



'State Sponsored' Social Enterprises: The Challenges of Partnership

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- § Line of Enquiry
- § Background
- § Context
 - § Theoretical context
 - § Practical context
 - § Role of social enterprises
- § Cultural Shift South East
- § Initial Findings
- § Future Research

What are the implications of the creation of social enterprise from public-sector led partnerships?

- § Understand the isomorphic pressures
- § Identify success and failure factors
- § Identify cultural and regulatory barriers
- § Policy implications



Research Background

- § SE/VCS typically seen as independent and autonomous of state
- § Consequently SE is presented in policy terms as being 'more efficient' in welfare service provision/closer to communities
- § SE sector 'barely exists' – pressure to create more SEs
- § However, public sector contracting introduces isomorphic forces that may bureaucratise SE in the image of the public sector (ie the funder)
- § Success requires a shift in culture for these partners
- § State sponsored social enterprises (SSSEs) face difficulties which are inherent in their relationship with their sponsors. These difficulties in turn present a threat to the success and viability of the sector.



Organisational Isomorphism

- § Many not-for-profits exhibit a ‘startling homogeneity of organisational forms and practices’
- § Exogenous pressures to conform
 - § Coercive
 - § Mimetic
 - § Normative
- § Typically (social) entrepreneurs resist such pressures
 - § Allows new models of (social) value creation to be found
- § Tension for ‘state-sponsored’ social enterprises

DiMaggio and Powell (1983)



- § **Public Choice** (Lane 1987; Niskanen 1994)
- § **New Public Management** (Denhardt and Denhardt 2003; Barzelay 2001; Kettl 2000; Pollitt & Geert 2000; Lane 2000; Pollitt 1993; Hood 1991)
- § **“Hollowing out” of the State** (Rhodes 1994; Sullivan & Skelcher 2002)
- § **“Reinventing the State”** (Osborne & Gaebler 1992)
- § **Networks & Collaborative Governance** (Stoker 1999 & 2000; Rhodes 1988 & 1997; Bevir & Rhodes 2001; Sullivan & Skelcher 2002)



PPPs: Conservatives 1979-1997

- § 1980s/1990s roll back of the state
- § Focus on a 'more efficient public' sector
- § 'Top-down', Instrumental use of the VCS in welfare delivery
- § Marketisation of welfare services
- § Contract culture
- § Compulsory competitive tendering
 - § Best Value procurement

Lewis (2005)

The new basis for partnership may be firmer in so far as voluntary organisations may come to adopt more bureaucratic features, but this also implies a significant change in the nature of voluntary organisations which may not be cost free

Lewis (1996)



Tripartite Partnerships & Collective Governance:

- § 1998 'Compact with voluntary sector'
- § 'Bottom-up', 'partnership' culture working towards an 'enabling role' for the state in welfare provision
- § Collaboration in mixed economy of welfare services
- § **BUT** premised on 'the added value that a healthy voluntary and community sector can bring to service delivery'
- § Whose agenda is in play?
- § Additional, role as 'social glue' to rebuild social capital in fragmented communities

Lewis (2005)

§ “The key test for modern public services is not whether it is delivered by a public or private organization. The fundamental question is whether there is a robust structure in place to enable the government to attain its objectives of delivering improved and sustainable public services.”

Ghobadian et al. (2004: 4)



Two Types of Social Enterprises

§ Existing VCS organisations

- § Develop a commercial venture

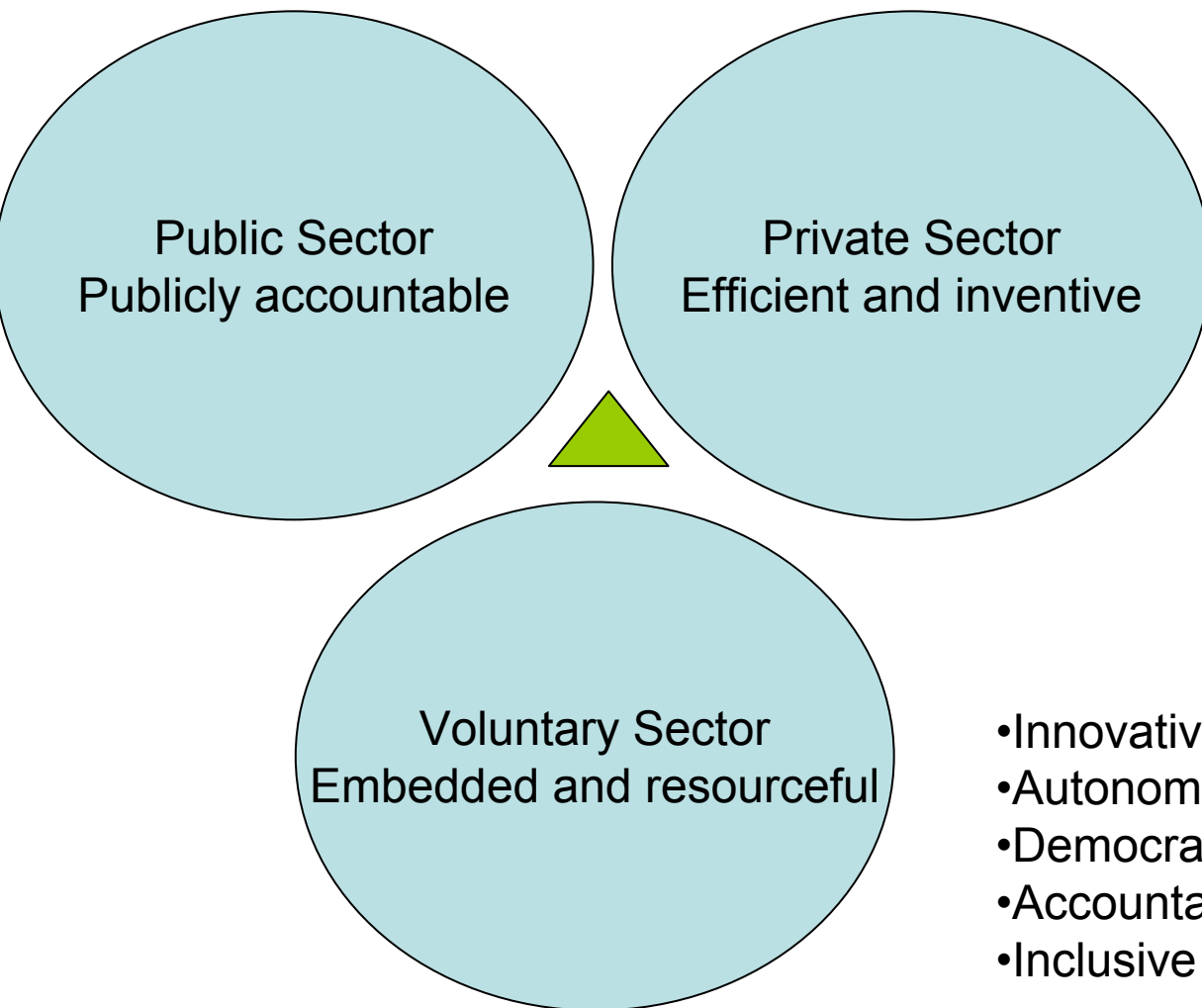
§ Newly created organisations

- § By VCS
- § By private sector
- § By public sector: 'state sponsored' social enterprises

"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 maximise profit for shareholders and owners."

**DTI (2002, 2003) v
Declan Jones**

What is the Problem to Which Social Enterprise is a Solution?



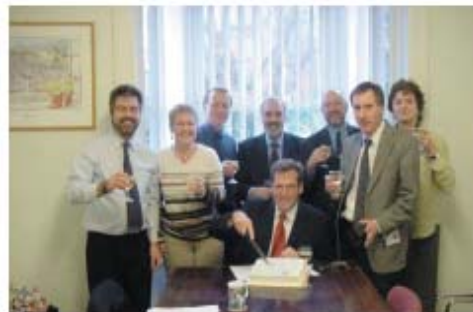
Address inequalities the public sector can't and private sector 'won't'

Offers possibility of combining best of 'three worlds'

- Innovative
- Autonomous
- Democratic
- Accountable
- Inclusive

Cultural Shift Project

- § EQUAL funded, two-year, research and demonstration project
 - § Managed by SEEDA
 - § Transnational partners in Italy and Poland
- § Three different spin-out social enterprises in UK
 - § Standford Hill Prison
 - § Glasshouse Project
 - § Really Helpful IT Company
 - § Portsmouth City Council Regeneration
 - § Support five community boards to create social enterprises



- § Observational, grounded theory
- § Interviews and ethnographic techniques
- § How are these social enterprises created?
- § What can be learnt from the processes to inform future practice?
- § How are effective partnerships built?





Preliminary Findings

Focus group, Interviews
Field observations, board meetings
Cultural shift documentation
Email discussion

§ Partnerships between:

- § Public/Private: Really Helpful IT Company
- § Public/VCS: Portsmouth City Council Regeneration
- § Public/Public: The Glasshouse Project (Standford Hill Prison)

Public Sector Plays Supporting Role



State Sponsored Social Enterprises: Uses

- § Integrated approach to social policy development
- § Challenge established notions
- § Increase responsiveness of public services
- § Focus on policy areas ignored by other sectors
- § 'Gateway' to productive work (Borzaga & Santuari 2000: 47)

State sponsored SEs face barriers which reside in their relationship with their sponsors that ultimately affect start-up and sustainability...



Preliminary Findings: Issues & Barriers

§ Public Sector Understanding of SE

- § What is a social enterprise?
- § Does definition affect success?
- § Language barriers

§ Political Attractiveness of SE Concept

- § Affects level and quality of support
- § What happens when trend fades?

§ Paradox & Contradictions of 'SSSE'?

- § Conflict and Tension between sectors & organisational forms
- § SEs being 'dragged' into existence
- § Divergences in ethos



Preliminary Findings: Issues & Barriers

§ Procurement

- § Legal & Regulatory Barriers
- § Competing advice and demands
- § “public procurement ... is anti-small”
- § Public sector limiting viability options of SE

§ Independence & Autonomy – Isomorphism?

- § Reporting requirements within public sector
- § Duration of engagement & Timing of separation
- § Location of the sponsor within the wider public sector (terms & conditions of service & choice of partners)
- § ‘Mini-public sector’ being created



Preliminary Findings: Issues & Barriers

§ Governance

- § Balance of power: Where does power lie in the partnership?

§ Staffing

- § Commodification
- § Difficulty in finding & retaining staff (problem for both SE and its sponsor)

§ Legitimacy

- § Are SSSEs legitimate replacements for public sector?

§ Culture

- § Challenging mindsets and Established practices
 - § Within the VCS
 - § For the private sector
 - § For the public sector



Future Research Issues

- § How can barriers be overcome?
 - § More 'cultural shift'
 - § Legal and regulatory reforms
 - § 'joining up' language and debates

- § When is the right time for the sponsor to sever ties with its creation?
 - § Insights from isomorphism

- § Are SSSEs distinct from SEs?
 - § Do they face the same barriers?

- § What are the resources needed by SSSEs to ensure their success? How can these be identified and ordered?
 - § Network Theory (Actor Networks)



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QUESTIONS