budget and Neighbourhood Renewal were the most often cited as having an impact on social enterprise development during the interview phase with active London councils provides an interesting insight into what implementation looked like at community level during 2005-06. First, it is perhaps somewhat unique to London as a region as each of these three schemes focuses on deprived areas, and urban areas particularly. Second, accessing European Social Fund money would by design require local councils to enter into partnerships with other organizations to delivery their programme of work, and a match-funding element would also be present. As reported by local officers through the interview process, match funding was often achieve through the temporary secondment of staff from other organizations to each other, in order to 'buy-in' a specific set of expertise that otherwise was unavailable to the project.

An interesting example of how the secondment of staff transpired to affect social enterprise development in the Capital can be found between Business Link for London and Social Enterprise London. This placement occurred between 2002-2003, and involved the placement of Business Link for London's specialist social enterprise business advisor, Andy Griffiths to the region's leading social enterprise advocacy organization. Griffiths was able to help the organization develop its specialist business support advisory service and was also able to offer guidance to clients himself while on site. The other half of his time was spent doing awareness-raising amongst the numerous Business Link advisors, including running a one day conference for internal staff on social enterprisers. The match funding requirements within the European Social Fund programmes would have forced local councils to forge partnerships and work with others based in the community.

The prominence of the Single Regeneration Budget in the role of local councils in developing social enterprise in London is worthy of consideration because it was a programme initiated under the previous Conservative Government, and is a clear example of policy maintenance and extension. It also helps to demonstrate that while New Labour played a significant role in popularizing and magnifying social enterprise, there was already a solid base of action taking place when they took on the agenda.

For officers trying to gain information and support for social enterprise development, there were a number of different access points available to London-based groups between 2001-2006. Some of the support organizations while based in London, operated on a national scale, while others were local in nature. Further, some were specialist member organizations, representing the interests of a particular subset within the broader field of social enterprise. Examples include the Development Trusts Association (DTA), Cooperatives UK, Social Firms UK, and the Community Development Finance Association (CDFA). Officers were asked to rate which organizations within the broader support infrastructure they contacted and the results are shown in the table below.

TABLE 6.12 GREATER LONDON SOCIAL ENTERPRISE SUPPORT INFRASTRUCTURE 2005-06



(ESRC-funded London-wide interview data, 2005-06)

*The area listed first where more than one area is given represents the area where the organization is most widely known.

** In the case of LA Connects and the London Social Economy Taskforce, these were membership groups run by Social Enterprise London and funded by the London Development Agency that to varying degrees targeted local authorities. The London Social Enterprise Network, which was also an initiative run by Social Enterprise London was not included because it specifically targeted entrepreneurs themselves. The list was generated through pilot interviews with a three stakeholders at the beginning of the ESRC funded portion of the study. The list above purposely does not include public bodies themselves, but instead third sector support bodies.

Of the groups listed in the table above, the key to them is explained here. First, universities were included as a handful had just initiated postgraduate courses on social enterprise and some officers reported contacting these academic centres for support. In the case of one university, academics were actually hired to help a local authority map the size of their local social economy. The National Council for Voluntary Organizations was also included here, even though they hold a national remit, as they had published research into social enterprise and some local voluntary and community services had become active in pushing the social enterprise agenda. Other was included and covered three different

organizations, mainly local cooperative development agencies. The Social Enterprise Coalition was included next in the support infrastructure as they held the remit for national lobbying and support for social enterprise. The acronym LSETF stands for the London Social Economy Task Force as this was an objective of the Government's first social enterprise strategy, and was a group that was managed by Social Enterprise London between 2003-04. Although it was eventually phased out, it had an extensive work programme to promote social enterprise across the Greater London area amongst decision-makers in the public sector and in financial institutions.⁵¹

Social Firms UK was included next as the leading national body representing social firms, which are a subset of social enterprises devoted to helping those with physical, learning and mental difficulties access long-term sustainable employment. Further, Cooperatives UK was included in the support infrastructure for the same reason as having a specialist expertise, and this also pertains to the Development Trusts Association. The School for Social Entrepreneurs was included even though it doesn't offer organizational support because of its influencing role offering an alternative form of capacity building for those interested in social enterprise. Many of the officers knew about the School and had participated in or come across some of their work. The Community Development Finance Association, again national, but London-based, was included in the support infrastructure because of the role the organization played in supporting, funding, and advice giving for credit unions. In two instances, local authorities were investigating setting up credit unions as part of their plans to support local social enterprise development. The Community Action Network, or CAN, was included in the support infrastructure because of its history in the

⁵¹ The author's first post held at Social Enterprise London in 2003 was a Project Manager for the London Social Economy Task Force.

British social enterprise movement. Many of the officers had come across the organization's work and had learned about social enterprise from CAN previously.

The New Economics Foundation, a think tank, was also the lead project manager for the Social Enterprise Partnership, which was managing a nation-wide series of pilots testing various methods of how to measure social impact. They also produced during this time their work on LM3 or the local multiplier, which demonstrated how many times money circulated locally and the impact it could have on local communities if it re-circulated in a specific area. This, and other discrete projects, helped shape on-going debates within social enterprise, including their early work on LETS, or local exchange trading schemes, which the London Borough of Croydon set up in its promotion of social enterprise just before the Government's social enterprise strategy was launched. LA Connects was included in the support infrastructure because of the membership of the interview participants themselves and the role the group played in sharing learning and coordinating action. Finally, Social Enterprise London was included because of the remit it held on represented social enterprise across the Greater London area.

What stands out is the complexity of the support available for those interested in learning more about social enterprise between 2005-06. Most of the organizations received public funding to offer their support free at the point of use, although some, notably NCVO, would be independent. Some organizations were accessed because of the research they produced, while others were engaged with because of their expertise in offering capacity-building services.

It is telling that local council officers engaged the support infrastructure as much as they did, but they did not engage other regional branches of government to the same degree.

Just less than half of the London respondents reported working with regional social enterprise initiatives. While the majority of officers worked with other internal council departments on social enterprise, most did not engage any other government agency operating at a local level outside of the council itself. For example, officers did not report working with primary care trusts or sure starts through local strategic partnerships. Further, the majority of officers did not work on social enterprise with any local regeneration partnership formally.

The London Development Agency was not positively rated, but instead was most often cited as “informed and somewhat supportive”, or “not very supportive”. In interviews, officers complained of a high staff turnover within the Agency, leading to overall confusion as to what the Agency’s social enterprise policy was and where social enterprise sat strategically within the Regional Development Agency’s organizational structure. Further concerns were a lack of clarity over commissioning rounds and a lack of information and transparency about the impact of funded work on social enterprise to date. One officer explained the project manager responsible for social enterprise within the London Development Agency changed more than five times in three years. While acknowledging the difficulties in building relationships between the LDA and local officers, officers still identified LDA funding as the single most important source of public funding for this work, over even national sources.

Despite the inclusion of the Government Offices within the Social Enterprise Unit’s Intergovernmental Group, and its implementation role for the National Neighbourhood Renewal Strategy, most officers in London reported having little to no contact with the Government Office for London (GOL). Those that did contact GOL directly found the organization did not have a lot of information about social enterprise. One officer reported

that when they worked with GOL in the past on the disbursement of European funding for social enterprise, the agency did not actually add the programme detail on social enterprise into the guidance distributed to London community groups as passed down from the European Commission. Because administrators within the Government Office for London were not familiar with social enterprise, even though the European Commission included instructions to include social enterprise in the groups who could compete for public funding, this was not actually communicated and passed on in the tendering process. The officer who reported this experience felt it was a significant missed opportunity. It also demonstrates the potential for policy initiatives to be less successful when too much power without oversight is handed down to regional structures. While this freedom in design can lead to great innovation and success, it can also lead to failure, and more importantly, there is less consistency across the public governance system as a whole.

A directly elected Mayor for Greater London was a new and significant change in London's regional government during the time of the implementation of New Labour's social enterprise strategy. While the newly established Greater London Assembly had oversight powers over the London Development Agency, which in turn was responsible for delivering the Mayor's Economic Development Strategy, the reality was the Assembly was left with more of a policy scrutiny role than anything else. To this end, in March 2004, the Greater London Assembly held a special session to investigate the barriers to social enterprise development in London (GLA, 2004). However, most London borough officers were unaware that this session took place, or that a report had been written. The majority of officers had little or no direct interaction with the Greater London Assembly itself; many did not know whom to contact within this authority about social enterprise.

One of the aims of the study was to identify ways in which local officers supported social enterprise, not only examining key local drivers, but also the range of resources- financial and otherwise, that were available. In London, support for social enterprise was concentrated in a small number of champions within local councils, who took on the agenda out of their own interest. This group was unfortunately susceptible to high turnover rates in employment as the majority of them were brought into councils on short-term project based contracts.

For the most part, economic development officers working on social enterprise did so individually, and without clear institutional or managerial support. The majority of respondents explained they were the only person within their team working on social enterprise. However, one-third of participants said they also received the support of a second team member, often a line manager. Only one London council reported having a department where three staff members worked on social enterprise. This left local councils at risk of losing their expertise in this area, if the one knowledgeable member of staff left. Moreover, 65% of respondents spent 15% or less of their time on social enterprise development. When the local council officer for Bromley was asked why she was interested in social enterprise, her reply was: “It works! - if it’s done properly. It’s always nice to show the two sides of the divide that there is a Third Way, which can offer benefits to everyone, regardless of political affiliations (Interview data, 2006).

Approximately seven London councils were successful in securing resources for pilot projects on social enterprise development. Most often, this came in the form of London Development Agency funding, Neighbourhood Renewal Funding, Single Regeneration Budget Funding, or via partnership in the European Social Fund’s EQUAL programme. As a

result, at some point or another, one-fifth of London councils had funding available to use for social enterprise development during the time that New Labour was implementing its national social enterprise strategy.

There were six London councils that were proactive in designing social enterprise development programmes. These were Croydon, Camden, Southwark, Ealing, Havering, and Haringey. They each took a different approach to local social enterprise development, although through their participation in LA Connects, they were able to share resources and information and work across boundaries when appropriate. Social Enterprise London's LA Connects began in 2004 and is still active today in 2012. The remit has moved on from awareness-raising to considering public sector spin-outs into social enterprises.

In terms of how officers took forward their plans for social enterprise development, two themes emerged from the interview data. First, officers were designing programmes based on their own motivations and team objectives, and second, often the extent to which a local authority engaged in social enterprise development was based more on the individual officer's previous professional background and interest than anything else.

Where councils did engage with their local social enterprise communities, the following methods of engagement were used:

- Visits to local social enterprises, to better understand what the organization did and how it operated
- Holding public meetings, mainly information awareness-raising sessions

- In a small number of cases, representatives from the local SE community directly participated in a council's project development (the best example of this is in Croydon and in West London's PULSE network).

6.10 Different approaches to local authority engagement with social enterprise

In the section below, two different local authority approaches to social enterprise development are compared and contrasted. The first mini case study reviews the approach taken by Emma Gittus, the Economic Initiatives Coordinator for the Royal Borough of Kensington and Chelsea from 2004-05. The second case study discusses the approach taken by Claire Tunley, Senior Regeneration Officer, London Borough of Camden, to cover work from 2003-2005.

6.10.1 Royal Borough of Kensington and Chelsea

Gittus, as the council's representative to the LA Connects forum, was the self-appointed social enterprise champion for Kensington and Chelsea. Gittus first learned about social enterprise in 2004, when she was working for a regeneration consultancy and the topic had come up as a potential project idea for the consultancy to work on. When asked about initial impressions, Gittus replied, "(my) initial thoughts after researching on the DTI website were that it was a government-led 'idea' that didn't have much to do with reality on the ground." However, once she took her job with Kensington and Chelsea, her first in a local authority, her view on social enterprise changed. She explained her current view- "I am not sure I am a champion, but I try to inform others at work. I think that if it is done right then it will help local people realize their ambitions and potential whilst encouraging others and

freeing communities from dependency. This is a very altruistic thought, but on a practical level if social enterprises are encouraged, they can help in places where grant-funding is ending or non-existent” (Gittus interview data, 2005).

Gittus worked previously as a personal assistant to a diplomat in the British Embassy in Berlin, followed by being a researcher for a Member of Parliament, next as a researcher for the BBC, and then as a consultant with a private sector regeneration firm. When interviewed, Gittus had been in post in the council for one year. When asked what she enjoyed most about her work, she explained, “Meeting new people, finding ideas that work, getting projects off the ground and involving people who need the most attention.” When explaining what she did not like about her current post, Gittus replied, “writing strategy documents and briefings that don’t go anywhere” (Gittus interview data, 2005). Gittus’ varied professional background was similar to her other LA Connects colleagues and could suggest something about the way social enterprise champions within councils view the work of the public sector, where they approach work perhaps wearing more of a private sector vantage point.

When asked how the decision to support social enterprise was made internally within the Royal Borough of Kensington and Chelsea, it was explained that the recommendation came through a Neighbourhood Renewal funded research project where it was suggested the council explore social enterprise. Gittus explained that beyond the recommendation within the research project, the local authority did not decide to take on any additional work. However, Gittus chose to incorporate it as part of her individual workload because she became interested in social enterprise generally.

In her view, Gittus identified three primary motives as to why the council should support social enterprise; 1) to enhance local public service delivery, 2) to increase the ability of the voluntary and community sector to be financially self-sufficient, and 3) to continue

area based regeneration projects once funding ends as an exit strategy. Gittus was the only member of the Regeneration Team working on social enterprise in any capacity, and it accounted for less than 5% of her workload. There was no funding available to develop any project-based work on social enterprise, although Gittus reported normally having budgets to spend on initiatives. There were no formal plans across the council to support social enterprise, beyond Gittus' self-initiated participation in LA Connects.

In terms of the view of social enterprise across the local authority, Gittus reported some interest coming from the Procurement Department, and one councilor formally supported the agenda. When asked about her views of central government on influencing local support for social enterprise, Gittus replied that she was not aware of any specific set of policy objectives that had influenced her interest in social enterprise or how she viewed the agenda generally. When pressed to discuss each Whitehall department specifically, Gittus reported that she ranked the Office of the Deputy Prime Minister somewhat influential, as was HM Treasury because of their Local Enterprise Growth Initiative (LEGI) scheme, while the Social Enterprise Unit in the Department of Trade and Industry and all other departments were classified as not at all influential.

These findings are revealing from an implementation perspective. On the one hand, the influencing role of the centre appears limited in this case. However, despite the perception of this internal social enterprise champion about the lack of impact New Labour has had on social enterprise development, it was actually because of the Government's inclusion of social enterprise within Neighbourhood Renewal and the LEGI scheme that Gittus is actually introduced to the concept. This is another example of how New Labour's 'enabling environment' worked in practice, and to some extent how successful the multi-faceted approach was to social enterprise development.

There were two other topics developed as part of this mini case study. First, one goal was to try to understand the extent to which local stakeholders influenced a council's approach to social enterprise development. The second was to explore how the support infrastructure, as an extension of the 'enabling environment', influenced or provided information and resources to those working from local councils. When it came to identifying the size of the local social enterprise cluster in Kensington and Chelsea, Gittus believed there to be roughly between six to fifteen organizations. However, Gittus also explained that the council did not work directly with the local community on social enterprise and there was no contact made with these organizations during her tenure. Further, while the local voluntary sector council had run a project on social enterprise, Gittus as a member of the local authority had not been included in it or informed about it, so she was ultimately unsure what shape it took. It was telling that local third sector leaders did not approach the council as a potential support in developing social enterprise.

When asked to identify and describe any barriers to local authorities adopting national priorities for social enterprise, based on her personal experience, Gittus explained, "the biggest barrier is not being sure what social enterprise is. Politicians have many organisations already delivering for the local authority, but these are primarily in the third sector, and there is difficulty in seeing how different types of social enterprises co-exist in the marketplace" (Gittus interview data, 2005). She expresses a tension repeated by many. There is confusion amongst some as to why one would distinguish social enterprises from other organizations based in the British social economy and it is unclear why a distinction would be made between one organizational type over another, rather than focusing on a specific objective the government was trying to address (i.e. worklessness, poverty, etc.).

6.10.2 LA Connects member, Claire Tunley, London Borough of Camden

Claire Tunley, a Senior Regeneration Officer with the London Borough of Camden, contributed to this research by answering the 2005 England-wide survey, being interviewed twice in 2006, and sharing her views through her participation in the London-wide forum LA Connects. She was part of the Regeneration Team housed within the Camden Strategy Unit in 2006, and the mini-case presented here is compiled from the various interactions I had with her between 2004-2006. The purpose of the mini-case is to demonstrate the profile of someone who championed social enterprise from within a local council, as New Labour's social enterprise support agenda was in full swing.

The Camden Strategy Unit, where Tunley was based at the time of our final interview, was a central function that reported directly to the Assistant Chief Executive, and it was because of her central vantage point from within the council that Tunley was able to identify the relevance of social enterprise to a range of cross-cutting policy agendas important to local councillors at the time. Tunley's career before Camden helped shape her early views on social enterprise. Tunley completed a degree in town planning at Herriot Watt University in Edinburgh, and worked for a local council doing regeneration work. Following that, she moved to London and worked for the London Borough of Hackney's Regeneration Team for eighteen months, before eventually moving to Camden. At the time of interview, Tunley had been with Camden Council for four and a half years and began by working on planning, and was soon off to complete a six-month secondment to the Social Exclusion Unit within the Office of the Deputy Prime Minister.

Tunley first learned about social enterprise through her remit to look at enterprise more broadly within the Regeneration Team in Camden. Her enterprise work led her to

Business Link of London, a business support agency in the Capital which was core funded by the Small Business Service within the Department of Trade and Industry. It was through attendance of Business Link for London networking events, and the broader business support network it was developing, that Tunley first learned about social enterprise. Claire was first exposed to social enterprise from the Department of Trade and Industry's *Social Enterprise: A Strategy for Success*, as distributed and promoted by the Business Link for London network.

In London, many council officers first learned about social enterprise through attending awareness-raising sessions sponsored by Business Link for London, which were actually intended for budding social and mainstream entrepreneurs. The organizers of their November 2003 conference commented their surprise that most of the attendees were from London councils rather than start up social entrepreneurs. When referring to her social enterprise development work as compared to her other initiatives, Tunley explained:

...I have more autonomy with those (social enterprise initiatives) and I enjoy those much more. The other projects are so high profile that I don't have a lot of autonomy with them- so the social enterprise bit is the bit I enjoy the most. When you are dealing with communities it is emotionally draining, but when you work with businesses it is much more straightforward (Tunley interview data, 2005).

As a result, Tunley took the initiative to tweak the content of her project management workload to shift from mainstream enterprise to focusing the majority of her time on social enterprise. During the interview, Tunley explained the aspect of her work that she enjoyed the least, "...the length of time it takes to get good ideas into practice and the time it takes to change agendas." Tunley complained that New Labour started the Neighbourhood Renewal scheme years ago, however, statutory agencies weren't picking up the social enterprise agenda in Camden, whereas the voluntary and community sector and local business

community were able to change more quickly. She found it difficult and at times frustrating to operate within the public governance system, as it was more bureaucratic and moved less swiftly than colleagues who were working outside of it.

When asked about her perception of herself as a social enterprise advocate, Tunley revealed,

I do feel I champion social enterprise. I am unable to give it as much time as I like. I can see the win-win situation of it. It meets our social objectives but we have the ability to use our purchasing power and support to make a difference. It is also the sustainability of it; I don't see any losers from it really (Tunley interview data, 2005).

One of the most insightful reflections gathered from Tunley, which was also echoed in several of the other elite interviews conducted, was the notion that social enterprise was actually a *locally driven* agenda. Tunley observed, "Social enterprise demand was driven from the ground up- Central government jumped on the bandwagon and they have been a step behind." This observation is not reflected anywhere in policy consultations or official reports of the time. It is an important reflection because it begs the question, to what extent can the top or centre of a political system meaningfully influence the development of social enterprise, which may be more inherently or fundamentally *local* than we have previously understood.

Another observation in the case of the London Borough of Camden that emerges is how in practical terms, different public spending programmes were combined at local authority level to create a range of borough-wide initiatives to develop social enterprises. During Tunley's tenure, the project began through the allocation process for round two of the Neighbourhood Renewal Funding programme. The local strategic partnership, of which

Tunley was a member, commissioned a £40k social enterprise development project, which the group then asked her to design.

As a starting point, Tunley decided to focus on a pilot project to actually try to develop local social enterprises. The components of the project were to buy in the advisory services of social enterprise business support specialists, and to offer this alongside small start-up grants to help get these local social enterprises off the ground. As Tunley explained, “...People had heard of it. The fact that the Local Strategic Partnership commissioned the project gave us (in the Council) a bit more of a remit to go away and do it and spend more time on it. That was a real help from my point of view” (Tunley interview data, 2005).

Why was Tunley’s first response to attempt to demonstrate the concept of social enterprise worked by offering incentives for *new* organisations to set up trading? Part of the idea was to identify any latent social entrepreneurs who might come to the surface and self-identify if two components were in place; business support mentoring and start up grant funding. This wound up being a repeated approach to publicly funded and sponsored support for social enterprise, which was duplicated across the UK at local and regional level. In many cases, these ideals also found their way into what could be called a ‘second-wave’ of social enterprise policy making when next generation schemes, such as Futurebuilders, were developed. Social enterprise policy making moved at a fast pace and as a result, there was a lot of policy replication, where models that were deemed as ‘working’ were quickly moved across regions and repeated, without much critical reflection of what was being duplicated.

The Camden social enterprise project, as initiated and managed by Tunley was a model of success. It was funded using two streams; first £95,000 was received from the London Development Agency and £40,000 from the Neighbourhood Renewal Fund. This

funding pays for a social enterprise development officer who mentors organizations directly on a full-time basis, and also allows for the disbursement of eight £5k start-up grants to new social enterprises based in the borough. The target handed down by the London Development Agency was to create ten social enterprises over the lifetime of the project while offering them £4k each towards start-up costs. The remaining grant was topped up through the Neighbourhood Renewal Funding. In addition, the London Borough of Camden was able to buy in the expertise of Social Enterprise London, which ran introductory workshops on how to start up. Voluntary Action Camden, the local voluntary and community service, was part of this programme and held the remit to work with local community based groups on transitioning to social enterprise business models where appropriate or possible. Next, a locally based business support agency, CENTRA was hired to do some one to one business support delivery for those that were in receipt of the start-up grants. Finally, remaining funding was used to hold awareness-raising sessions and networking across Camden to raise the profile of social enterprise across the borough. When asked what the strategic aim of the social enterprise project was for Camden in Tunley's view, she explained:

We have employment, enterprise and neighbourhood renewal agendas- my team is responsible for partnerships, projects and funding (everything) our remit is to tackle deprivation in Camden. The social enterprise work focuses on voluntary and community groups and some Neighbourhood Renewal areas- It's all part of a jigsaw- social enterprise can fill quite a few pieces. By strengthening the role of the voluntary and community sector- they can provide better services to those who are deprived, and they can offer a commercial service. It is part of the holistic side of regeneration (Tunley interview data, 2005).

Tunley went on to explain the rationale for mentoring social enterprise pilots, "Trying to sell an idea with a track record is much easier, so Camden is creating a track record". In terms of how the Camden project was structured, a steering group was set up in December 2004, where the board met every two months. Various support organizations working at a local and

regional level were asked to formally sit on the board. These include CENTA, Social Enterprise London, Voluntary Action Camden, London Rebuilding Society, and Camden 22. The initial social enterprise project began in 2003 with seed money of £40,000 from the Neighbourhood Renewal Fund, where £20,000 was spent to support four social enterprise start-ups in the form of grants. The additional £20,000 was spent on the start of the specialist business advisor and initial awareness raising events. In 2005, two years after the beginning of the Camden work on social enterprise, Tunley reported back that of the four social enterprise start-ups that received the initial grants, two were still going. She felt lessons needed to be learned about how much support was actually required to develop a social enterprise from scratch, which is why it was decided to increase the amount available to spend on support in the second round.

Although it is beyond the scope of this research to further evaluate the Camden project, it was hailed at the time as an example of best practice and does demonstrate how the framing of social enterprise as part of the mainstream economy was taken up in local areas. This mini case of Camden also demonstrates how various publicly funded programmes within regeneration were combined to develop social enterprise at borough level, and some of the ways that partnership working took place. In many ways, by presenting the case of the Royal Borough of Kensington and Chelsea and the London Borough of Camden, both as active participants of the LA Connects network from 2005-06, both ends of the spectrum can be observed.

The implementation story of New Labour's social enterprise policies is a complex one, which will be further evaluated in the following concluding chapter. However, this chapter sought to provide greater understanding of how the Government's social enterprise

strategy was interpreted by local authorities across England. By focusing on London as a region, one could identify the various funding programmes used to support social enterprise development locally, leading to insight into how New Labour's strategy bore out in practice.

Chapter 7: Appraising New Labour's 'enabling environment' for social enterprise

7.1 Overview

When considering New Labour's foray into social enterprise policy making during their second term in office, what sort of judgements can be made looking back from the vantage point of 2013? The purpose of this final chapter is twofold. The first objective is to review the key findings of the research and to characterise New Labour's 'enabling environment' framework. This is undertaken in order to be able to draw conclusions as to how effective the Government's wide ranging interventions were. The second objective is to reflect upon how this work makes a contribution to two bodies of scholarly research; the social enterprise and politics literatures.

This research sought to identify the point at which social enterprise became part of New Labour's policymaking agenda, and in doing so, to understand why social enterprise was appealing in policy terms. First, Kingdon's model of the policy window was used as an analytical tool to see if a specific moment in time could be identified when social enterprise made it onto New Labour's agenda, and second to make a contribution to our understanding of how complex social policy problems were formulated, framed, and embedded in the daily operations of government. The research was designed using a historical case study as the timing of events, the wider policy making context, and dominant political discourse of New Labour's second term in power were crucial to understanding what happened and why. Kingdon referred to a policy window opening for a variety of reasons, one of which is when a policy solution, as promoted and circulated by policy entrepreneurs, becomes attached to a

policy problem. It is this process of pushing a policy solution and tying it to a range of policy problems which this research uncovered in the beginning chapters of this thesis. Kingdon offered a framework through which we gained an understanding of why some issues make it onto a government's policy agenda, while others do not. When applied to the case of the emergence of social enterprise policy under New Labour, the research uncovered how social enterprise made it onto the agenda, the different versions of social enterprise promoted by a range of internal power brokers, and ultimately, how social enterprise in policy terms changed over time as it was embedded across the public sector machinery.

7.2 Kingdon's policy window and the emergence of social enterprise: the historical context

The research identified three historical factors that came together at a specific moment in time to create the policy window, in Kingdon's parlance, or simply the opportunity that enabled social enterprise to make it onto New Labour's social policy agenda. First, the research explored the ties New Labour had to the Cooperative Party historically and the way some political players from the British Cooperative Movement served as early champions for social enterprise in the United Kingdom. While in hindsight, 2002 can be seen as the 'right' time for social enterprise to emerge, the argument this thesis makes is the historical connection between the Cooperative Party and the Labour Party enabled social enterprise to gain prominence. From this starting point, social enterprise was then mainstreamed across a set of policy initiatives in a way that would not have happened if New Labour had not been in power.

The second factor that contributed to the policy window opening was the alignment in ideological terms of the Labour Party at the turn of this century and the belief in the Third Way, as put forward by Anthony Giddens. Blair published his support for the Third Way while in opposition, and there are many instances of how the rhetoric used to initially frame social enterprise echoes some of the key points articulated in writings on the Third Way. It also points to an example of how social enterprise could be deemed in a Kingdon sense as a policy solution that was then applied to a set of policy problems. This particular set of policy ‘problems’- social exclusion, modernisation of the welfare state, and a prioritisation and elevation of the third sector in both public sector delivery and as an alternative to private business, became issues New Labour engaged in because it was starting from an underlying philosophy that attempted to promote equity alongside efficiency. It was precisely this quandary- of how to hold the double bottom line in harmony, that social enterprise came to be seen as the needed policy solution.

A third historical factor was the structural reform Tony Blair initiated within the Cabinet Office, namely the use of increased Special Advisers, and the purposeful opening up or disruption of traditional modes of policy making. ‘Outsiders’ from the third sector and think tanks became ‘insiders’ and consultation with a broad range of policy communities was encouraged from within the very centre of British policymaking. This led to a more discursive policy environment where policy entrepreneurs were able to push ideas and the ‘best’ ideas won out. It is within this very specific context that social enterprise emerges as a policy platform for New Labour, and one that is subsequently embedded across a wide spectrum of public sector activity.

This doctoral research began by setting out the historical case and describing the context within which social enterprise emerged as a policy construct. Next, the work moved into identifying, cataloguing, and analysing the range of policy action that took place under the social enterprise banner during New Labour's second term. With the launch of New Labour's 'enabling environment' for social enterprise in 2002, the United Kingdom solidified its position as the global leader in this emerging field. Here, the argument is made that Britain is perceived as a global leader because of the way New Labour put forward an ambitious vision for an enabling environment to promote social enterprise, in terms of regulatory reform, business support, policy design, and capacity building programmes.

Wide reaching, and designed to promote input from stakeholders throughout the implementation process, the 'enabling environment' promoted innovation in how the public sector included social enterprise within the daily work of government, and provided a vision for the potential social enterprise could play in the wider economy. This was achieved through a disruption in established models of policy design and implementation, through increasing the role of stakeholders outside of government in the design and co-production of policy objectives. Opening up and altering the policy making process led in some cases to a re-distribution of power, as power in many places was transferred from programme managers within the state to programme implementers based in social enterprises and social enterprise infrastructure bodies outside of the state.

One of the purposes of teasing out what is distinct about New Labour's approach to social enterprise policy making is to understand which aspects are potentially politically, culturally, and historically specific, and which characteristics may be relevant across country contexts. It is through comprehensive, multi-year study that researchers can begin to come to

grips with the extent to which social enterprise, as a phenomenon, may develop in a given country context as a response to a set of very specific political and economic conditions, or the extent to the emergence of social enterprise signifies a more universally held desire to provide an alternative to existing forms of global capitalism.

There are four themes this doctoral research makes explicit that can help explain why what New Labour set into motion with the ‘enabling environment’ for social enterprise was original and created a significant impact on how Britain’s third sector now operates; 1) policy problems were re-framed as cross-cutting themes, rather than thought of as policy areas aligned with the work of specific Whitehall Departments, 2) devolution led to a decentralisation of power and the opportunity for increased input by ‘street level bureaucrats’ or regionally located experts in the design of programmes in these cross-cutting theme areas, 3) the Government prioritised increasing the number of social enterprises in real terms in order to create a critical mass while simultaneously supporting social enterprise sector brand recognition, 4) the Government led a rigorous programme of structural reform across the wider charitable sector that significantly changed the regulatory environment social enterprises operated in. In this chapter I argue it was the combination of these four factors that has created a thriving social enterprise culture in Britain today. Equally, if some of these components are rolled back by the current or future governments in power, it is not clear how long Britain would be able to maintain its leading position.

7.3 The reframing of policy problems as cross-cutting themes

The importance of the role of policymakers and Special Advisers within Number 10 from 2001-2006 cannot be underestimated when it comes to the impact this increased consultation had on how the social enterprise agenda developed. It was precisely because Tony Blair looked outwards instead of inwards for policy solutions that social enterprise became seen in Kingdon terms as a solution to a range of policy problems and an idea ‘whose time had come’. Social enterprise emerged in policy discourse at the same time New Labour was considering how to make a significant impact on urban poverty and deprivation, along with a number of socially and economically entrenched problems that required a cross-theme approach. Social enterprise was embedded within significant wide ranging unique social policy programmes such as the New Deal for Communities programme, the Single Regeneration Budget, and Neighbourhood Renewal.

The fact that social enterprise gained prominence before New Labour came to power as part of early rounds of Single Regeneration Budget programming signals its appeal across political parties and contexts, and points to the value of social enterprise being viewed as a methodology or process. It drives home the point made throughout this research that social enterprise operates across a range of contexts and can mean different things to different constituencies at different times. Recall the local authority officer who valued social enterprise because he viewed it as a means to withdraw funding from the local charitable sector, versus others who in the same data collection viewed social enterprise as a means to actually extend the reach of the state by providing secondary services that public sector budgets could not afford to provide themselves.

It begs the question; would social enterprise have risen to prominence in New Labour's social policy agenda if bigger issues about social exclusion were not being discussed at the same time? Or, did the fact that significant consultation was taking place about how to address long entrenched problems help pave the way for the role social enterprise would play across New Labour's broader social policy agenda?

7.4 Devolution as a mechanism for increased participation in the policy making process

The cascading approach of the 'enabling environment' meant a range of policy makers throughout the implementation chain were encouraged to take up the social enterprise agenda and design their own versions of support at regional and local level. Consider the data presented in chapters five and six. In chapter five, the role of the regional development agencies in promoting social enterprise was discussed, as was the role the regions played in developing their own plans for social enterprise support as part of the Government's Strategy document. The regional development agencies participated in a country-wide social enterprise working group, which provided some coordination across the regions. However, the impact of European Union funding also meant that qualifying regions were able to leverage in additional funding towards their social enterprise development plans.

Some regions were demonstrably more successful than others, and there was a degree of variation in how regions went about supporting social enterprise. Some took the route of funding social enterprise specific support bodies, such as the London Development Agency and the East Midlands Development Agency. Both Social Enterprise London and Social Enterprise East Midlands continued well beyond 2006 and played a significant role in

supporting nascent networks of social entrepreneurs. In the case of Social Enterprise East Midlands, it morphed into a social enterprise called the Social Enterprise Mark, which now operates both nationally, and internationally to develop quality standards and brand awareness. If devolution had not been in full swing between 2001-2006 would social enterprise grown as much as it has?

7.5 New Labour's 'mainstreaming' of social enterprise

One of the areas across which most policy entrepreneurs supporting social enterprise agreed upon was the need to see more of these organisations in real terms. What is remarkable about this as a policy objective is that there wasn't an attempt to direct the type of social enterprises that should be increased. For example, the Government did not place targets to grow the number of social enterprises in the education sector over social enterprises operating to reduce re-offending rates for ex-offenders. There are a number of potential reasons for this. First, it was perhaps an example of the recognition policy entrepreneurs had that social enterprises operated most effectively when addressing multiple themes. Similar to the way in which policy advisors re-framed problems as requiring a multi-agency-deprivation required inputs from police, education professionals, social workers, and employment providers, social enterprise similarly operated in a multi-faceted environment.

Present through much of the policy rhetoric on social enterprise in this first wave of policy making positioned social enterprise as part of a new economy. This is demonstrated by Blair's locating social enterprise as a unit within the Department of Trade and Industry, and then Hewitt's promotion of social enterprise as an alternative provider of health services

when her Ministerial brief changed and she moved departments. Although much lambasted at the time in sector-based media outlets, the move to anchor social enterprise as ‘businesses first and foremost’ perhaps had more to do with why a critical mass in new organisations was achieved and Britain gained world-wide recognition for its emerging sector. The second wave of policy-making under Brown saw the transition of social enterprise from the Department of Trade and Industry to the then established Office of the Third Sector. Under Ed Miliband, as the first Minister for the Third Sector, rhetoric change again, but it can be argued its original positioning as an alternative business model created a strong base from which the model proliferated.

Part of the goal in creating an increase in social enterprises in real terms was to foster a critical mass. Supporters spoke in conferences and policy consultations as reaching a tipping point. Alongside this was New Labour’s policy objective to support awareness-raising efforts and to promote the brand of social enterprise as an alternative business model to both private and public sector audiences. The notion was that by increasing awareness amongst public sector decision-makers, social enterprises could have increased trading opportunities. It is in this vein that documents like the *Public Procurement Toolkit* written by the Social Enterprise Coalition were produced. Recalling the working groups established as part of the development of the *Social Enterprise: A Strategy for Success*, one of the largest groups was the one devoted to promotion and awareness-raising. In encouraging the growth of social enterprises and increasing awareness about social enterprises, the Government’s goal of mainstreaming the concept and building it up as part of the ‘regular’ economy started to work.

7.6 New Labour's structural reforms of the wider charitable sector

It is crucial to acknowledge that social enterprise policy under New Labour emerged against a wider policy context within which the Government undertook a radical reform of Britain's charitable sector. The rules guiding charitable status were amended in response to significant consultation across civil society, and a new legal form- the community interest company- was introduced. Although beset with questions- are community interest companies fit for purpose, to what extent should there be an asset lock, and other debates, the fact that a new legal form was introduced solidified the notion that social enterprise was in fact an *alternative*. Further, social enterprise was held up as having the potential to transform a part of the mainstream economy and lead to a change in the way public services were delivered. While one can question the extent to which social enterprise in 2012 lived up to the hype generated in New Labour's second term, the fact that policy makers framed social enterprise so ambitiously can be said to have had an impact on the prominence of social enterprise in Britain today.

7.7 The case of 'state sponsored' social enterprises

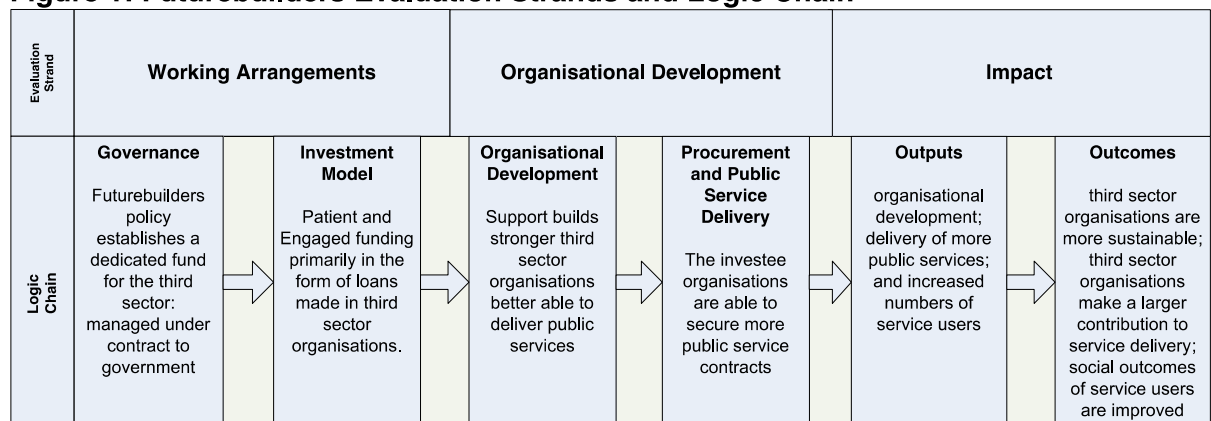
One of the hypotheses going into this research was that by supporting social enterprise to the extent that New Labour did, one could argue that they were in fact initiating a new form of social enterprise, thought of as 'state sponsored'. The idea behind 'state sponsored' social enterprise was that New Labour was attempting to heavily influence the way a portion of social enterprises worked, so these organisations could deliver the Government's policy objectives and participate directly in managing public services. When the hypothesis was

formed, policy appeared to be moving in that direction. An example of this can be seen in the Futurebuilder’s programme, launched in 2004 as a result of the Government’s cross-cutting review of the role the voluntary sector could play in public service delivery. According to the evaluation report, published in March 2010, the Futurebuilders programme was itself a ‘policy experiment’, and a programme that evolved over time. The theory was, “Futurebuilders increases the capacity of the voluntary and community sector to deliver public services” (Home Office 2005, as quoted in Evaluation Report, Home Office, 2010, p. 9). Futurebuilders ran in two phases; the first portion of the programme ran from 2004-2008, while the second part of the programme ran from 2008-2011.

The ‘theory of change’ the programme was based on is depicted visually in Figure 7.2 below.

Figure 7.1 Futurebuilders Evaluation Strands and Logic Chain

Figure 1: Futurebuilders Evaluation Strands and Logic Chain



(Home Office, 2010, p. 10)

Futurebuilders is a useful lens through which to explore notions of ‘state sponsored’ social enterprise and to create a comparison between the New Labour government and the current Coalition Government’s management of the Big Society agenda and Big Society

Capital. In this section, some of the assumptions that underpinned Futurebuilders are examined as a way to draw comparisons between different approaches to social investment and the positioning of social enterprise within both British civil society and the wider mainstream economy.

In addition to the theory of change outlined above, the evaluation notes some additional key assumptions and hypotheses that underpinned the Futurebuilders programme. These are that 1) the third sector is better placed than the public or private sectors to deliver public services- particularly when accessing hard to reach groups, 2) that the Futurebuilders programme, by being the largest provider of social investment in England will overcome a market failure- the inability of third sector organizations to access mainstream financial services, 3) the use of loan funding in addition to an ‘engaged investor’ approach will allow the third sector to build its capacity, 4) by disbursing loans and then having them re-paid, the money will be recycled and re-invested, increasing its overall impact (Home Office, 2010, p.10).

There were four additional aspects to the final Futurebuilders programme that made it unique, and demonstrates how it was an example of a policy experiment. First, it was the largest social investment fund in England during the time it operated. The theory was the Fund could take advantage of economies of scale, coupled with the potential to have a diverse portfolio of investments. Second, its focus was only public service delivery, as opposed to enabling third sector organizations to access loan funding to grow the non-public service delivery part of their trading activity. Third, the assumption was that “surpluses generated on contract income will be used to repay the loan”, operating a form of no-win, no-fee model. If loan recipients were unsuccessful in winning public sector contracts they did not need to

repay the original loan. Finally, the applicants for funding were judged on how they demonstrated both social and financial returns (Home Office, 2010, p.10).

The Futurebuilders programme was part of the raft of policies initiated within the first wave of social enterprise policy-making under New Labour. In many ways, the Futurebuilders programme is a good proxy for what New Labour hoped to achieve in terms of how social enterprise may be used to alter the way public services were delivered. With a total allocation of £215 million over a seven-year period, it is worthwhile to explore which aspects of this policy ‘worked’ in practice.

When it came to the notion of social enterprises competing in public sector procurement, an idea it also incorporated into the *Social Enterprise: A Strategy for Success*, New Labour ensured social enterprise was included as an objective within the *National Procurement Strategy* and that a specialist support toolkit was published by the Social Enterprise Coalition to provide guidance. The evaluators of Futurebuilders discovered that the extent to which social enterprises were or could be successful in public sector procurement was down to the level of support or interest within local authorities. As a result, while there may have been interest from the centre of government to promote greater participation of social enterprises in the procurement process, it was down to individual authorities as to whether or not this could be a reality. Further, this meant the operating environment social enterprises interested in pursuing public sector contracts faced was one that was highly variable from location to location, creating additional start up challenges and costs with significant barriers to entry remaining. Where social enterprises were able to secure public sector contracts with support from Futurebuilders, on the whole, this was down

to the extent the social enterprise was able to deliver services that were central or core areas of service for the commissioning local authority.

Further, the evaluators determined that Futurebuilders did build the capacity of third sector organizations interested in delivering public services; however there was considerable variation between the size and shape of organizations the Fund invested in overall. The Fund successfully targeted organizations that would have been unable to access mainstream finance. However, the evaluators noted the extent to which the capacity that was built within these organizations could be maintained was uncertain. Further, the organizational development needs of this subset of organizations was not static, as was originally assumed to some degree, and changed continuously as the external environment and market opportunities changed (Home Office, 2010, pp.14-17).

Overall, the assumption that New Labour was able to direct or influence a subsection of the social enterprise sector to get them to become public service delivery partners proved a somewhat unrealistic prospect. Therefore, while there may have been an objective within the broader social enterprise support framework to grow ‘state sponsored social enterprises’; this turned out to be unachievable in reality. Instead, social enterprises have been viewed in recent policy rhetoric as a way to offer innovation and a re-think of public service design. Examples of this can be found in the work of the Transitions Institute, launched by Social Enterprise London in 2011.⁵²

The notion that state interest in social enterprise is rooted on it being viewed as a means to serve as an alternative provider of public services that is sustainable through the private market is a very important assumption to dissect. It has become clearer over the past

⁵² See <http://www.transitioninstitute.org.uk/> for more information [Accessed 9th October 2012].

nine years as social enterprise has been applied in a number of different policy areas; health; recycling; welfare to work; education; and social care to name a few, and under three different Prime Ministers, that it operates differently in different contexts. As social enterprise scholarly research has evolved, and investigations into specific areas have become available, one can reasonably conclude that social enterprise is a method that can be applied in a number of ways, and most importantly- driven by a range of varying intentions.

Social enterprises are essentially an alternative business model. They represent another way in which labour, inputs, and outputs alongside production are organised, symbolising a reconfiguration or even refutation of Fordist models of production. As organisational models, they do not inherently carry with them notions of ‘good’. In some instances, they are just another way of organising labour and materials and designing production. The concept that a social enterprise is in and of itself a producer of public or social benefit is a conflation of different ideas. First, those leading and running the social enterprise may set out to achieve a particular social mission, and one where the social value created cannot be reasonably extended or shared beyond the target stakeholder group. This can be demonstrated in the case of Coin Street Community Builders in London in the 1980s. The main issue Coin Street sought to redress was the provision of affordable housing in a particular section of London, where many locals were being priced out of the local market by re-development. Coin Street was able to anchor the community and ensure that a portion of residents were able to stay in the area despite significant redevelopment.⁵³

However, the notion that what Coin Street Community Builders, as a social enterprise, was able to achieve led to a more general concept of ‘public benefit’ is much more

⁵³ See <http://www.coinstreet.org/> [Accessed on 9th October 2012].

complicated and tenuous to prove. Do residents in West London care if residents in South East London were able to stay in their local area? Further afield, do British citizens in York care about the living conditions of locals in South East London?

The second aspect of the notion of social enterprises as assumed agents for the public good can be questioned in the following scenario. The members of the British National Party could decide to start a social enterprise in Barking and Dagenham. This hypothetical organisation (let us name it England Unite) could be an organisation that strives to promote employment opportunities for local disaffected youth by training them in community organising. Young men, between the ages of thirteen and nineteen who have been excluded from school or are ex-offenders, are trained in political organising and canvassing, and run a range of social and leisure activities for the local youth population. Alongside each free event or activity, youth are invited to attend lectures on the politics England Unite promotes.

While legislation exists in Britain that addresses those who incite hatred in their activities, as long as the England Unite group stood clear of this boundary, their work as a social enterprise would be permissible. Further, England Unite would be able to demonstrate, using various social impact measurement techniques, that their intervening in the lives of men aged between thirteen and nineteen, has considerably improved their lives in tangible ways. However, in this instance, is this an example of a social enterprise that produces ‘public benefit’?

Why is this important? In policy terms, once the community interest company legislation came through and the regulator was established, CICs are now required to demonstrate what they do that provides public benefit. Further, this analysis goes some way in demonstrating how social enterprise, as an organising method, is in many ways a vehicle

that can be applied in a number of ways to serve a range of motives, depending on who is sponsoring or supporting the specific social enterprise activity.

Raymond Dart, in his landmark article in 2004, made these very claims. Dart explained that it was not yet clear the extent to which social enterprise was being used as a neo-conservative strategy to undermine charitable giving, or the extent to which the emerging phenomenon represented a sort of mediated capitalism as a response to the electronic revolution. When analysing how New Labour engaged in social enterprise policy making from 2001-2006, the policy formation and implementation analyses demonstrate how social enterprise means different things to different policy sponsors depending on the specific set of conditions at play and what policy entrepreneurs are hoping to achieve overall.

This line of thinking goes a long way towards explaining the resilience of social enterprise as a policy idea. It also demonstrates how, as an idea, it is not only changeable, but it often fulfils needs of political rhetoric, and pinning down what it means in a given context or policy area is down to how focused policy evaluation is designed. It is interesting that social enterprise can simultaneously mean a lot of different things to a lot of people at the same time, often who are working to achieve opposing ends within a specific policy area. An example of this can be found in the data collected and presented in chapter six, which is how local authority officers across England valued social enterprise simultaneously for different reasons from one another. Some local authority officers valued social enterprise as a strategy for pulling back local state provision for the charitable sector and instead supporting the development of a financially independent sector. At the same time, local authority officers in another borough viewed social enterprise as a means through which the local council could

take a limited amount of money but use it to extend the council's reach and thus increase the extent of local services on offer.

This study began by asking, what constituted New Labour's initial foray into social enterprise policy making? Through the process of researching the emergence of social enterprise policy under New Labour, I became more and more convinced that indeed, the best way to think about what New Labour undertook and how it attempted to conceptualise social enterprise, was best thought of as a project. It appears to have developed through the instigation of a handful of key inside policy entrepreneurs- a combination of Special Advisers who became part of the governing establishment, civil servants, and Ministers themselves. It became a proxy for a number of different political agendas, some of which were complementary at times, and others which actually operated at cross-purposes from one another. By charting not only the initial framing of social enterprise at the centre and top of government but including in the analysis the implementation and interpretation of policy messages through regional and local government, greater insight is gained into how social enterprise was often used as a proxy for several different key debates- is the public sector the best institutional structure for delivering social care interventions, how should under-utilised community assets be managed, owned and operated, should the voluntary sector be less dependent on state grant funding? At the heart of all of these debates lay significant questions pertaining to state theory. Fundamentally the debate focused on- where should the British welfare state should end, and what kind of institutions should take over at a specific demarcation point?

For one set of insiders, social enterprise represented a means to extend the size and shape of quasi-markets within public sector delivery. By supporting the establishment of a

new breed of social enterprises, the prevailing presumption was these new organizations could provide a more just and a better value public service. Through the vast myriad data collection methods and attempts to triangulate the data, this research never uncovered an attempt on behalf of policy makers or inside actors, to question some of the assumptions behind what a more just form of public service delivery meant critically. It was presented by New Labour as though the notion of ‘public good’ was a universal commodity, sharing similar properties as any other unit of ‘public good’.

Further, there was the notion that these units of ‘public good’ that social enterprises produced were equal to one another in terms of their value. Within the various cross-cutting reviews and policy strategies analysed within this research, the perceived value the ‘public’ derives from a large scale recycling organisation, like Ealing Community Transport, is assumed to be equal in importance to the value derived from Jamie Oliver’s Fifteen, a restaurant that offers restaurant training and apprenticeships to ex-offenders and disaffected youth, and equal again to a local nursery running a cooperative model where the parents, or service users, are the owners. On the other hand, social enterprises could also represent a means through which competition could be injected into the existing system of public service delivery. There was a sense at the top, in the centre of New Labour, that social enterprise was an extension of the Third Way, an attempt to operationalize the concept of giving equal simultaneous weight to equity and efficiency. Not surprisingly, social enterprise, as constructed and framed by New Labour, also then took on all of the ambiguity and complexity of the Third Way itself, one that left it open to criticism pointing out that it ran the risk of becoming too vague to mean anything at all.

One can identify the tensions and disagreements that went alongside social enterprise policy development through the presentation of this research. Here the connection between the emergence of social enterprise policy and state theory became significant, as social enterprise emerged as a mechanism through which key debates about where the state should end and a quasi-state, or an independent sector should begin took hold. Some lined up to defend the notion that social enterprise was an organisational entity that could hold within it, and thus almost protect, a range of interests meant to be held in balance to each other. Social enterprise, for these policy entrepreneurs, was an ideal-type model that could enshrine through company law the rights of consumers, labour, and the public interest as a whole, and juggle the 'double-bottom line'. In doing so, social enterprise was to become an organisational ideal-type that allowed a political party to extend the reach of the welfare state, as a compromise that acknowledged the public sector was not an efficient enough institutional structure to deliver the sort of equity *and* efficiency consumer-citizens demanded and increased welfare costs required.

These policy entrepreneurs followed largely the type of model put forth by Julian LeGrand with the introduction of the 'quasi-market' as a way to introduce notions of competition into the public sector to increase efficiency. It must be remembered that LeGrand served as a Special Adviser in New Labour's second term, at the same time these initial policy debates were being formed. Social enterprise became a means through which similar notions of competition, accountability from a consumer/beneficiary standpoint, and efficiency were introduced into Britain's social care and charitable sectors. For the thinkers in this camp, social enterprise represented a great modernising force. By increasing the regulatory and monitoring functions of the state, the state could then exert influence over social enterprises and to some extent, guided their work- thus extending the reach of the state

and improving upon notions of efficiency and equity. This form of social enterprise is the one I label 'state sponsored' as it was formed and guided by the motives of the state and the political party in power. This form of social enterprise does not in and of itself hold within it a specific set of values, rather it is susceptible to being guided by the state- whichever political party is in power.

This last point is crucial, as it demonstrates there is no way to claim that social enterprises are in and of themselves linked to a specific set of political values or ideals. They are essentially value neutral and can only be evaluated or judged as to the extent to which they generate public benefit or added social value based on the components that fill them- how they are funded, what work they carry out, what their governance is. This model of 'state sponsored' social enterprise is distinct from the version put forth by those policy entrepreneurs based in the Department of Trade and Industry in 2002- which is linked more closely with the ideas espoused by a handful of self-proclaimed social enterprise leaders of the time. This type of social enterprise is the form I label 'civil-society based' as it operated independently of the state, or attempted to do so. This form is most closely linked with private market activity. Here, social enterprise became not about the state or state motives, but rather about individual citizen-consumers having the ability to express their preferences directly through the way they purchase goods and services. When policy makers engaged in promoting this version of social enterprise, they were often favouring a removal of state activity in certain sectors of the economy or welfare provision.

During New Labour's second term of office, initially, social enterprise was cast as analogous to small to medium sized enterprises. The Blairites positioned social enterprise as part of a vibrant and dynamic economy. There were clear ideological vestiges of the

Keynesian notion that governments were meant to interfere in the way markets function in order to mitigate some of the negative effects of the free market, along with a notion that social enterprise, if linked to the SME agenda, was a mechanism through which a type of full employment may be achieved. 'Full' employment in this context meant employment opportunities for all, even those with physical, learning, and mental health difficulties, or those who had been excluded from employment in the medium and long term. Then, social enterprise moved from the Department of Trade and Industry to a newly established Office of the Third Sector, demonstrating how social enterprise definitions and policies changed even during this short period of time. Investing heavily in mapping an emerging social enterprise sector, New Labour attempted to re-define the social economy based first on its potential for trading activity, with the functions of political advocacy and campaigning significantly undervalued. Overall, it can be confidently said New Labour took an active, comprehensive, and interventionist role in the way it sought to define, describe, and alter the English third sector through its introduction of social enterprise.

7.8 Reflection on the process: balancing insider access and scholarly research

In reflecting upon my role as an insider when I began this research and how that affected the research design and the decisions I took throughout, the compass I used when navigating this terrain was to make decisions that would help fill the gap that exists between practice and theory. The advantage of being on the inside was it was easier to allow my researcher instincts and scholarly curiosity to take hold. For example, in a meeting where a number of advocates would debate what social enterprise meant or would take a strategic decision as to how it should be framed, I was able to hypothesize what was happening and

why. I was even able to make some predictions as to which debates would have longevity and which would be very short term. The way this directly influenced the research was that I resisted concluding the research early at two different points because the story I was interested in investigating was one that had a longer term time horizon and was one that was about how the Government positioned social enterprise on the whole.

It would have been more straightforward to have limited the research first to local government responses to or levels of engagement in social enterprise and to have written this up for completion. However, this was not the meaningful part of the story to tell from my perspective. Further, when it appeared social enterprise was going to revolutionise the British public health system that too would be another obvious way to organise a politics doctorate on social enterprise. However, my instinct and was to see if I could tell the story of the ‘enabling environment’. What would it mean, if anything, in the long-term? Could these disparate policy actions put into place in New Labour’s second term amount to a cohesive whole in implementation terms? Would they create an impact in the sector? Would policy activity that was intentionally designed to be cooperative, co-designed and unwieldy in structure lead to anything constructive? It is in this aspect of the research design where holding the space of both insider and analyst simultaneously was so important.

When it came to analysing the data, I struggled as I had collected almost too much from too many sources. In my attempt to triangulate the data and acknowledge my role as an insider, I had over-compensated by becoming caught up in gathering data from multiple sources over a long period of time. But here too, I found my dual role a powerful one, in that I was able to analyse the various themes with the insight of an insider balanced by the perspective of an independent analyst seeking insight into systemic changes set within an

historical context. My insider role meant that I learned first-hand that many different voices contribute to how a set of policies are shaped, and power is brokered not just across Departments, but even more importantly between central, regional, local government units and then across boundaries with community groups.

Being a policy insider has its advantages in that one has access to debates and information about the way decisions are taken that are very difficult to access as an outside researcher. Yet, there are also significant limitations as the very point is that no one person holds enough information or power to determine how a policy is going to take shape over time, and ultimately the extent to which it will create an impact, intended or otherwise. With that in mind, it is only through impartial research where one can analyse changes across an entire *system* and *over time* that this insight is gained. Equally, some policy formation and implementation research that does not seek insider advice has the problem of being too theoretical in its conception and too much a heuristic device rather than a mechanism for explaining and sharing how decisions are taken and resources are shared.

In terms of issues around confidentiality, or any ethical considerations that arose during the data collection phase, the moment I began doctoral research I was clear to announce my position as a doctoral student to anyone I engaged for research purposes. I was also emphatic to separate any advocacy work by first resigning from my position at Social Enterprise London, and second to make sure that any subsequent lobbying was around a specific initiative- social impact measurement, and not social enterprise as a whole. The short-term positions of most of the people I interacted with for research purposes also helped amend my insider role, as most of the people I interviewed or surveyed had moved on professionally two years later.

One significant observation that I made because of my insider role was my experience that social enterprise definitional disagreements internal to Whitehall (and then throughout the regional and local governance machinery) became battlegrounds for where policy insiders were able to confront a number of ‘hot potato’ issues that could have been considered too contentious to engage in outside of the protection the social enterprise banner seemed to afford it. In all, it is my hope that my consideration and acknowledgement of my dual role throughout this research process will mean it led to a more dynamic and explanatory version of events that sought to redress the gap between work produced by those exclusively separate from the policy making process and work developed by those who write from the centre of it.

7.9 Contributions to scholarly literature

This research sought to make a contribution to two disciplines, the established field of politics and the emerging field of social entrepreneurship. In terms of the politics literature, this research demonstrated how some of the key themes that characterized New Labour’s approach to social policy design and implementation during their second term in power played out in reality. While a lot has been written about New Labour’s attempts to tackle social exclusion, the modernisation agenda for public services, devolution, and co-design of policy to prioritise community input, this study showed how these different initiatives interacted at regional and local level in practice. It also illustrated the impact of European Commission funding sources on local economic and community development and the way social enterprise as a policy objective became embedded across a range of policy areas.

In terms of the social entrepreneurship literature, the contribution made is also one made to politics, and that is the benefit of having studied the two together. Social

entrepreneurship is an emerging field, studied by a range of scholars, but the majority of who are based in some form of organisational or management studies. As discussed in the literature review, this is changing, but it remains an area that is significantly understudied by those hailing from a politics skill set. This study to some extent forms a baseline, as it charts the origination of social enterprise in policy terms in Britain. It adds information and data to social entrepreneurship studies about the emerging phenomenon. New Labour is the first political party in power to set such an ambitious programme of support for social enterprise into motion. At the same time, the study is also useful from a politics perspective because it provides another lens into debates on the changing nature of the British state, and questions about where the state should end and civil society should begin. Analysing the framing of social enterprise and the regulatory changes New Labour put into place to modernize the third sector via its support for social enterprise provides a different and complementary vantage point to studies exploring the changing nature of British civil society.

7.10 Concluding thoughts

In 2012, the question becomes first, to what extent has social enterprise become a proxy for third sector and vice versa? Following on from that, are social enterprises simply organizations that provide social or environmental value but without being in receipt of grant funding? Extending the line of enquiry, can an organization be deemed a social enterprise and still receive grant funding? Is the distinguishing line between social enterprises and third sector organizations the extent of trading they engage in, or the form that trading takes? Is a third sector organization that is primarily in receipt of public sector contracts a social enterprise or something else? Do the distinctions now even matter?

There were 4,905 community interest companies as of the Annual Report for 2010-2011.⁵⁴ According to Social Enterprise UK's report 2011 *Fightback Britain*, social enterprises trade mainly with the public, and not with the state, "We need to change the way we think about social enterprise: The main discussions in public policy have been around social enterprise delivery of public services- this tells the lesser part of the story. The most common (37%) main source of income for social enterprises is in fact trade with the general public" (SEUK, 2011, p.6). In the same report, it was explained that social enterprises have more in common with the small business sector in terms of composition and the challenges they face than the third sector (SEUK, 2011, p.11). Although it is not clear how this was determined, it is interesting that this idea is still prominent a decade on from New Labour's first vision for social enterprise.

Ultimately, the story of New Labour and the first wave of policy-making to support social enterprise is one of policy innovation and experimentation. How social enterprise was envisioned, the range of policy entrepreneurs that supported the agenda, and the number of state actors that championed the ideals were in large part heavily influenced by New Labour and its distinct approach to designing and delivering social policy during this period of time. In the end, while it may have superficially appeared disorganized or ill-conceived, upon further study, and supported by empirical data, the approach New Labour took to mainstream social enterprise in as many different areas of government's work has led to very positive impacts.

What New Labour set into motion through its mainstreaming and awareness-raising efforts within the public sector machinery and across Britain generally has led to the creation

⁵⁴ 2010-2011 Annual Report Published by the Regulator of Community Interest Companies, available for download from the Department for Business Innovation and Skills [Accessed 10th July 2012].

of a distinct social enterprise community that has grown in real terms year on year since the launch of the first *Social Enterprise Strategy for Success* in 2002.⁵⁵ It remains to be seen how long Britain will hold its position as global leader for social enterprise, and the extent to which successive governments expand upon New Labour's social enterprise foundation or dismantle it. However, it is clear that New Labour's 'enabling environment' for social enterprise had a direct role to play in the creation of a diverse community of social enterprises, working across all industries of the mainstream economy.

⁵⁵ Based on data provided by Social Enterprise UK and the CIC Regulator through the publication of various annual reviews and surveys.

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Appendix 1

England-wide survey of local councils,
Gauging awareness and engagement in social enterprise development
2005-2006



DEPARTMENT OF POLITICS
Telephone 020 7919 7740/7741
Fax 020 7919 7743

SURVEY FOR OFFICERS IN LOCAL AUTHORITIES

Dear Colleague,

I am writing to ask if you would be willing to take part in a study that we are undertaking for the Economic and Social Research Council (ESRC) on the role of local government in developing social enterprise. As part of our research, we are conducting a national census to assess the extent of local authority support across the United Kingdom. During the course of the project we will be working with a range of organisations to ensure that our findings are shared with decision-makers in the field. The study will conclude in Spring 2006, and we would very much value your contribution.

We will be disseminating our findings to all the participating local authorities, the Social Enterprise Unit in the Department of Trade and Industry, Social Enterprise Coalition, Local Government Association, Development Trusts Association, Social Firms UK, Cooperatives UK, as well as the relevant teams in other Government departments.

If you are willing to co-operate, we would be grateful if you could complete the enclosed questionnaire or, if appropriate, designate a staff member within your team to do the same, and **return via email to ssp01as@gold.ac.uk, by 12 December 2005**. Thank you in advance for your time.

Yours sincerely,

Alibeth Somers
Research Fellow

LOCAL GOVERNMENT SURVEY INTO SOCIAL ENTERPRISE DEVELOPMENT

Details of contributor

Name:

Position:

Council:

Email address:

Date:

1. How familiar are you personally with social enterprise?

- a. Very familiar
- b. Quite familiar
- c. Not at all familiar

2. Does your Council have a social enterprise policy?

- a. Yes
- b. No, but one is in preparation
- c. We neither have one, nor are we preparing one

3. If your Council does have a policy, when was it adopted?

- a. In the past year
- b. Two years ago
- c. More than two years ago
- d. No such policy exists
- e. One is in preparation

4. Which of the following government departments most influences your views on social enterprise?

- a. Social Enterprise Unit, Department of Trade and Industry
- b. HM Treasury
- c. Department for International Development
- d. Department for Food, Environment and Rural Affairs
- e. Office of the Deputy Prime Minister
- f. Department of Work and Pensions
- g. Home Office
- h. Other: _____
- i. None

5. Is there an officer responsible for developing social enterprise within the Council?

- a. Yes (if so- please write in their name, job title and department)
- b. No

6. Are there any specific departments who work on social enterprise development in the Council?

- a. Yes- If yes, please specify
- b. No

7. Which of the following best describes your work on social enterprise?

- a. We are proactively involved
- b. We are somewhat involved
- c. We are involved to an extent
- d. We are not at all involved
- e. We strongly support social enterprise in principle

8. How involved are Councillors in supporting social enterprise?

- a. Very involved
- b. Somewhat involved
- c. Not at all involved

9. If Councillors are involved, how many support social enterprise?

Please write in number: _____

10. Which of the following best describes your local social enterprise community (this is an estimate and guess)?

- a. We have little to no social enterprise activity in the community (0-4)
- b. We have some social enterprise activity in the community (5-15)
- c. We have a medium sized community (16-29)
- d. We have a significant community (30-40)
- e. We have a substantial community (41 and over)

11. If the Council is actively working on social enterprise, which of these categories best describes the Council's primary motivations for engaging in social enterprise? (Please check all that apply)

- a. Enhance local public service delivery
- b. To continue area based regeneration projects once funding ends
- c. To address market failure- specifically building a bridge for social and economic inclusion
- d. To increase the ability of the voluntary and community sector to be financially self-sufficient
- e. To decrease barriers to employment
- f. To take advantage of funding opportunities.
- g. Other, please explain:

12. What role do you personally think social enterprise should play in local communities?

13. Does your Council **currently** let contracts to social enterprises?

- a. Yes
- b. No

14. Has the Council let contracts to social enterprises **in the past**?

- a. Yes
- b. No

15. Do you think the Council is likely to let contracts to social enterprises **in the future**?

- a. Yes
- b. No

16. If you do not think the Council is likely to let contracts to social enterprises in the future, why might this be?

17. Are you in regular contact with any other Councils working on social enterprise?

- a. Yes
- b. No

18. Has your Council experienced any barriers to developing social enterprise?

- a. No
- b. Yes, please describe

19. Has your Council addressed social enterprise in terms of the guidance set forth in the National Procurement Strategy?

- a. Yes
- b. No

20. Below, please include any further comments you would like to make.

Appendix 2: Expert contribution

The names listed below are those individuals with whom multiple conversations were had between 2004-2005 about how the social enterprise policy agenda was developing. They represent a range of key change agents based in London during this first wave of policy-making, and their names are listed here as an acknowledgement of the insight they provided which was then reflected in the design of this research project.

- Diana Neal, Association of London Government
- Gordon Mole, Cross River Partnership
- Jonathan Bland, Social Enterprise Coalition
- Helena Webster, Ealing Council, West London Pulse
- Amanda Lewsey, Havering Council, LA Connects Member
- Ishaq Kazi, Haringey Council, LA Connects Members
- Tariq Shabeer, Croydon Council, LA Connects Member
- Claire Tunley, Camden Council, LA Connects Member
- Allison Ogden-Newton, CEO, Social Enterprise London
- Robin Harris, Membership Director and Head of London Social Enterprise Network, Social Enterprise London
- Robin Jones, Head of London Office, Development Trusts Association
- Sally Reynolds, CEO, Social Firms UK
- Jonathan Goodman, CEO, Cooperatives UK
- Colin Crooks, CEO, Green-Works
- Sophi Tranchell, CEO, Day Chocolate Company
- Geoffrey Cohn, CEO, Greenwich Cooperative Development Agency
- Katharine Ford and Gibril Faal, Social Enterprise Business Advisors, Business Link for London
- Naomi Kinglsey, London Rebuilding Society & Community Development Finance Association