

# Enterprise and Learning Committee

## The Role of Social Enterprises in the Welsh Economy

### Introduction

A number of observations and beliefs need to be stated from the outset of this submission. These are:

- in my opinion social enterprises have the potential to make significant contributions to a number of the small and larger scale problems which beset most nation states;
- Wales is particularly well placed to realise many of the potential opportunities that social enterprises have to offer;
- however, social enterprises are neither a ‘quick-fix’, nor a panacea for economic and/or social ills, but they have the potential to make a real difference;
- the Welsh Assembly Government has begun to establish a helpful infrastructure, including the mapping study of social enterprise activity in Wales<sup>1</sup> and the ‘*Social Enterprise Action Plan*’;
- the ‘Social Enterprise Action Plan’ contains a series of potentially very helpful initiatives, but in order to be as effective as it needs to be there has to be strong performance management of the initiative to avoid it disappointing the Assembly and all those who might otherwise stand to gain substantially from its creation and development;
- I believe the variety of initiatives envisaged by WAG (and the one suggested in this submission) need to have significant leadership from experienced and successful social entrepreneurs. However, in the context of the proposal contained in this submission, those social entrepreneurs need effective experience of community regeneration projects.
- Running a social enterprise is beset with complex challenges, which are quite distinct from those found in either conventional profit-seeking organisations or out-and out charitable organisations. Leadership is a critical component in this whole debate, but it is a nuanced form of leadership and not one that can be taught in a traditional classroom context. Thus, a different developmental infrastructure is required to facilitate the growth of successful social enterprises, certainly in the context of community regeneration initiatives. A number of these are referred to and encouraged in the ‘*Social Enterprise Action Plan*’. This submission offers another, I believe, important option.

### The specific areas focused upon in this submission

I would have made the following points without the benefit of the mapping study referred to in footnote 1, but given these issues are raised in the study I have mentioned the sections of the report’s Executive Summary in which they can be found.

**In Section 9 – bullet point 6** the following observation is made. “... concerns are that government business support does not take social enterprises seriously as businesses.” I have

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<sup>1</sup> ‘Measuring social enterprise activity in Wales: Understanding in order to influence’, Government Social Research, 2009

heard this observation myself from a number of sources and experienced a little of this myself. My view is that the issue is not that funding officers do not take social enterprises seriously, but rather some are not sure *how* to take them. They (social enterprises - SEs) are not profit maximisers, but neither are they necessarily charities, with a simple breakeven position as a desirable outcome. It is also simplistic and unhelpful to say that they are just like conventional profit seeking organisations, but with the surplus being distributed in socially defined ways. I offer some thoughts on this below.

Any scepticism that might exist amongst business support officers towards social enterprises may be well founded in that I have seen a number of social enterprise proposals that were well intentioned but poorly conceived, planned or operationalised. It is also accurate, in my experience, to assert that there is often a lack of managerial/leadership capacity within a proposed social enterprise team. However, it should also be stressed that the existence of such skills and abilities does not guarantee a successful project or social enterprise. In my view social enterprises provide a distinctive context for organisational leadership and management, which cannot be adequately explored, or understanding disseminated, in a conventional classroom setting or conventional training programmes.

In addition to the above, the specific aspects of:

- **Specialist support** (section 9 bullet points 7 and 8);
- **Performance measurement, particularly social impact** (section 11)
- **Funding** (section 12)

are addressed below. In addition I will also speak directly to recommendations 4, 5, 6 and 7.

### A case study and a proposal

The application of social enterprises outlined in this paper is a very specific one. It is the linking of social enterprises with economic and community regeneration. Social enterprises can sometimes be found in regeneration projects, but the two are not inextricably linked. However, this proposal links the two overtly.

As well as holding the position of Professor of Sustainable Business at the University of Glamorgan I have been intensely involved in a community regeneration project which has at its heart what I have termed, *sustainable, responsible enterprise*. The community regeneration project is a real-time example of reconnecting the increasingly disconnected worlds of community, enterprise and environment. This is not merely the opportunity to put into practice a great deal of what I believe is a powerful way forward for my local community, it is an opportunity to show what is possible in many parts of Wales and beyond.

The project concerns the restoration and renovation of a water-powered, flour mill into a stimulating visitor attraction, but it is much, much more than this. We aim to establish a centre for sustainable rural communities in Talgarth (the location of the project), which will be part of a nation-wide network of like-minded communities, operationalising a number of the commitments articulated in the *Social Enterprise Action Plan*. Professor David Adamson, the recently appointed Director of the *Centre for Regeneration Excellence Wales* (CREW) has said of this project:

*This is a very exciting project and demonstrates a well conceived plan for the mill itself and the wider regeneration of Talgarth. Such projects are essential for the regeneration of rural towns in Wales and your proposals have the potential to become a beacon project which points the way to others. The Centre for Regeneration Excellence Wales would like to follow through with you as the project develops to provide case study material for inclusion in its activities promoting regeneration excellence in Wales.*

Wales suffers from having few large employing organisations, with the added bonus of the supply chains and hinterland of support organisations the large organisations invariably spawn. However, Wales has a long and justified reputation for strong community ties and associations. These ties and associations can bring their own tensions and challenges, but they also bring great strengths and potential.

Community regeneration invariably requires a symbiotic economic regeneration. An attempt at community regeneration without concomitant economic regeneration will leave the community regeneration fragile and vulnerable. Increased economic activity brings both substance and resilience to community regeneration, but the third element of this triad must also be brought into the equation and that is environmental sensitivity.

The proposal which is at the centre of this submission takes the three elements of community, economic activity and environmental concerns and links them to regeneration, via an interventionist strategy which is nonetheless a bottom-up approach. The latter element is critical to embed resilience and sustainability into the initiative.

In the context of the Talgarth proposal, which has recently won the Big Lottery/BBC *Village SOS* competition, the parameters were set in broad terms by the Big Lottery and the BBC; and in detail by Talgarth's core team. If applied in a strictly Welsh context, the parameters could/would be defined by the Welsh Assembly Government. However, it would be the responsibility of communities to define the specific approaches and mechanisms which will make the initiative successful in their contexts. Because the emphasis of my proposal is on the linking of economic and community regeneration, social enterprises are the obvious mechanisms to facilitate these developments.

An interventionist approach is required because the scale and nature of the problems facing communities in Wales are such that market solutions are simply not feasible. However, in order to remove the dependency upon government support (both central and local), conditions are at the heart of this proposal that set defined limits (time and financial), but which also maximise the potential for success of the proposal.

This proposal draws heavily upon my experiences of being a lead member of the project team that was recently successful in winning the aforementioned BIG Lottery's *Village SOS* competition<sup>2</sup>. Success in this competition has brought two huge benefits. The first is a cash award of £454000, but as important is the second benefit; a 1-hour TV programme to be broadcast at prime time on BBC 1. The TV series will be shown as six 1-hour programmes, there being six winners across the UK, with each village/town being the focus of a dedicated programme.

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<sup>2</sup> Initially around 350 towns and villages from across the UK submitted proposals to the competition, which was conceived by BIG Lottery in collaboration with the BBC. From these proposals a shortlist of 28 proposals was drawn up and these proposals charged with the task of developing very detailed strategic and capital plans. Each of the shortlisted proposals was provided with business support by way of another innovative process.

A huge amount of money is invested by governments across the UK and beyond in attempting to reinvigorate local economies and communities, but with a relatively disappointing track record of success. This proposal does not offer guaranteed success, but its value-for-money credentials are intriguing and powerful.

The proposal cuts across a number of WAG departmental boundaries and budgets and by linking one or two of these budgets WAG would create an initiative that could ignite at least five significant economic and community regeneration projects in a fifteen month period. These would create new employment opportunities in the successful areas, but because community regeneration is a cornerstone of the initiative, the initiative would achieve much deeper and long-lasting benefits than greater employment (as important as this is). My experience of being immersed in the various processes associated with the *Village SOS* initiative has highlighted a number of issues and problems, but the basic concept is powerful and offers an extremely positive option for WAG.

The following framework, which explains the proposal, has three elements. The first are the generic issues which apply to all proposals and which would be essential components of any such initiative. The second element explains the generic issues in a little more detail. The third element describes how these issues have been applied and/or addressed in the context of the proposal which I have jointly led, but offers thoughts as to how these issues could be applied more broadly.

The framework has not been developed by or made available by BIG Lottery. It is the result of my own analysis and conclusions for conceptualising the challenges of economic and community regeneration in a Welsh context and how to respond to them.

### **The Proposal**

- 1 The Welsh Assembly Government creates a fund to support a number of regeneration projects, which have at their core:
  - a) community engagement and involvement;
  - b) local economic rejuvenation, employing a social enterprise/s) as the organisational form for this rejuvenation; and
  - c) a minimum requirement of adhering to the Welsh Assembly Government's climate change and greenhouse gas emissions' policies and ideally exceeding these. Indeed some proposals may well choose this as their principal focus and would thus be judged accordingly.
- 2 Following national publicity, communities across Wales will be invited to submit their outline proposals against published criteria.
- 3 At the same time as communities are submitting their proposals, a similar process is employed to select a range of experienced social entrepreneurs and/or community regenerators (SEs/CRs). The SEs/CRs will be invited to submit themselves for consideration for being community/business/environmental mentors. The understanding will be that if the SE/CR is associated with one of the winning proposals, s/he will work with the project team for the next 12 months, at a predefined level of support and engagement.

- 4 The quality of the SRs/CRs is crucial to this process. Ideally they should be able to evidence successful social entrepreneurial experience in the context of a community regeneration project. However, this is a relatively new field and this level of expertise is thin on the ground. It might be necessary to limit the initial number of winners of the competition to three proposals rather than five and grow the level of leadership/mentoring experience from within the three winners, rippling-out this expertise in subsequent years.
- 5 Once the shortlisted community proposals have been identified (say 10-12 proposals), these will be circulated to the shortlisted SEs/CRs.
- 6 The SEs/CRs then visit the three proposals they have identified as their preferred proposals, meet with the respective project teams and form an informed view of each of these proposals.
- 7 At the same time, each community ranks the SEs/CRs that have visited their project.
- 8 Where there is 1:1 match then the communities and the SE/CR should be paired.
- 9 The respective projects, with their mentors, then have, say, three months to develop a comprehensive business plan and (where appropriate) capital plan.
- 10 The teams then submit their business plans and capital plans by an agreed date, and make formal presentations at a later date.
- 11 Following the formal presentations the successful proposals will be selected and the financial awards made, subject to rigorous conditions.
- 12 Whether a BBC Wales TV series accompanies the initiative is up to WAG and the BBC to judge, but, from personal experience, it certainly adds a tremendous edge to the initiative and could be critical for supporting the business objectives of the successful social enterprises.
- 13 Twelve months from the date of the awards being activated, the successful project teams and their SE/CR mentors will produce a comprehensive report which will be evaluated before being presented to the Welsh Assembly Government.
- 14 Having a BBC Wales TV series associated with the award would have a significant disciplinary impact upon the successful project teams to deliver on their commitments and, in my view, significantly enhance the likely success of the initiative.
- 14 The successful teams and their projects will be required to become lead members of the national network of regenerating communities and feed into the developing *Social Enterprise Action Plan*.

## Conclusions

The key elements of the above proposal are:

- to stimulate sustainable and resilient communities across Wales;

- to operationalise critical parts of the *Social Enterprise Action Plan*, but linking this with community regeneration and environmental activism;
- to create a national context where communities' futures are more positive and more within their control;
- to reconnect the social, the economic and the environmental, bringing them back into some form of equilibrium;
- to limit WAG's support both financially and time-wise;
- to enhance the accountability, transparency and disciplinary pressures on the projects, thereby maximising the prospects for genuine success.
- In terms of the recommendations of the *Mapping social enterprise in Wales* study, the following are relevant.
  - Recommendation 4 – Support is tailored and context specific, particularly in terms of skills gaps that might exist in project teams.
  - Recommendation 5 – The proposal contained in this submission requires grant funding to be the initial form of funding to overcome the problems of market failure, but the development of business and organisational expertise within the project teams will create the foundation upon which subsequent funding propositions can be developed that should prove attractive to the private sector.
  - Recommendation 6 – Transparency and performance monitoring are essential elements to this proposal, but so too is the learning to be gained from the cooperation of like-minded economic and community regeneration projects, which are members of the networks envisaged in this proposal. Performance and its monitoring are acknowledged as problematic for social enterprises and community regeneration. The knowledge and experience base of successful projects and initiatives will be the evidence base upon which to build this intelligence.
  - Recommendation 7 – the marketing campaign for social enterprises identified in 'Recommendation 7' could have no more effective vehicle to publicise the merits of social enterprises than this proposal, especially if a TV series is an integral part of the initiative.

### Framework for proposed initiative

Generic issue	Comment	How this issue has been handled by Felin Talgarth Mill <sup>3</sup>
<p>All projects must combine community and economic regeneration and environmental sensitivity, with some possibly having environmental protection or enhancement as a key objective.</p>	<p>Some projects in the <i>Village SOS</i> competition emphasised community regeneration more than they did economic regeneration. There is nothing wrong with this and in a number of cases such projects were supported. However, if the greatest value-for-money is to be extracted from this initiative and if the projects are to have the greatest chance of long term impact, then economic stimulation, via social enterprises, should also be at its core.</p>	<p>The initial focus of the project is the restoration and renovation of a water-powered flour mill, which we aim to make a significant visitor attraction. The significantly increased footfall that the restored Mill will bring to Talgarth will bring new jobs directly associated with the Mill; significant opportunities for a range of volunteering work; and (increased) business for existing and new service-sector companies in Talgarth and its environs. Talgarth Mill will compliment other visitor attractions in the Brecon Beacons National Park and stimulate new tourist interest, particularly as a result of the TV series. Thus, there is a strong economic drive associated with this project.</p>
<p>With social enterprises (SE) the organisational form of economic recovery, the surpluses should be invested in only one of two ways, viz; (a) reinvested in the social enterprise to maintain its market relevance; and (b) made available to the</p>	<p>To overcome some of the problems of previous regeneration initiatives, it is essential that the initial momentum created by an award is built upon and sustained. This requires continued reinvestment in the community, but this should come from the community, hence the need to see community regeneration and economic regeneration as opposite sides of the same coin. Social enterprises are the most suitable organisational form to achieve this.</p>	<p>The economic vehicle of regeneration in Talgarth is the flour mill. At the close of each year the surpluses will be divided into two, with part being reinvested in the Mill to retain its attraction as a tourist/visitor destination. The remainder will form a fund which all members of FTM<sup>4</sup> will be able to bid for. Proposals will be submitted against agreed criteria and available for all to see. The criteria will include economic and community impacts of the proposals. All eligible will vote on the proposals before the meeting and in twelve months the project leaders will speak to the</p>

<sup>3</sup> The registered name of Talgarth Mill and the brand that is being created is *Felin Talgarth Mill Ltd a (FTM) company limited by guarantee*.

<sup>4</sup> Residents of Talgarth will be able to become a member of FTM for a one-off payment of £1.

community to be invested in agreed ways.		community at the next FTM AGM to report on their achievements against their previously agreed outcomes and outputs.
To be fully community beneficial the SE should employ a range of volunteers where possible.	<p>Bringing volunteers into the operation of the SE broadens the involvement and engagement potential and acts as a conduit for community regeneration. However, specialist work and roles will need to be undertaken by experienced professionals who nonetheless have an empathy with the SE concept. These roles may be performed by volunteers, but some will require reimbursement and these payments can be seen as part of the positive economic spin-offs of the SE into the local community.</p> <p>Where local groups supply or organise volunteers (e.g. the local youth club, history society, young farmers, WI, local school, etc), donations can/should be made to these groups at year end to both reward these groups, but also to move money into the local community to fuel further regeneration.</p>	<p>FTM has adopted all of these approaches, not surprisingly, and each year part of the surpluses will be invested in projects that the community of Talgarth has selected. The successful project teams will be held accountable as they will be required to report back to the community at the next FTM AGM. During the year the Board of FTM will receive quarterly reports from the successful projects to check on progress against agreed outcomes and outputs. Donations are also identified within the budget to the groups and societies that have provided support and services throughout the previous 12 months.</p>
Each member of the SE Board should have specific responsibility for a key element of the SE's strategic development and/or activities.	<p>The SE has to be run efficiently, effectively. To achieve these ends many things are required to be achieved and to ensure the milestones, PIs, performance targets, objectives, etc are reached, the Board must divide responsibilities amongst themselves, with regular reports to the main Board on progress against each indicator or objective. However, a number of these indicators are likely to be non-numerical and with a fair degree of subjectivity. Thus, the need for the community to be able to express its assessment of how the SE and its objectives are developing.</p>	<p>The seven directors of FTM each have specific responsibilities, ranging from new business developments, community liaison, business networks, HR issues, communications and networks, special events, and day-to-day business operations. Performances are reviewed quarterly, although issues, if problematic, can be raised as soon as the responsible director chooses.</p>
The SE should be part of	The town or village development strategy can exist prior	A town strategy already exists for Talgarth. FTM will be a

<p>a broader town or village development strategy.</p>	<p>to the creation of the SE or be the result of the SE's success, but for resilience and sustainability to become embedded in the community and economic regeneration there needs to be good communications between the SE and the town/village council, and/or local regeneration group.</p>	<p>major catalyst of change and development that complements the town council's and local regeneration group's plans. FTM has the potential to transform Talgarth and it is essential that we work closely with all concerned to minimise clashes of interest and intent.</p>
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