

Chapter Nine

Summary, discussion and conclusions

Introduction

The subjects of this investigation were community-based social enterprises, defined as community-based organisations with a traded income (although often possessing a mixture of trading and non-trading income) and which achieves its social mission through its trading activities. In Chapter 1, the following research questions arose with regard to these social enterprises:

- What are community-based social enterprises in the Irish context?
- What activities do they engage in and, in what areas of activity do they possess a competitive advantage over traditional community and voluntary groups?
- Who established these social enterprises and what were their motivations?
- Does there exist a coherent national policy towards social enterprises and, if so, is it successful?
- How successful have the existing social enterprises been in meeting their social mission?
- How successful have the existing social enterprises been in achieving their financial objectives?
- What is the nature of the current trends influencing the evolution of social enterprises in Ireland?

In this chapter these eight questions will be examined in light of the four field research chapters: the survey of social enterprises across the participating European Edge Cities Network members, the six in-depth interviews with policy- and decision-makers, a survey of social enterprises that were members of social-economy networks and the results of the six in-depth case studies of social enterprises in the Fingal local-authority area. The information arising from these chapters will be examined in the light of the

contextual literature review undertaken in the first three chapters of the thesis and the discussion of theory undertaken in Chapter 2. The thesis will conclude with a summary of the key findings and some general comments.

What are community-based social enterprises in the Irish case?

If one examines the list of social enterprises funded under the Community Services Programme¹, then these community-based social enterprises tend to be companies limited-by-guarantee with an income comprising a mix of traded income and grant aid, many supplemented by the use of intermediate labour-market programmes like Community Employment. It appears that the majority of these funded social enterprises were demand-deficient and dependent on grant aid for their survival. This was supported by the surveys of social enterprises in Chapters 5 and 7. In Chapter 5, it was noted that 75.5% of the social enterprises in Fingal had a traded income comprising less than 50% of their total income. In Chapter 7, 86.1% of respondent organisations in the survey of social enterprises were established as companies limited-by-guarantee.

Other community-based social enterprises were social-enterprise co-operatives. It was stated in Chapter 2 that not all co-operatives were social enterprises and this appeared to be true. Likewise, some credit unions (a specialised form of co-operative) were community-based social enterprises. Credit unions are established under a common bond and this common bond has a variety of forms. Some credit unions with a common bond established on the residents of a particular area have demonstrated the characteristics of a community-based social enterprise. For example, St. Anthony's and Claddagh Credit Union in Galway built and run a community-enterprise centre for their local community. Blanchardstown Credit Union provided loans for the BASE Enterprise Centre towards the building of an extension. Some credit unions should therefore be included in the definition of a community-

¹ Pobal (2008), 'List of CSP beneficiary companies', <http://www.pobal.ie/media/SortedbycountyWEBSIRECEBBeneficiaryContactListUpdatesJuly08.html>

based social enterprise. Thus, community-based social enterprises were defined by their activities rather than their legal form. This would support the contention in Chapter 2 that social enterprises fit into a spectrum of organisational forms.

Social-enterprise activities and their competitive advantage

While social enterprises appear to engage in a wide variety of activities, the social enterprises in the Republic of Ireland represented within the European Edge Cities Network survey had a narrow breadth of activity compared to the other three areas examined. In Table 5.6, credit unions made up 34.4% of the social enterprises identified, social services providers comprised 18.8%, community development was engaged in by 15.6%, education and training activities accounted for 12.5% of social economic activity and support for local enterprise accounted for 9.4%. Within the survey of social enterprises in Chapter 7, Table 7.4 indicated that 27.5% of the social enterprises surveyed were involved in tourism, culture and heritage activities, 15.7% were involved in the provision of community centres and facilities, as was the same percentage involved in the provision of childcare, education and training. 7.8% involved in the provision of enterprise centres and 33.3% were involved in the provision of general services. Thus, a wide range of social-enterprise activity was identified, predominantly the delivery of tangible goods and services to marginalised individuals and communities, as well as, the general public.

Another interesting finding from the survey of social enterprises in Chapter 7 was that the examined social enterprises used volunteers less in their operations than did the third sector as a whole.² Consequently, the social economy had a higher use of professional staff. As social enterprises are businesses, one might conclude that they need paid staff to ensure that services are delivered. This would also explain the importance given to intermediate labour-market programmes in Chapter 5 and the Community

² This was with comparison to with Donoghue, F, Prizeman G, O'Regan A, Noel V, (2006)

Services Programme in Chapters 7 and 8, as these programmes provide staff, or staff grants, to meet the need of the social enterprises.

As social enterprises used an enterprise model it was not surprising that a majority of respondents in Chapter 7 believed that social enterprises had a relative strength in the areas of sustaining community-based services (social enterprises generated their own income and were likely to be more sustainable), delivering goods and services and protecting social assets and buildings (again related to their relatively more independent income). A minority of respondents saw social enterprises as relatively strong with regard to campaigning for social reform and as a platform for public consultation. As can be seen from Table 8.13, 94% of all respondents saw a positive future for their social enterprise, 6% were unsure as to the future and no respondent believed that the future would be negative for their social enterprise.

Who established these social enterprises?

There was some evidence that social enterprises may be established by members of the community and voluntary sector, or what were described in the literature as social entrepreneurs. In four case studies (Mulhuddart Community Centre, Blanchardstown Credit Union, Seamus Ennis Centre and North Fingal Rural Transport) individual community members and volunteers were identified and, in many of the interviews, individuals were mentioned by name, as being the most important people in establishing the social enterprise. BAPTEC and BEAT were established out of local development processes: Blanchardstown Area Partnership and Balbriggan Enterprise Development Group.

Not only were the community and voluntary sector identified as the prime movers in the above cases, it also remained the largest sector represented on the boards of management/directors of the social enterprises examined. 98% of the surveyed social enterprises confirmed the use of volunteers on their

boards of management/directors (Table 7.12). Within Chapter 8, two-thirds of the board members of the social enterprises were identified as having been drawn from the community/voluntary sector (Table 8.2). Furthermore, in Chapter 7 (Table 7.13), 46.4% of the members of the boards of management/directors were from the community and voluntary sector, 15% from the private sector, 10.9% from local development organisations and 6% from public-sector agencies. Considering the relatively high percentage from the private sector, there was only a small percentage from trade unions (0.6%) and the figure for local authorities also appeared low at 5.6%.

Thus, individual social entrepreneurs appeared responsible for the establishment of the social enterprises examined and these individuals came predominantly from the community and voluntary sector, which still remains the largest sector constituting the membership of the boards of management/directors of these social enterprises.

Motivations of founders

The primary motivation of those who established a social enterprise was to meet an identified social need. In Table 7.7, the main social objective was the creation of local economic/enterprise development (25.5%), followed by the promotion of tourism, heritage, culture and the arts (23.5%), the promotion of community development was identified by 20.6%, 11.8% advanced the promotion of childcare, education and training with the remainder established to meet a range of general needs by the community (18.6%) In Chapter 8, all 35 respondents were able to identify specific social objectives for their companies. When asked as to why the social enterprise was established in the first instance, all respondents identified what can be described as 'social' motivations. Responding to an identified community need and altruism were the two predominant motivations given to the people who established the social enterprises within the case studies. 54.3% of respondents identified the achievement of its social mission as the driving

force behind the social enterprise, 40% identified that the social enterprise was driven by its own success and 5.7% pointing to the personal commitment of individuals.

If achieving a social mission was the primary motivation behind these social entrepreneurs, then whom were they trying to assist? In Table 7.8, 62.7% of respondents identified multiple target groups or pointed to the community as their main beneficiaries. Only 35.3% of respondents were established to meet the needs of a specific target group. The responses to this question might indicate that the social enterprise surveyed could be defined a general-interest social enterprises. Within the case studies examined in Chapter 8, 65.7% of interviewees noted the disadvantaged, youth and unemployed as their main target group - all categories that would be expected when addressing the needs of the socially marginalized (Figure 8.6). One interesting point that emerged from the comments of respondents was that many of the staff in most of the case-study social enterprises had been recruited from the local community or from the target groups themselves. Thus, the social enterprises were using employment as a progression route.

However, this was not why they necessarily utilised the social-enterprise model. In Table 7.10, of those who disclosed a response, 37.2% identified a financial reason; either to access grants or increased finance and income as the reason why the social enterprise model was used. However, almost as many (36.2%) stated that it was the social enterprise model was adapted to best respond to identified social needs. A further 16% identified staffing issues, either to gain new staff or retain existing staff, while 10.6 % stated that the social enterprise model best suited their activities. Within the case studies, fifteen respondents (42.8%) stated that their social enterprise was a social enterprise by nature. Eight respondents (22.8%) stated that it was because of the funding streams available (chasing funding) while seven (20%) referred to sustainability issues, the trading income allowing them to be sustainable in the long run and less dependant on grant aid. Thus, the

social-enterprise model was adopted in many cases for pragmatic financial reasons as a vehicle to achieve the desired social mission. This could account for the point raised in Chapter 8 where 94% of respondents related economic objectives with the financial stability and the sustainability of the social enterprise. The social objectives identified related to the achievement of the organisations social mission, although issues relating to creating employment, training the unemployed and addressing service shortages, which are economic in nature, were identified by 94.1% of interviewees as social objectives.

Apart from the existence of grant aid, the relative importance of community- and voluntary-sector factors were highlighted in Table 7.21 as being either 'very important' or 'important' for social enterprises. These factors included the commitment from individuals or groups of individuals (76.2%), a strong sense of community and strong social cohesion (74.3%) and strong local development structures (73%). Other factors were relatively less important, for example addressing market failures (63%), strong local partnership arrangements (61.3%) and value for money considerations (58%).

Thus the motivation for those who established social enterprises appears to have been the achievement of a specific social mission. The community and voluntary sector still has the strongest influence over the boards and strategies followed by the identified social enterprises, even if the social-enterprise model had been adopted, in many instances, for largely pragmatic financial reasons.

Social enterprises and national policy

In Chapter 6, a discussion of six interviews with policy and decision makers was undertaken. This showed that there was no coherent national policy in place with reference to social enterprises. Rather, a number of support programmes exist and that there was little 'joined-up thinking' at a national level. The traditional policy of government was to recognise the good work of social enterprises and to regulate them. Individual pieces of legislation had been developed over time for agricultural co-operatives, mutual societies, and credit unions. The National Social Economy Programme (NSEP) did attempt broadly to support the sector, but its effects were piecemeal and its establishment and relative failure as a quasi-active labour-market programme resulted in its conversion to the Community Services Programme (CSP) in 2006. However, the restrictive criteria developed by the Department of Community, Rural and Gaeltacht Affairs for the CSP is currently resulting in several social enterprises which were originally funded under the programme but who now no longer meet the new criteria, now being phased-off of the programme.

A disconcerting finding from the policy interviews was the consensus that there existed a lack of clarity amongst policy and decision makers as to the nature, role and extent of the social economy in Ireland. The result was a confused national policy framework. This may explain the anomalous findings within the case studies where a majority of social enterprises felt that the future of the Irish social economy was positive and roughly one-third were unsure as to the future. Whereas, in comparison, 94.3% of case-study respondents felt that their social enterprise had a positive future but practitioners were confident in the future of their own social enterprise, but were less confident about the future of the social economy generally. Without a common understanding of the social economy at policy level, no coherent policy framework can be developed. As a result, there would appear to be a lack of confidence amongst practitioners in the national policy

framework. However, grant aid was still highly important for social enterprises. The survey of social economy networks indicated that a majority of social enterprises surveyed had a reliance on grant aid for more than 50% of turnover. Thus, the impact of changes in national policy can still have a severe impact on the social enterprises.

In Chapter 8, the three case studies which were funded by the National Social Economy Programme (NSEP) felt that the benefits accrued by the programme were very high. The practitioners had a much higher opinion of the role of the NSEP than the policy and decision makers, among whom there was a distinct absence of consensus regarding its impact. Half of the policy interviewees felt that the NSEP had a 'neutral' effect, two stated a positive effect, and one interviewee was unsure. The main factor influencing the dissatisfaction of the policy interviewees with the NSEP related to the criteria set down for the programme. FÁS ran the programme as a quasi labour-market programme, and this did not meet the needs of the social enterprises. It became obvious to FÁS and the practitioners that the programme criteria could not work as set down. As a result, FÁS felt that the programme had not met the expectations and outputs that they had set for it. Thus, practitioners rated the benefits accrued by the NSEP more highly than policy makers.

The social-partnership process had developed a framework for the engagement of the 'community and voluntary pillar' within the national policy-setting agenda. Apart from the national policy framework, locally-based programmes have been developed as offshoots of the process (area-based partnership companies, the RAPID³ programme, and the LEADER⁴ programme being examples). The findings of the field research supported the positive influence of social partnership on the social economy, with roughly a third of policy and decision makers, social-economy network respondents and case-

³ Revitalising Areas by Partnership, Investment and Development (RAPID) was a programme aimed at focusing public expenditure into urban areas with the highest levels of deprivation

⁴ The LEADER programme was a local economic development programme for rural areas

study interviewees in agreement as to the positive nature of the social-partnership process. Thus, the concerns raised by some within the community and voluntary sector regarding the negative effects of social partnership as outlined in Chapter 3 did not appear to be prevalent within those surveyed and interviewed for this work. However, as can be seen from the case studies, although a clear majority believed social partnership to have a positive influence (62.8%), with 25.7% thinking it had a neutral or no effect on their social enterprise and 11.5% unsure as to impact, it was noteworthy that those social enterprises which engaged in local development structures and local partnership structures (BAPTEC, BEAT, Mulhuddart community centre and North Fingal Rural Transport) had a higher rating for the importance of social partnership than the two social enterprises with the least connection to local development and partnerships (Blanchardstown Credit Union and the Seamus Ennis Centre).

In Chapter 5, all the policy interviewees identified that the European Union had played a role in relation to the development of the Irish social economy. Both the community-and voluntary-sector interviewees saw the European Union as having an important role and was one driving force behind recent national policy relating to the social economy. However, all four public-sector interviewees accepted that the European Union had played a role but underplayed its importance believing that there would have been a social economy programme with or without the European Union. The majority of policy interviewees saw the role of the European Union as facilitating social enterprise activity at ground level and thus it was deemed a facilitating factor, not a driving factor, behind social economic activity.

When asked what support government could be to social enterprises within the case studies, five cases: BAPTEC, BEAT, Mulhuddart community centre, North Fingal Rural Transport and the Seamus Ennis Centre, identified continued funding as the main support. In particular, capital funding for building projects was noted by six respondents. In the case of

Blanchardstown Credit Union, all the respondents pointed to the need to update the credit union legislation as the sole issue of import.

Thus, social-enterprise policy was confused and inconsistent. Many saw the social-partnership process as the most important policy driver for social economic activity, but this has now slipped off the social-partnership agenda. The European Union played a facilitating role and the Irish government saw its role to fund activities rather than lead. Thus, without a common agreement at a national policy level regarding the definition, scope and benefits of social economic activity, no coherent national policy can exist.

Success of social enterprises in meeting their social mission

A large majority of the respondents to the survey of social enterprise (Chapter 7) and also the case study interviewees (Chapter 8) believed that their social enterprises were achieving their social mission. In Table 8.6, all respondents felt that their social enterprise was effective or very effective, with a slight majority feeling that the enterprise was very effective. In Table 7.14, 99% of respondents were of the view that social objectives were equally as, or more important than, economic objectives, with 80% of all board members and managers feeling that economic considerations would not overrun the social objectives of the company (see Appendix F, Table F.22). Thus, from a social mission perspective, the social enterprises themselves were satisfied that the organisation was achieving its social mission. It should be noted that BAPTEC had itself conducted a social audit and this had supported the view of the achievement of social objectives by other stakeholders, including end-users (BAPTEC, 2002). Others had included the opinions of end-users or clients in the development of business plans and end-of-year reports.

Success in meeting financial objectives

While the measurement of 'success' clearly depends upon how success is defined, across the three relevant field research chapters (the European Edge Cities Network survey, the social enterprise survey and the Fingal case studies), it was apparent that only a minority of Irish social enterprises were self-sustaining. Within the literature review in Chapter 2, it was noted that the concept of a funding mix had gained acceptance as the financial model best suited to social enterprises. A funding mix requires using a variety of funding sources as part of a social enterprise's total income. For example, a social enterprise might have a percentage of its income from trading revenue, indeed this was described within the literature review as a *sine qua non* for a social enterprise. It could also have grant aid as part of its funding mix. For example, most social enterprises saw the benefits of the Community Services Programme because of its emphasis on staff and management grants. Thus, a core overhead was covered, or at least partly covered, by this form of grant. Another specific form of grant aid might be programme funding. Here, a social enterprise might apply for specific funding to run a 'programme' and this funding would be 'ring fenced' for the particular activity. For example, Mulhuddart community centre had ring-fenced funding from Blanchardstown Youth Services to run its community youth project. BEAT Enterprise Centre also had programme funding from Interreg III⁵ to establish the BESS project, a community-based ICT training programme. Thus, many of the social enterprises examined had a trading income comprising less than 50% of its total income and used either the Community Services Programme or an intermediate labour-market programme like Community Employment or the Full-time Job Initiative to fund staff wages and many had programme funding from a wide variety of sources as identified in Table 7.17 to address specific needs.

⁵ Interreg III was an inter-regional structural funding programme of the European Union

In Chapter 5, most of the social enterprises in Fingal, if credit unions were excluded, were grant-dependent and demand-deficient (Table 5.10). In Chapter 7, 73.7% of social enterprises were discovered to have the main part of their income made up from non-traded activities, predominantly grant aid and only 26.3% of respondents generated their main income source from trading activities. Only 6 social enterprises (7.2%) were not in receipt of grant aid. Also in Appendix F, Table F.18, of those which disclosed information, 86.1% received no income from public-sector contracts, pointing to a sizeable incidence of under use of this funding mechanism. Appendix F, Table F.19 outlined that 68.3% of respondent social enterprises generated no income from donations and only 2 social enterprises had income derived from a source other than traded income, grant aid, public-sector contracts or donations. 55.4% of respondent social enterprises expected a turnover of less than €100,000 in the following year (Table 7.18). This supported the view that social enterprises were, in the main, small and demand-deficient. However, 7 social enterprises (12.5%) expected a traded income in excess of €300,000.

In Table 8.9, 94.3% of respondents considered their social enterprise to be financially stable at present. In response to a follow-up question on whether the respondents had concerns over any part of the enterprises funding mix, a large proportion (82.8%) had no such concerns, whilst only a small minority (14.3%) actually did (Table 8.10). BEAT and Blanchardstown Credit Union were both self-sufficient and this was noted by all the relevant interviewees. However, all of the interviewees from the other four case studies noted continued government funding (grant aid) as important. Of these 79% highlighted the importance of a funding mix between grant aid and increased traded income. Thus, for those not already self-sufficient, the funding mix appeared important.

One issue of considerable interest is the changing influence that economic factors have within social enterprises over time. When social enterprises

were being established, their primary interest was the achievement of social objectives. The market-based enterprise model had been used as a pragmatic mechanism to achieve these social aims. However, as social enterprises became established and acquire management, staff and overhead costs, the relative importance of economic objectives increased. Although, the social objectives still remained primary, the economic responsibilities became more prevalent. Therefore, it can be argued that, economic objectives facilitate, rather than drive, social enterprises at their establishment. However, as social enterprises become established, economic factors become more important, becoming core factors at that stage.

Evolving trends

The case studies identified a small number of social changes of interest to the social economy in Chapter 8. The main points identified were the growth of new ethnic communities, the effects of increased economic affluence, the needs of the remaining long-term unemployed and the effects of population increases. Social enterprises have adapted to new communities of interest, new social needs, and changes in existing communities of interest. This changing environment has created challenges for many social enterprises, yet there was no evidence from the field research to indicate that these social changes were significant catalysts determining the development trajectory of the social economy. These changes were viewed as having both positive and negative effects. In Chapter 8, credit union members noted that economic affluence has had a negative effect on them, as has the fact that the banks were now targeting their traditional markets. With relation to unemployment, C06, from BAPTEC, argued that 'over time the needs of people has changed. The skills required by employers and employees are changing rapidly...the long-term unemployed are a smaller cohort of clients but their needs are greater and they have a longer road to travel'. Thus, increased economic affluence has generated challenges as well as advantages. These social changes also appeared to be having different effects for different social

enterprises. Thus, it is unlikely that these social phenomena have been facilitating the development of the social economy generally. Therefore, these factors are coincidental to the operation of the social economy and are probably affecting some social enterprises more than others.

It also appeared that patterns of volunteerism had changed over the past 20 years. In Chapter 7, a majority of respondents agreed to statements that volunteerism had declined in the previous 20 years and those volunteers were more discerning about the type of volunteer work they were willing to do. Only 38% of those who disclosed a response used volunteers for operational purposes. The implication was that that 62% used paid staff solely for the delivery of goods and services and other operational activities.

Economic versus Institutional theory

In Chapter 2, market failure was highlighted as the main economic explanation for the existence of social enterprises. Market failures were identified as present under the existence of externalities, public goods, non-competitive markets or contract failures, especially in the presence of asymmetric information between suppliers and customers. It was notable that in both the policy interviews, the survey of social enterprises and in the case studies alike, the role of market failures for the existence and operation of social enterprises was not singled out as having much importance.

The alternative theoretical explanation was proffered by institutional theory where it was expounded that organisations develop in order to gain legitimacy, rather than efficiency (Dart, 2003, 415). In order to achieve this legitimacy, organisations tended to conform with the other organisations in their sector, economy or society. This has been referred to as 'isomorphism' and had several varieties including competitive and institutional isomorphism (DiMaggio and Powell, 1991; Dart, 2004; Helmig, Jegers and Lapsley, 2004). In the economy, competitive isomorphic pressures force economic entities to act in a similar fashion and adapt similar organisational fashions. In the

public sector, institutional isomorphic pressures exist and force organisations to act like the other organisations in the public arena either through coercion (legal or enforced social norms), mimetic forces (organisations mimicking apparently more successful organisations) and normative forces (through professionalism there became a norm for how organisations behaved in a particular sector) (DiMaggio and Powell, 1991, 67).

For market failure to be accepted as the explanation for social enterprises, there must be evidence that social enterprises were formed and continued to operate in order to address these market failures. The fact that social enterprises may sometimes operate in a situation of market failure does not render this the sole reason for the creation and continued existence of the social enterprise. It was clear from Chapter 8 that nearly all the case-study social enterprises could be argued to address a market failure of some sort, although the same argument could be made for every public-sector organisation. North Fingal Rural Transport was a clear example of a social enterprise established and continuing to operate in order to address a market failure. BEAT had been initially established to address a market failure, yet this market failure has since been addressed and BEAT is now in competition with the private sector. The same argument could be applied to BAPTEC. Initially, BAPTEC had competition but not in the local area, although again BAPTEC is now in competition with local suppliers. Blanchardstown Credit Union was established to meet a market failure but, again, other local financial institutions are now in open competition with it. The Seamus Ennis Centre may be meeting a market failure for the provision of cultural events and programmes or may simply be involved in a small market that others would not enter due to the lack of market share. Mulhuddart community centre was a different case. It is questionable whether a community centre exists in a market environment at all, whether competitors can exist, or if this constitutes a non-competitive market? Clearly the interviewees and survey respondents were not convinced. Respondents indicated that, for all bar one of the social enterprises, this was not a major issue (Table 8.13). A majority

(62.9%) of respondents stated that market failure was not important for their social enterprise whereas only 22.9% did accept market failure as important, mainly comprising those drawn from North Fingal Rural Transport. In the policy interviews, interviewees were able to identify only a few specific market failures being addresses: childcare, estate management and rural transport social enterprises. However, none accepted market failure as the rationale behind most social enterprises. In the social enterprise survey, presented in Chapter 7, market failure was identified as important but ranked sixth in a list of the most important factors underlying their existence. It would appear that although some social enterprises operated to address a market failure and some may even have been established to address such a market failure, this was not the reason why most social enterprises continued to exist.

In that case, was there evidence to support institutional theory? Within the policy interviews there was acceptance of the presence of entrepreneurial governance in the Irish state. There was evidence of the government's retreating from direct social service provision and its acting more as a funder for the provision of social service. There was also acceptance of the penetration of market-based ideology into public-sector realms, including value-for-money considerations, the adoption of public-private partnerships and the commercialisation of semi-state bodies. The interest in social enterprise was identified within these changes as social enterprises were more commercial, had a traded income and were less reliant on public-sector grants. Thus, social enterprises may have had credibility within these new philosophies and, as a result, gained legitimacy and promotion. This was one argument for the development of the National Social Economy Programme and why the public-sector interviewees in Chapter 6 believed that the programme developed with or without European Union intervention.

There was evidence of institutional isomorphic factors in the field research. If it is accepted that most social enterprises examined were demand-deficient and grant-dependent, then conforming with the views of funding agencies

was a requirement for continued survival. In Table 7.10, 37.2% of respondents identified that the social enterprise had been established to benefit from funding. In Chapter 7, 73.7% of social enterprises had a traded income of less than 50% and were reliant on grant aid for more than 50% of their total income and only 6 social enterprises (7.2%) were not in receipt of grant aid. Thus, when FÁS promoted the new social economy programme as the best option for some Community Employment projects, as identified in Chapter 6, many felt the need to change their operational style and become a social enterprise. This was a clear example of institutional and coercive isomorphism.

Social partnership also generated institutional isomorphic pressures. The 'partnership' or 'multi-agency approach' has become the normal way for community development and local development to work. As pointed out earlier, the social enterprise case studies which engaged in the local partnership processes felt that social partnership had been more important for social enterprises than the two case studies that did not engage in these processes. Social partnership has laid down the 'rules' by which many funding programmes have developed and, in fact, many community-based funding programmes are administered through local partnership structures (area-based partnership companies, LEADER programmes, local drug task forces for example). Thus, for the majority of social enterprises examined there was a wide range of isomorphic processes at work in their political and economic environment. These institutional factors appeared more credible than market-failure theories in the explanation for the formation and continued operation of the social enterprises examined.

Table 9.1 summarises the core, facilitating and coincidental factors which were influential in establishing social enterprises, while Table 9.2 shows the slightly different array of core, facilitating and coincidental factors influencing their continued operation.

Table 9.1 – Factors affecting the establishment of social enterprises

Core factors	Facilitating factors	Coincidental factors
Social mission	National policy framework	Changes in society
Social entrepreneurship	Social partnership process	Addressing market failures
Institutional factors	Financial/economic objectives	
	The role of the EU	

Table 9.2 – Factors affecting the ongoing operations of social enterprises

Core factors	Facilitating factors	Coincidental factors
Social mission	National policy framework	Changes in society
Social entrepreneurship	Social partnership process	Addressing market failures
Financial/economic objectives	The role of the EU	
Institutional factors		

The purpose of this exercise was to distinguish core, facilitating and coincidental factors affecting social enterprise in Ireland, to allow a more detailed examination of the core factors driving the social economy. The next step will be a further analysis of the core factors, attempting to identify the underlying causal mechanisms influencing them.

A retroductive analysis of core factors influencing the Irish social economy

A retroductive analysis requires asking questions relating to the circumstances necessary for a social phenomenon to exist. Four factors have been identified as core themes relating to the establishment and operation of a social enterprise. The first three factors related to the establishment and operation of social enterprises. These factors will be examined initially. Secondly, the factors relating to the continued operation of social enterprises will be examined.

Factors affecting the establishment of a social enterprise

There were three factors identified as important to the establishment of social enterprises:

- Achievement of social mission
- Social entrepreneurship
- Institutional factors

For the achievement of social mission to be important, a number of factors must exist:

- There must exist a demand, an identifiable group of people with a specific and measurable need
- There must be people willing to address these needs
- There must be an organisational platform for the meeting of this demand
- Resources must be available to meet this demand
- There must be an ethical underpinning to the meeting of this demand

The field research demonstrated evidence of beneficiaries, people who have a demand for the products or services offered. The target groups identified between the two surveys were similar, indicating a tendency for social enterprises to work with categories of individuals who were at risk of disadvantage (youth at risk, the elderly, those challenged by a disability, and the unemployed). At a deeper level, this indicated that there exists marked inequality in society. This inequality has generated groups of vulnerable people who, in turn, are in need of support. The primary role for social enterprises appeared to be the support of those vulnerable groups in society.

There was also evidence for the existence of people willing to meet these needs. Both the case studies and the survey of social-economy networks identified small groups of people who were willing to assist in meeting these needs. In particular, each social enterprise had a board of management made up of non-paid volunteers who oversaw the development of each organisation. Most had a professional manager and most had paid staff, some full-time and some part-time. It was also indicated that a minority of social enterprises used volunteers in the delivery of goods and services.

The organisational platforms to meet these demands were social enterprises. Social enterprises were businesses, using an enterprise model, whose primary goal was meeting an identified social mission. In Ireland, the main legal structure used by social enterprises appeared to be the company limited-by-guarantee. There appeared to be two causes for this. First, this formalised incorporated structure protected both the assets of the organisation, as well as the volunteer directors. The second point appeared to relate to the reliance on public funding. As the majority of social enterprises examined were reliant on public funding for more than 50% of their income, it followed that public-funding agencies required incorporated companies to be established in order to protect public funding.

There also exists evidence that financial resources were being invested in these social enterprises. In Chapter 7, the level of projected traded-income generated by the social enterprises was indicated. The majority of those who responded to the question expected a traded income in excess of €50,000 in the following year. They also indicated that the majority of social enterprises surveyed were reliant on grant aid for more than 50% of their total turnover. Thus, it can be concluded that relatively large-scale financial resources were being expended by social enterprises on meeting their social and economic objectives and much of this was financed by government-funded grant aid. The human resources being expended by board members, management, staff and volunteers augmented this.

There was also evidence of an ethical underpinning to the work of social enterprises. The case studies indicated that all social enterprises were established to achieve a social mission. The members of the boards of management, except in the case of a co-operative, receive no financial benefit from the operation of the social enterprises. Board members were not financially rewarded for the time they gave and there was an actual cost incurred by board members for their engagement. Appendix F, Table F.22 indicated the high importance placed by board members in meeting social objectives. If this is combined with the previously-made point that the

primary role of social enterprises was in assisting socially-vulnerable people in society, then this demonstrated an ethical underpinning to the activity of social enterprises.

For the effects of social entrepreneurs to be important factors in the establishment of a social enterprise, the following factors must exist:

- There must exist a number of people (social entrepreneurs) who can bring other people, organisations and resources, together in a manner that meets an identified need in an innovative fashion
- There must exist tangible outcomes, as a result of the innovative action
- Social entrepreneurs must be motivated to act
- There must be an ethical underpinning to this motivation

In the previous section, the members of boards of management were identified as people who gave of their own time and for no financial reward, to initiate and oversee the activities of social enterprises. Before the motivations of these people can be examined, they must be identified. Table 7.13 gave a breakdown of the sector membership of boards. 46.4% of all board members came from the community and voluntary sector. The next largest category comprised representatives of the private sector, who account for fifteen percent of board members. Thus, the community and voluntary sector had three times more representatives than the next largest group. Within the case studies examined, two-thirds of board members came from the community and voluntary sector (see table 8.3). Table 8.11 showed that 60% of all case-study respondents highlighted the community and voluntary sector as being the most important sector in the establishment of the social enterprise. Therefore, it can be concluded that there was a tendency for representatives of the community and voluntary sector to have the largest representation of board members within social enterprises. There was also evidence that the community and voluntary sector was the most

important in the establishment of those social enterprises which were examined in depth in the course of the research.

The tangible outcomes appeared by way of goods and services provided, and the income generated. Social enterprises had a relative strength in the delivery of tangible services (Table 7.15). Other tangible outcomes of the initiation of social enterprises were the actual company structure, the staff employed, and the beneficiaries served. As the community and voluntary sector tended to place a high value on ethical considerations, and as the evidence demonstrated that most social entrepreneurs come from the community and voluntary sector, it was entirely conceivable that there were indeed significant ethical underpinnings to the establishment of social enterprises.

For institutional factors to be important for the establishment of a social enterprise, the following factors must be present:

- Competitive isomorphic pressures
- Coercive isomorphic pressures
- Mimetic isomorphic pressures
- Normative isomorphic pressures

Although most social enterprises examined had an identified target group and, to some degree, were established within situations of market failures, many did at least partly operate in competition with both private-sector and public-sector organisations. Within the case studies, BAPTEC, BEAT, Blanchardstown Credit Union and, to some degree, the Seamus Ennis Centre were in open competition with private-sector companies. This competition required that the social enterprises operated as efficiently as the private-sector companies and, thus, there was some evidence to suggest competitive isomorphic pressures.

Coercive isomorphic pressures were evident with regard to government funding. This was evident on at least two occasions with regard to the

National Social Economy Programme/Community Services Programme. FÁS had initially indicated to a number of Community Employment projects that funding for Community Employment was being reduced and that they should apply for funding under the National Social Economy Programme. Thus to take the case of Mulhuddart community centre, FÁS recommended the social economy programme rather than the Community Employment programme and the centre was administratively obliged to apply for the social-economy programme, even though Community Employment may well have proven a better long-term solution for the community centre. A second example was at the transfer of the programme to the Department of Community, Rural and Gaeltacht Affairs. The new criteria applying to the Community Services Programme were completely changed. Thus social enterprises that had been successful at building a strong trading base, as was the objective of the National Social Economy Programme, now had their funding cut under the new rules. Thus, social enterprises that had played by the 'rules' under the FÁS-managed programme were now penalised under the Pobal criteria, for doing exactly what FÁS had demanded in the first instance. Thus, some social enterprises were forced to change their operations in order to meet the new criteria. The fact that on both occasions, social enterprises were 'forced' to make organisational changes to meet programme funding criteria indicated that coercive isomorphic pressures were present.

The fact that social enterprises were established as enterprises at all may indicate the presence of mimetic isomorphic pressures. If the enterprise model were not deemed 'better' or 'more legitimate', then why would this model be adopted by the community and voluntary sector in the first instance? Social enterprises were conceptualised as commercial responses to changes in the political and economic environments. Thus private-sector models were adopted and adapted by the community and voluntary sector in order to meet changing needs and to legitimise certain activities in the view of key stakeholders, including the government which had adopted private-sector concepts into its management philosophy.

Normative isomorphic pressures resulted from the increased 'professionalism' within the community and voluntary sector and within social enterprises. As nearly all the social enterprise examined had managers and these managers were developing common management philosophies through the work of many professional development courses, run by various third-level institutions and networks, a volume of 'best practice' had developed. Thus, new managers were encouraged to adopt these best-practice models, creating a common and legitimate manner for the management of social enterprises. Thus The Wheel⁶ has developed and run a management certificate for community leaders, Waterford Institute of Technology in conjunction with the National Association of Community Enterprise Centres is offering a higher diploma in enterprise development and a number of Chief Executive Officers are completing Masters of Business Administration (MBA) degrees and all of these are adapting private-sector management theory into the running of social enterprises. These were clear normative isomorphic pressures.

Factors affecting the continuing operation of a social enterprise

In Fig 9.2, four core factors were identified as important to the continued operation of social enterprises. Three factors, namely the desire to achieve social mission, the role of social entrepreneurs and the influence of institutional factors, were common core factors in the establishment and the operation of social enterprises. One factor became more important as the operation of the social enterprise developed, that of the role of economic objectives.

For economic objectives to be an important factor in the operation of a social enterprise, then a number of conditions must exist:

- A series of overhead costs must exist
- An income source to pay for these overheads must exist
- A potential income stream to cover projected overheads and the cost associated with growth in the future must exist

⁶ The Wheel is a large network of community and voluntary sector organisations

A social enterprise, like any other business, had fixed and variable costs, commonly referred to as overheads. One of the largest overheads applicable to any business are staff costs. As one of the findings of the Edge Cities mapping exercise was the labour-intensive nature of social enterprises and the tendency for social enterprises in Ireland to have paid staff as compared to using volunteers, then staff costs were therefore relevant in all social enterprises. One finding from within the case studies was that several social enterprises used the recruitment of people from their target group, or community of interest, as a means of empowerment. Thus, several social enterprises used employment as a route of progression for beneficiaries. As social enterprises become established, meeting overhead costs, particularly staff costs, become of greater importance. Another economic factor was the cost associated with growth. Many of the case studies examined identified the need for growth, and this growth was heavily capital intensive – building extensions for example. As social enterprises grew, the economic objectives (sustainability for example) became more important than may have been conceived when the enterprise was being established.

The implications of this discussion is that during operational and growth phases there was a requirement for a balanced management of social and economic objectives. While social objectives were still seen by the majority of interviewees as of highest importance, as social enterprises develop, the process of management became far more complex. Social enterprises must simultaneously succeed as both a business and as community-based organisation at the same time. It has already been noted that this was managed in differing ways in different enterprises. Some have strong boards of management, some have strong managers, and some have a more collaborative approach. Thus a social enterprise with no traded income is really not a social enterprise. Likewise, an enterprise with a high traded-income with no social mission is not a social enterprise. It is the ability successfully to achieve both social and economic objectives simultaneously that characterises a successful social enterprise. The lack of clarity around

the need of social enterprises to achieve this dual-function may well be the cause of the identified confusion at policy level. It might well be the case that, upon establishment, social enterprises pragmatically used the enterprise model to achieve their ends, the economic objectives becoming more central to their operation and development over time.

The main factors that changed as social enterprises grew appeared to relate to the formalisation of practices, which were initially pragmatic considerations, into economic objectives. For example, as organisations grew and increased in size, the levels of responsibility on directors grew. As a result, there developed formalised management, financial, human resource and commercial systems and protocols. These systems were put in place, in many cases, to protect the liability of directors. The field research also indicated the heavy reliance of Irish social enterprises on state funding. Thus, there existed a constant consideration with regard to meeting the needs of funding agencies, especially with regard to audit trails, draw down procedures for funds and similar requirements. As the funding agencies were nearly all public bodies, these requirements were under political control and exerted institutional pressures on the social enterprises.

Another consideration of social enterprises as they developed related to meeting the demands of their clients and customers. Not only did social enterprises expand the services they provided to their target group but, through time, they expanded into other areas and served other target groups. For example, BAPTEC commenced by training people on labour-market programmes. However, as it developed, while continuing to deliver services to this target group it expanded into other fields, such as providing training for public bodies and running evening courses for the general public. Meeting these ongoing and growing needs would not have been an initial consideration of the enterprise. However, as turnover increased, so did the commercial realities of running a trading enterprise. It would appear that the first formalised economic objective that arose in many social enterprises

related to raising enough revenue to pay staff costs. This was interesting as many social enterprises employed members of their target group as a social objective. Thus, it would appear that the first real economic objective to develop – raising sufficient revenue to pay salaries – could have been prioritised as a result of an interconnected social objective. However, for whatever reason, meeting salary costs became an imperative for all social enterprises examined and forced the enterprise to generate at least enough traded income to cover these costs. Thus, it can be argued that as time elapsed, those initially pragmatic decisions with regard to the type of enterprise, the funding programme applied for and even whether to formalise as a legal entity, became formalised within the organisation and resulted in systems and procedures being developed within these parameters.

If it is accepted that the Irish social economy was affected by embedded cultural and social norms, as outlined in Chapter 5, there still remained one outstanding question. Why were individual social enterprises established? The field research indicated that many social enterprises were established as the result of an individual member of the local community, or a small group of local individuals, identifying a specific social need and initiating a process that brought other individuals and agencies together to address this need. In the final analysis, social enterprises are an integral part of the community and voluntary sector and are one of the tools available to the community and voluntary sector in addressing the needs of the community and the marginalised in Irish society.

Conclusions

In Chapter 2, it was argued that social enterprises developed as a response from the community and voluntary sector to external socio-political changes, especially the retraction of the state from welfare-state provision and the development of a 'hands off' approach to service delivery by the public

authorities, as a result of the phenomenon of entrepreneurial governance. The findings of the thesis would broadly support this contention. The social enterprises examined were predominantly 'mission-centric' hybrid organisational forms being both a community-based organisation and a trading enterprise at the same time (Alter, 2007, 18). They did not fit within the traditional continental European definition of the social economy (Crossan, Bell and Ibbotson, 2003, 3-4; Delors, 2004, 206-215; Teague, 2007, 92) but rather fitted into a more narrow scope of activity (Pearce, 2003, 28; Haugh, 2005, 1-12; Teague, 2007, 92-92). Nor did they all fit into the American 'nonprofit' definition with its strict 'non-distribution constraint' of profits generated (Weisbrod, 1998c; Defourney, 2001; Ben-Ner and Gui, 2003; Kerlin, 2006). Many of the companies that were limited-by-guarantee could fit comfortably into this category but there were other organisational forms identified as social enterprises in the Irish case. Some community-based credit unions have also demonstrated the traits of a social enterprise as have some other social-enterprise co-operatives. Another difference between Irish social enterprises and the American model was the high level of engagement with the public-sector in relation to social services provision. The American nonprofit sector tended to have less direct involvement with public-sector based social services provision. In contrast, in Europe, social enterprises traditionally filled gaps in welfare-state service provision. In Ireland one finds a modified American definition which includes some co-operatives as well as the limited-by-guarantee company model.

The traditional European definition of the 'economie sociale' relates to what in Ireland had normally been referred to as the 'community and voluntary sector'. In Ireland, the term 'social economy' has generally been employed to relate to a sub-category of the third sector, made up of the combined outputs of Irish social enterprise. Thus, as people have read European-centred literature on the social economy and tried to juxtapose this definition into the Irish case, confusion has resulted. Teague (2007) can be cited as an example. A key message to be taken from this research is that unless a

coherent set of acceptable definitions are agreed and accepted by practitioners and policy makers, no serious progress will be made with regard to developing the Irish social-enterprise sector. The implication of this is that without commonly accepted definitions there cannot be a coherent national policy and the current confused policy environment will continue, to the detriment of the sector.

However, there appears to be another element to the lack of clarity regarding the social economy and this relates to the different considerations regarding the establishment and continued operation of social enterprises. This may be the explanation of difficulties that FÁS experienced with the National Social Economy Programme. FÁS drew up a set of guidelines initially which were aimed at start-up social enterprises (FÁS, 2000). Their difficulty commenced when most of the applications for the programme derived from existing social enterprises. Thus, FÁS initially wanted a new company to be established by community groups for their 'social economy project'. As the existing social enterprises saw little point in setting up a new company to undertake its current work, this became an initial source of conflict. FÁS initially wanted all 'new' manager posts to be advertised, even though the social enterprises already had managers with legal contracts in place and they politely informed FÁS that this was unacceptable⁷. The lesson to be learned from this dissertation, is that any policy relating to the development of the social economy must have two distinct elements – one for start-up enterprises and another for well-established social enterprises. It seems plausible that a lack of understanding of this dichotomy may be partly at the heart of the lack of clarity at policy level.

There appeared little evidence of 'mission drift' among the social enterprises or of their acting like 'for-profits in disguise' (Weisbrod, 1998a, 11), two of the main concerns relating to the social enterprise model raised in Chapter 2. However, the argument that social enterprises do not constitute a 'panacea'

⁷ These examples are cited from personal knowledge, but provide an example of the lack of basic understanding that existed in 2001.

for all the ills of the community and voluntary sector seems verified (Boschee, 2001, 3; Emerson and Twersky, 1996, 18; McBrearty, 2007, 75). Social enterprises had a relative strength in the delivery of tangible goods and services and in the sustainability of community-based services, although this was mitigated by the high dependence on grant aid by the majority of social enterprises examined. Social enterprises were suitable for some community-based activities but not all. It did not prove possible to examine the broader definition of social entrepreneurship because the research examined only social enterprises and lacked the scope to examine the use of social entrepreneurship in non-social enterprise environments (Dees, Emerson and Economy, 2001; Thompson, 2002; Davis, 2002; Haugh, 2005). Nevertheless, regardless of whether they would use the term to describe themselves, social entrepreneurs were vitally important both in the establishment of the social enterprises examined and in their continuing development (Emerson and Twersky, 1996; Brinckerhoff, 2000; Boschee, 2001; Boschee and McClurg, 2003).

The best description of the social economy in Ireland and its component social enterprises was 'in flux'. The social enterprises examined were heavily dependent on state grant aid and this could prove a strategic weakness in a period of budgetary contraction. The following suggestions are proffered to address this weakness.

There must be a commonly-accepted operational definition of social enterprise accepted across both the public- and community and voluntary sectors. In reality there is no right or wrong definition available for the Irish case. The point regarding social embeddedness is that we must define an Irish definition for the Irish case and spend less time trying to fit Irish social enterprises into the definitions used in other countries. To date this effort has proved fruitless and created the confusion set out in Chapter 6. The role for scoping this definition needs to be given to a national body with representation from the community and voluntary sector and a social

partnership structure seems the most plausible. This might be a role that should be delegated to the National Social and Economic Forum, once there is clear requirement for broad consultation and discussion within the process.

Government needs to focus its attention on building up the existing social enterprises and creating more self-sustaining social enterprises. Policy in relation to community enterprise centres might be cited as a potential starting point. The government has a small building programme to support community enterprise centres administered through Enterprise Ireland. At present the cost of building a 2,000 square meter enterprise centre or extension is approximately €4 million. The current Enterprise Ireland grant is around €250,000 to €300,000. There has been a policy to spread the money around and this has rendered the programme ineffective. Instead of building increased numbers of enterprise centres (there are currently 105 countrywide), the government could focus this budget on supporting the currently successful enterprise centres with plans to grow and make them self-sufficient with a much higher level of capital funding. Enterprise Ireland has no problem in 'picking winners' in the other aspects of their operation and 'community' enterprise centres need be no different.

The 'enterprise' focus needs to be placed back onto the sector. The move to the Department of Community, Rural and Gaeltacht Affairs has removed the enterprise emphasis from the policy arena and currently the policy is purely stressing the community-services aspect. The Department of Enterprise and Employment must be given some remit for social enterprises and at least the Joint Oireachtas Committee on Enterprise and Employment needs to put this back onto its agenda.

The final remarks relate to areas of possible further research. The lack of support for market-failure theory and the support for institutional theory within this work leaves open the possibility for further examination of these ideas with reference to the Irish community and voluntary sector generally

and, Irish social enterprise in particular. Potential exists within institutional theory to explore and explain the sector better, yet this area of theory has not been developed fully and more research is desirable.