

UWIC Business School.

WIRC Research Unit. (Wales Institute for Research into Cooperatives).

RESPONSE TO THE WALES ASSEMBLY GOVERNMENT SOCIAL ENTERPRISE ACTION PLAN, JULY 2003.

Response Summary.

1. Address the issue of cooperative and mutual ownership and control of value added in the definition of the social economy. We would suggest adding to the end of the DTI definition an additional sentence **‘To sustain these activities such an enterprise will be social owned and controlled by employees, consumers, the community or producers or through a multi-stakeholding of these groups’.**
2. Mainstream social economy value adding activities by separating reward issues from the those of measurement, and encourage all value creating organisation to undertake social auditing and accounting.
3. Recognise the importance of capital anchoring as a source of sustainability and reduced economic leakages: hence the importance of cooperative and mutual social ownership and control structures aided by the new Industrial and Provident Legislation.
4. Recognise that the distinctive organisational and management problem of social enterprises is to cope with the wider variety of methods of adding value and reward, whilst at the same time sustaining democratic structures and social objectives.
5. A shift in public service provision to cooperative and mutual social ownership will need to secure the support and trust of existing stakeholders. Enabling policies need to employ the processes of consensus and facilitation.
6. More specific cross references are required to other WAG polices such as those in The Learning Country, Communities First and Winning Wales.
7. Funding and market support for the social economy should be addressed through public procurement policies, intra social economy trading and alternative financial provision. The new Community Finance Tax Credits regulations could be used more extensively.
8. Social ownership should be promoted as an equal alternative in preparation to ownership succession and in the case of start ups and spinouts. Social ownership and social entrepreneurship should be seen as having equal status to that of individual ownership and entrepreneurship.
9. The establishment of a special social economy unit by the WAG.
10. The WAG unit should report to ‘secondary board’ composed of representative bodies from the Welsh social economy.
11. The establishment of a specialist learning and development facility bring together existing providers and higher and further education in Wales, covering the needs of social economy organisations and providing credit, progression and qualifications covering all levels up to research degrees.
12. Sectors for the expansion of the social economy are identified but the response suggests that it is more important to mainstream forms of social ownership and social objectives that enable social and economic sustainability.
13. More research is required in relation to:
 - a. The extent, problems and needs of the social economy in Wales.
 - b. The particular organisational and management problems of the social economy.
 - c. The application of methods of social accounting.

- d. Evaluation and monitoring of the relevance to Wales of the work of the DTI social economy unit together with work produced by the Bank of England and bodies such as the New Economics Foundation and Mutuo.
- e. Lessons that can be learned from international experience.

1. Background.

1.1. WIRC was established as a research unit within the UWIC Business School during 2000. It is recognised as a research unit by the UWIC Academic Board and was launched publicly in September 2000 at a UWIC event addressed by Edwina Hart.

1.2. WIRC grew from an interest among a number of academics within the business school in the need to emphasise the social consequences of business and economic activity. Conceptually the research work has grown from an engagement with the emancipatory discourse of critical management and the intention of exploring practical application, such as through employee ownership and control as expressed in cooperative production. Specifically our work has been inspired by the continued success of Tower Colliery. Our intention is to raise the legitimacy of this experience through academic research and publication.

1.3. From the foundation of WIRC we have worked in partnership with other organisations interested in this area, sharing information and ideas and trying to ensure our work supplements as opposed to substituting or competing.

1.4. A list of our research work and publications are attached.

2. Introduction.

2.1. We welcome an opportunity to comment on what is an extremely important initiative by the WAG. Before commenting on the questions we would wish to contribute to the difficult question of situating the social economy and suggest some possible solutions that we believe should aid policy development and application.

2.2. The DTI definition of social enterprise places a helpful emphasis on social objectives, reinvestment and an economic and social contribution beyond financial surplus and profits. The WAG definition more specifically, and inexplicably, includes 'trading'.

2.3. The problem with both definitional approaches to social enterprise is that they attempt to establish boundaries between it and economic activity as generally understood. This then leads to the problem of re-establishing social enterprise in the mainstream as the definition suggests its exclusion. The SEAP proposal to include 'trading' is an attempt to achieve this. However, social enterprise then becomes relegated to gaps in provision and areas that the 'market' as traditionally conceived does not serve. Social enterprise becomes ghettoised.

2.4. We would suggest that it is more helpful to view social enterprise as part of a continuum of value creation. That value is 'added' by social activities. As all value is part of social interaction it is socially 'useful', but expressing this usefulness as a financial return through market exchange or 'trading' is only one end of the continuum. Value defined as 'use value' in this way to define the mainstream, means that activities which are given freely, such as in voluntary work, has the same esteem as paid activities, but are rewarded differently. At one point of the continuum it is personal satisfaction, at another it is goods and services paid for from charitable or state funding at another through selling in the market. All added value can be measured: but the issue of measurement needs to be separated from and not confused with types of reward. All use value created and added across the continuum contributes to the wealth and quality of society.

2.5. The document accepts the need to conduct social auditing of social economy businesses. While we welcome this commitment we feel that it should not be applied exclusively to this sector as though it were a special case. In a sustainable economy all businesses would be required to produce social as well as economic accounts and the current practice of many industries, which define their negative social and environmental impacts as ‘externalities’ should be challenged.

2.6. Capital anchoring is a concept we have developed within WIRC that directly links the issue of value as we have defined it, to the mainstreaming of social enterprise. We would propose that what is important to social and economic development in a territorially defined area, is the control and ownership of the value created, irrespective of how it is rewarded. In this regard the social economy and enterprises being owned and controlled through a wide range of organisational forms, anchor and lock the value created making it available for long term and sustainable social and economic growth. Capital anchoring links the value created for social reasons with that for more traditionally defined economic activity and practically provides a basis of parity of esteem for policy purposes. It provides a method of ensuring that the social and other objectives used in the DTI and WAG definition are secured and at the same time provides a method of securing the more traditionally defined capital, making it less vulnerable to external control and capital flight.

Tower Collier: Maximising the Value of Welsh Resources

Whatever the reason for the closure of Welsh coal mines, there is no argument about the of coal to the Welsh economy. Tower Colliery represents one model for how these resources may be used. At the time of the closure in 1994 an audit had shown the low value of assets at the mine, yet the buyout team have demonstrated that, with their particular form of economic organisation, these assets were able to support 300 well-paid jobs in the area. The lesson is that conventional economic assessment often understates economic value to a local area. Businesses that may not generate a sufficient level of return to attract global capital can quite well support a local community. The social economy is a network of such small-scale locally oriented businesses. Because their capital is anchored by the nature of the ownership the value these businesses generate is bound to remain in the local economy. Had the assets of Tower Colliery passed into private hands the mine would have been required to generate profits to survive; any profits it was able to generate would have been sucked out of the Cynon Valley to shareholders based outside Wales. This is the lesson of capital anchoring in practice. The third lesson of Tower Colliery is the energy and confidence that can be generated when people cooperative and work together to solve their problems. This is a moral at the heart of the cooperative movement and of the social economy.

2.6. Following from this reasoning we argue that organisations that have forms of stakeholder or multi-stakeholder ownership enabling employees, the community and users, to control the value created should be included within the ambit of the social economy. Having an ownership and control mechanism that ensures the value created is under the control of stakeholders who either contribute and/or directly benefit, enabling anchoring, places these organisations within the social economy. Using our definition they are all social enterprises, but the approach does allow for the element of value rewarded through payment to be separately identified, without being put outside of the social economy. Organisations we would include within the ambit of the social economy would be: Calon Wen organic milk cooperative, Farmers’ cooperative supplies, Principality Building Society, Cooperative Group, EOM electrical contractors in Newtown. Operationally this approach is supported by the recent improvements to the Industrial and Provident legislation.

2.7. Moreover, it is possible to start to see the emergence of a social economy market which will re-enforce capital anchoring. Organisations owned and controlled by stakeholders who directly benefit have a potential interest in supporting each other due to an affinity of objectives. Aspects would include activities ranging from LETS to agricultural secondary cooperatives, trading with the public sector, separate financial institutions and support of ethical purchasing.

2.8. With value defined in this way and anchoring through user or producer ownership and control a more coherent engagement with the issues raised in the SEAP is enabled.

2.9. It is also important to make the link between the social economy and sustainability. Sustainability is about balancing the needs of different groups of people and different species with those of the planet itself. Acknowledging our equality as species is the first step along the path to a sustainable economy; the next is to acknowledge our equality as humans. Issues such as fair trade and universal protective labour laws are just as much a part of sustainability as living in balance with the planet itself. The commitment within social economy businesses to justice and equality thus fits in neatly with the Assembly's commitment to sustainability.

2.10. As a consequence we would propose that the DTI definition is retained and that in addition social enterprises – and in indeed the social economy – is defined by methods of ownership and control that enable the social objectives to be sustained and the value created anchored. Primarily we would define social ownership and control as that which is exercised directly by consumers, employees, communities and producers either singularly or in multi-stakeholder forms.

Such and addition would read:

'To sustain these activities such an enterprise will be social owned and controlled by employees, consumers, the community or producers or through a multi-stakeholding of these groups.'

3. Specific commentary.

Introduction.

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3.1. This section weakens the argument by trying to justify social enterprise as gap filling. We would argue that the importance of being seen to be mainstream is essential to sustainable long-term growth using our definition of value. To sustain the notion of continuum of useful value creation social accounting can be used alongside other more traditional financial management techniques.

3.2. As argued above we would stress the need to insist on the role of consumer, employee, community and producer ownership and control in the definition of what encompasses social enterprise.

P5

3.3. We have concerns about the WAG insertion of trading in the definition: it tends to lead to a separating out social enterprise on the basis of reward from the market. Our concerns follow from the definition of value that we have used and our desire to ensure an equality of esteem for social economy activities with economic activity defined as the reward from production of goods or services for the market. Shifting the social economy definition to ownership and control together with social objectives focuses on the unity of value added and its measurement not the variety of reward. Income from the market, grants or the expenditure of time is of equal value but is currently measured in different ways. We would suggest that techniques such as social accounting should have equal esteem to those financial and

management accounting. They are just measuring techniques not evaluative criteria and we would suggest that social accounting should apply to all organisations that add value.

3.4. For the reasons stated it is not helpful to place the social economy outside of the mainstream. It may use different systems of reward, but value is still added.

P5 para7.

3.5. Again for the reasons stated we have to be careful about making a distinction based upon forms of reward. It perhaps might be more accurate to recognise that as the value added by social economy organisation is rewarded in a greater variety of ways, it creates problems of managing the tension between them. This is a technical and complex issue that quite rightly needs to be addressed but we should be careful about giving a greater status to market reward. Among other things it has the implicit pressure on organisations that it has higher policy status if they move in this direction.

Para 1.

3.6. We would prefer a distinction to be made by reference to 'social entrepreneurship'. Entrepreneurial as used in the context of the consultation text continues to emphasise market reward. Social entrepreneurship recognises the different organisational problems of coping with a wide variety of reward sources together with different objectives and structures of ownership and control.

3.7. We would suggest that the strategic vision of the policy would be enhanced if specific reference was also made to our concept of capital anchoring both in terms of supporting regeneration and sustainability.

Para 3 and Winning Wales.

3.8. Again we would stress the importance of capital anchoring in locking developments and value added within Wales. We would also argue that there is evidence that the social economy reduces 'leakages' in economic activity as well as having high rates of re-investment which are also associated with ecological and ethical considerations.

Para 7 Productivity.

3.9. The concept of empowerment is important in this context but should have more prominence through the inclusion of ownership and control in the definition and strategic vision. Our definition of value supports the recognition of diversity of value added and forms of reward.

3.10. Many excellent points are made in this section.

Para 2.

3.11. What is suggested in this paragraph is a shift in ownership and control from the public sector to employee, community and user ownership. If this becomes a strategic aim it is necessary that recognition be given to the need to secure support from those involved in the current position, largely the LAs and trade unions. The benefits of public services that are responsive to local needs is obvious; however, the lack of trust in politicians undermines confidence that this will genuinely be the result of institutional change. Using the cooperative form of organisation, with local public sector organisations being owned and controlled by employees and service users, offers built-in trust. This should be supported by guarantees relating to standards of employment and the prevention of asset sales to the private sector.

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Para 2.

3.12. A sound statement but it underestimates the distinctive differences faced by social economy organisations in coping with the range of forms of reward, objectives and forms of ownership and control.

Para 4 and bullet list.

3.13. Bullet point two we agree with the need for more research and clearly support the reference to added value and would suggest the adoption of our definition.

3.14. The list covers many of the key issues, others could be added but are referred to later in the document. It would help the argument if there were more coherence between defining the challenge and these later points.

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4. A. Creating an enabling environment – responses to text and questions.

It is an important and valuable step for the WAG to recognise the needs of the social economy in the way described. In the final consultation document it will be useful to provide links with other WAG policies – such as the Learning Country.

A. Q1. Are there other generic actions which the Assembly Government and its partners should take to create an enabling environment for social enterprise?

A1.1. Language and concepts matter. Whilst recognising the contention status of defining the social economy, we would suggest that our understanding of value added, the importance of the integral link between ownership and control and the concept of capital anchoring are considered for mainstream use in policy development and application, in addition to the generic definitions and terms used in the document. Within this context we would suggest the additional use of ‘trading’ to make a distinction between social enterprise and other social economy activities is unhelpful.

A1.2. The stress on enabling is important. As the social economy is centrally about bottom up ownership and control it would be helpful if the potential tension with state direction through policy and aid is recognised and methods for alleviation proposed. Being more precise about the forms of ownership and control, a commitment to working through consensual processes and emphasising facilitating in addition to enabling may help.

A1.3. Whilst it is useful to think of the role of all divisions this can result in a lack of focus. Economic development, WDA, Elwa, HEFCW and Communities First will be critical. A matrix approach creates its own difficulties and the example of the role of the DTI unit on the Social Economy Unit should not be ignored in Wales.

A14. In particular, the research work of this unit and that of the Bank of England is beginning to prove to be very influential in raising the profile and legitimacy of this sector. Within Wales research work should be commissioned to support the evidence base of policy development. More conceptual work is required, drawing upon UK and international sources and the audit work undertaken by the Wales SEN needs further development both in organisations covered and in the understanding of the social processes involved. There is also useful work on the funding of the social economy from the New Economics Foundation and from various Canadian academics and community workers. The new Community Finance Tax Credit regulations provide the basis for further developments in the area of finance.

Q2 What do you think are the main barriers to social enterprises winning public and private sector support.

A2.1. As argued above one of the main difficulties is the relegating of the social economy to an inferior status of filling gaps or doing things the market neglects. It is important that there is an equality of esteem for all added value activities and the issues of measurement and reward are not conflated. We would propose a more comprehensive understanding of added value and the concept of capital anchoring as a bridge of equal esteem between the sectors. The WAG can play a key leadership role in establishing these concepts as parameters for policy development and implementation.

A2.2. The public sector potentially could see the social economy as a competitor and a challenge through alternative ownership and control structures. This would also be the case for public sector trade unions. It is important that this tension is recognised and that effective consultation and negotiations take place to remove the main concerns through agreement and consensus. The aim should be to try to establish a mutually supportive partnership in this relationship.

A3.3. Key challenges from private sector business are typically experienced if unfair and subsidised competition is suspected and in the willingness to provide funding. In the first case it may be necessary to defend policy using arguments related to capital anchoring and long-term sustainability, as opposed to being keen to avoid or neutralise the issue. Secondly, lending is now largely based on assessment of management experience. As the sector grows this will decline as an issue, especially if recognised and effect training is provided. However, the issue is also one of developing alternative funding support and markets. Specific suggestions follow.

The emphasis on competition in public procurement has obscured the role that the spending of so much public money could play in helping to meet other political goals. Public procurement could be used to join up various areas of central and local government activity that currently work against each other. Larry Whitty's Sustainable Food Procurement Initiative draws attention to this possible synergy between public spending, sustainability and boosting local economies via local organic food procurement. Encouraging procurement from cooperatives is an ideal way of ensuring that locally owned and controlled businesses are given a fair chance in the tendering process. The concern with any movement away from a total focus on competition in the tendering process is that suppliers will gain an unfair share of public money. Procuring from cooperatives in the agricultural sector is effectively procuring direct from suppliers, ensuring that no public money will be diverted towards large-scale suppliers who operate between consumers and producers.

Another key challenge for the social economy is to enhance its profile. Our audit results have shown that many of Wales's cooperatives do not feel themselves part of a cooperative movement and do not recognise that their special status could be a unique selling point for customers. Because of this low level of cooperative identity they are also failing to maximise the benefits of coop-to-coop trading. We would suggest the need for further research into Wales's cooperative sector to form the basis of a directory and website of social economy businesses in Wales.

B. Making social enterprise better business.

Q1. Do you agree with this approach.

B1.1. Most of the key areas are covered in the consultation document.

B1.2. However, as has been argued in this response this is not a problem so long as there is a wider understanding of adding value and a separation of the issues of reward and measurement. If our suggestions are taken into account it will lead to a broader understanding of the term 'business', equality of esteem and recognition of the more distinctive

organisational issues associate with a wider range of forms of adding value, a bottom up form of ownership and control and a commitment to social values as well as to covering costs. It is important that making social enterprise better, is not simply equated with increasing the proportion of the reward from the private market or assumed that normal generic business advice and education is relevant for this sector.

Q2. What do you think are the main barriers experienced by social enterprises in accessing business support services.

B2.1. Reference has been made to financial support above.

B2.2. This is an area that requires more research, both drawing upon existing studies and undertaking new work in Wales.

B2.3. Given that caveat, the main issues are identified in the consultation document.

The failure of entrepreneurship in Wales is a common theme of many economic development documents. The responsibility is often passed to Welsh people themselves, whereas in fact it may be the way entrepreneurship is portrayed that simply does not appeal to people who value community and equality over wealth and personal advancement. The widespread support for Tower Colliery workers' cooperative is an indication of the energy that can be generated by an enterprise that is based on mutual values. This disagreement over culture and language should be borne in mind when policies to support the social economy are developed. Increasing organisation and efficiency is one thing, but introducing concepts and terms that are alien to the social economy culture is likely to create mistrust and undermine genuine attempts to provide support.

B2.4. However, we suggest that there needs to be a greater recognition of the qualitative different and wider nature of the issues facing social economy organisations in the provision of support services. The Wales Cooperative Centre and development organisations such as Promo have provided this advice and their role covering Wales should be recognised with more secure and long term funding. A unit within the WAG drawing upon the DTI but providing a distinctive approach for Wales should be established. These bodies working together could provide a service to the one stop shop Gateway project, enabling advisers to have the strategic and high level support as well as best practice covering social economy issues. The advisers would particularly need to be aware of the empowering, facilitating policies in relation to bottom up governance ownership and control structures and values of the social economy as well as more traditional advice.

B2.5. Establishing recognised and accredited qualification in working in the social economy would help to raise the general standing of the sector and provide for more effective organisations. Elwa and HEFCW, together with existing training bodies, should be involved in aiding the establishment of a system of education and learning at all levels.

Q3 Do you think there are any gaps in business support services for social enterprises? If so, what areas of support are not currently provided? Or are the (re) gaps in terms of availability throughout Wales.

B3.1. General organisational points have been made under Q2.

B3.2. The answer to this question will depend on how the WAG responds to the wider conceptual issues raised in this response. This will lead to a clearer understanding of what is required and what can be achieved. It will then be possible to undertake an evaluation of current support with a view assessing the extent to which it supports these aims.

Q4 Are social enterprises aware of the availability of business support? How could awareness be improved?

B4.1. This question can only be answered by more research and the response to the points we have raised in Q3.

Q5 What do you think are the barriers to social enterprises accessing funding?

B5.1. In general we have responded to this point under AQ2 above. Again more evidence is required.

B5.2. Funding is a difficult question as it has very significant implication for ownership and control and through this, capital anchoring. Social economy businesses face difficulties in securing loan finance because they do not control their assets in a conventional way. In addition social entrepreneurs cannot expect to gain the rewards from risk finance available to an entrepreneur in a profit-making business. Most businesses repay the interest on loans as a result of business growth; this model may be inappropriate in the social economy, where sustainability and security take precedence over growth. For these reasons the social economy needs to be funded on a low-risk, ethical, mutual basis. There are many examples of innovative financing schemes studied by the New Economics foundation. We would suggested in the context of Wales that social banking (e.g. Triodos), microcredit following the Grameen model, and Quebec's Solidarity Funds (based on union bonds) should all be explored in the Welsh context, alongside the new CDFI and Community Loan Fund.

Q6. What more could be done to promote the various forms of financial assistance?

B6.1. We would refer to AQ2 and BQ4 above.

Q7. Should consideration be given to a social angels network to match social investors with social enterprises needing investment?

B7.1. We would suggest that the experience of the Grameen Banks and investment trusts as suggested in BQ4 would need to be assessed, providing a context for this particular proposal.

Q8 What do you think are the benefits in developing a stronger representation for social enterprises?

B8.1. If the WAG government is going to provide principled and strategic policy lead in this area it is beneficial that those organisation that have an active interest in the sector developing can come together to form a council or 'secondary board' in relation to the WAG unit. This would be in tune with the principles of social economy ownership and control and help to ensure coping with the tension between democratic participative organisations and government direction. Such a body, if it worked in a facilitative manner, would enable policy development and the spread of good practice. Organisations such as the Wales Coop Centre, SEN, WCVS, the Coop Group, HEFCW and the WDA come to mind. Research organisations, such as ourselves could act as advisers and facilitators but may need to avoid being directly involved and experiencing conflicts of interest in relation to bidding for research funds.

Q9. Are there any examples of good practice, which could be used as a model for developing a new structure for Wales.

B9.1. International experience does exist in this area both in Europe, Oceania, North and South America and South Africa. It would help to review this experience to answer this question.

B9.2. Under this area the possibility of developing markets between social economy organisations should be considered.

Q10. How should the Assembly Government relate to the social enterprise sector?

B10.1. We have responded to this point above.

B10.2. A key principle that needs emphasising in this area is that the social economy is fundamentally about the ownership and control of employees, communities, producers and users. Government action should be about empowering and facilitating the growth in these organisations, their diversity and their relationships. It is difficult to avoid some government direction when public funds are at stake, however strategies and targets could be set in such a way that expresses the independence of the sector and its commitment to mutualism, providing a guide to the process of implementation.

C. Establishing the value of the social enterprise.

Q1. What do you think are the benefits in developing a social enterprise database.

C1.1. We support the comments made in the consultation.

C1.2. Within WIRC we believe that a detailed understanding of the nature of the social economy in Wales is so important that we are currently undertaking an audit of cooperative and mutual organisations, funded through a UWIC Business School grant. Our methodology covers many of the areas suggested by the recent DTI publication Guidance on Mapping Social Enterprise and has additional qualitative advantages. Our audit complements the work undertaken by the SEN research and in particular, covers areas inadequately covered by that survey. The work is being undertaken in close collaboration with the Wales Cooperative Centre.

C1.3. In addition we have been undertaking longitudinal research over the last four years at Tower colliery.

C1.4. We would suggest that our wider definition of added value and an emphasis on ownership and control and capital anchoring is needed to identify the boundaries of the social economy and social enterprise. At the moment our audit is selectively concentrating on the area of social enterprise covered by cooperative and mutual organisations. That is a choice in terms of time and possible generic use of evidence as opposed to an alternative definition of the area.

C1.5. Our comments above crucially relate to raising the value of the social economy, especially through the idea of capital anchoring acting as a bridge between the concerns of economic growth and long-term sustainability. This is a particular issue in relation to business succession. Our own research for the establishment of Finance Wales indicated that around 30% of all SMEs face a change of ownership over a 10 year period. It is at the times of ownership that employee or other form of multi-stakeholding becomes an option. This is recognised in the Finance Wales structure, but clearly this option needs much more publicity and support. In a sense the extension of these alternative forms of ownership at a time of succession is what is being proposed in many of the sectors mentioned in the consultation document.

C1.6. We fully support the issue of re-casting the established understanding of entrepreneurship to cover social entrepreneurship and the need to raise the academic status of issues surrounding the social economy. In a small way the UWIC Business School is trying to

make a contribution in this area through consultancy and the research activities of WIRC. However, we would welcome the opportunity to work with the sector to provide HE level education and learning more relevant to the issues facing the social economy. Applications could be modules at undergraduate level or even a degree in the area, an MBA directed toward the social economy or a master programme. Clearly research degrees would build upon this. In the third mission area, the Spinout programme could promote alternative forms of ownership and control and programmes such as Help Wales and TCS, could be used to support social economy consultation and development. Any such support should be based on the input of successful businesses within this second and should follow a mentoring pattern.

Q2. Do you agree with this approach? Who should develop and implement a communications strategy?

C2.1. We do support the strategy as has been outlined in the previous response.

C2.2. As we have proposed above a social economy council could be established perhaps as an ASB, serviced by a WAG social economy unit. Ongoing support could be provided to bodies such as the Wales Coop Centre and Promo.

Q3. How can a communications strategy make a difference to social enterprises? Who should be the priority targets?

C3.1. Essentially our response has argued that it is the content of what is communicated that is important, such as bridging concepts like capital anchoring. Again research would help develop this area.

C3.2. The main priority has to be to encourage those who are prepared to establish and develop social enterprises. These would cover community organisations, alternative start-ups, succession and change of organisation, such as employee buyouts and change from local authority control, supporting the growth of existing organisations and existing bodies such as the Wales Coop Centre and the Coop Group to aid policy development and use existing resources.

Q4. How could social enterprises be used as successful examples to raise awareness?

C4.1. Well... yes! In all the circumstances described in this response and your consultation document.

C4.2. As a research unit we see our role as raising the academic profile of employee ownership and other cooperatives within the international community. In the long term this provides increased legitimacy to policies supporting the social economy.

Q5. Do you have experience of using social auditing techniques to measure social and economic impact? If so, what are the main issues to be addressed in developing these techniques?

C5.1. We are familiar with the basics of these techniques but do not have experience in applying them. We are not aware of any academic or other evaluation that has been undertaken in this area. Clearly we think they are crucially important as such forms of measurement are central to the operationalization of our understanding of adding value.

We have begun to create a database of expertise in social auditing. There is some well-developed work in this area which has been developed by the New Economics Foundation together with AccountAbility. This has produced ideas about how to measure companies' social and ethical performance and should be applied to all Welsh businesses. In terms of the

unmeasured economic value of social economy enterprises one first step might be the Expanded Value Added Statement method developed by Laurie Mook, Betty Jane Richmond and Jack Quarter of the Ontario Institute for Studies in Education. ('Using Social Accounting to Show the Value Added of Co-operatives: The Expanded Value Added Statement', *Journal of Co-operative Studies*, 35/3: 183-204.) Another useful reference is by David Pearce of UCL: Foster_V, Murato_S, Pearce_D, Ozdemiroglu_E, Bush_R, *The price of virtue: the economic value of the charitable sector* (Cheltenham: Edward Elgar). In practical terms, we access to a case in Wales where such a procedure has been carried out (Promo Cymru) and feel confident to undertake a research project of this type.

C5.2. We would welcome being involved in any work addressed at this question.

D. Encouraging the development of new opportunities.

Q1. Do you agree with this approach? What do you think are the sectors where social enterprise have the most potential for growth?

D1.1. We have identified a number of sectors, situations and policy areas that would aid growth above. We have also referred to the potential problems in the areas where existing ownership structures would be challenged QA2.2 above.

Priority Sectors for Development

The cooperative audit we are conducting at WIRC has generated some preliminary results. From these it is clear that the agricultural sector is an important part of Wales's social economy. A sizeable proportion of Wales's production of meat and milk is organised cooperatively. There is expansion particularly in the organic cooperative sector, with businesses like Cambrian Organics developing value-added lines including mail-order, ready-made organic meals. According to John Vidal of the *Guardian* the organic sector in Europe is increasing by 50 to 85 per cent every year, and in the UK the market is worth almost £1bn. Because of its clean and green image Wales is ideally placed to play a major part in this market. Ensuring that Welsh organic producers were cooperatively organised would generate the additional benefits from capital anchoring.

Another priority sector that is apparent is in the environmental niche. The Centre for Alternative Technology is one of Wales's oldest cooperatives and has spun off several others including Dulas Engineering. Moving away from educational and demonstration work it has now begun to develop small-scale, local renewable energy projects. Wind energy will be important to Wales's future; the main obstacle it faces is local opposition to the siting of the turbines. This can be overcome by positioning the energy generation facilities in the social economy, so that local people control them and gain the reward. An example of such a scheme is the Bro Dyfi Community Renewables project near Machynlleth.

The research has also indicated a gap between the old, well-established cooperatives, such as the Cooperative Group (mainly supermarkets) and the farmers' supplies cooperatives and the newer cooperatives resulting from buyouts or in the organic or environmental sector. The Welsh Assembly could play a useful role in reinforcing links between these two types of coop, in terms of advice, mutual selling and financial support. One respondent to the survey was disappointed that none of the new agricultural cooperatives had thought to ask their large, well-established organisation for financial help. It is also clear that the Cooperative Group is inclined to favour cooperative suppliers when sourcing its goods, so long as considerations of scale and reliability can be overcome. This is the challenge for the Assembly.

D1.2. It is right that WAG should be proactive in the ways suggested in the consultation and in this section. However sectorial development as suggested may not be the way forward. Our emphasis in this response is that capital anchoring through the ownership and control of added value by employees, communities, consumers and producers, coupled with social objectives, and is an organisational form that applies across all activities. It is a bridge that links value added activities from voluntary work to production of goods and services for the market. The thrust of our response is that this form of ownership not only has social value – and in thereby part of the social economy – but should also be seen as a method of providing for sustainable economic growth in the production of goods and services for the market.

D1.3. It is not therefore just a question of sectors, but of the application of the organisational form. It is a point that is made by the case studies in the consultation document, which also demonstrates the versatility of the form.

D1.4. Identifying growth areas may be a question of sector and the work of Mutuo and the NEF have encouraged this view through work on social services, housing and football clubs.

D1.5. We would suggest that alternative ownership and control becomes an issue at key points in an organisation cycle.

D1.6. Start-ups. This is an area of where considerable research work has taken place, but the issue of alternative ownership and control through cooperative, mutual or multi stakeholding is rarely promoted as an option. This should be addressed through business advice used throughout Wales and become embedded in higher education third mission activities such as spinout, employability modules and entrepreneurial scholarships.

D1.7. Moreover, our experience in knowledge based professional and creative industries suggests that cooperative ownership and control may be more appropriate, providing employees / producers with the flexibility to network and establish project grouping, within a cooperative as opposed to a competitive organisational form. It is a method of providing an organisational form for clustering.

D1.8. Knowledge coops. As a demonstration of the versatility of the organisational form we would suggest that older industries and their skill base could be revitalised through a form of secondary cooperative. For example small engineering firms with many generations of inherent skill and experience are common in Wales and are facing a slow death. Merger would often be one answer but family owned firms are very reluctant to follow this option. Instead a marketing cooperative could be formed allowing the potential of the collective skills to be sold to a wider and even international market possibly providing product development or consultancy. The skills available could be identified stored on a data base allowing the marketing cooperative to establish project teams across the different companies. Ex skilled workers could join the database and have the opportunity to practise again and develop their skills. It is possible that it could turn a dying industry to one with a future, that is growing and anchored.