

Social enterprise networks and social capital: A case study in Scotland/UK

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Chapter Abstract

The chapter focuses on how social aims and cooperative attitudes have been supported in the shaping of networks in Scotland, and why this is relevant for the sustainable development of social enterprise and communities. From this background, our main aim is to evidence the processes whereby cooperation leading to the rise of networks of social enterprises in Scotland, have created a collective identity and revamped social capital, in order to serve their mission for the promotion of public interest. Our conclusions emphasise the centrality of social enterprise aims to the production of social capital, the role of networking in building a critical mass of social values within communities, the complementarities of other typologies of economic actors in the construction of social capital and community welfare.

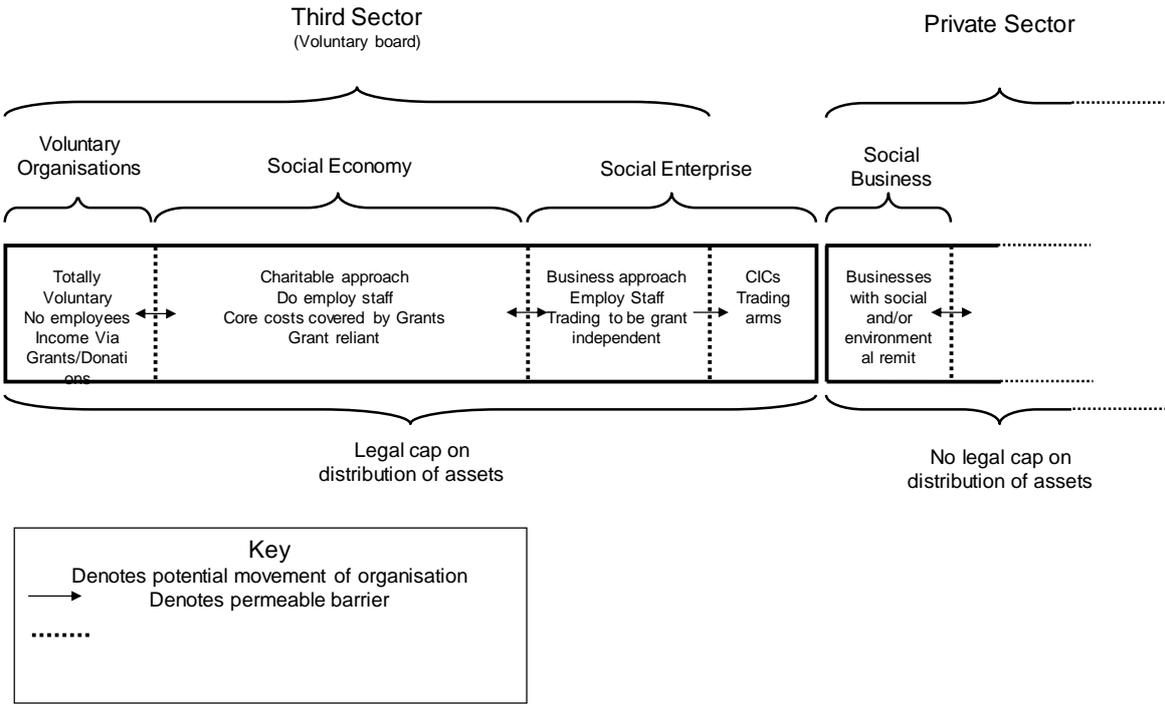
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Introduction: Social entrepreneurs and social enterprises

Social entrepreneurs are individuals who believe passionately in benefitting the community via the running of their organisation. They are people who are prepared to ‘get their hands dirty’ to achieve their social aim and who have the determination needed to see it through. They often use social enterprise as a vehicle to carry out this work, choosing it for the independence and creative approach that can be found in a self-financing model as opposed to the more traditional method of charitable giving and grants.¹

There is no universally accepted definition for social enterprises, however, their key distinguishing characteristics are that they are values-based businesses set up for social and/or environmental purpose, driven by an entrepreneurial spirit. Social enterprises devote their activities to achieving a wider social or community objective for their members' or a wider interest, and reinvest their surpluses. To these ends, they need to be economically self-sustainable and, in this respect, they are distinct from other third sector organisations that are mostly dependent on grants and donations (as illustrated in Figure 1). The management of resources is also different from traditional business, as social enterprises' surplus is asset locked, that is, reinvested in the business or to the community (for example via lower prices or delivery of services with no charge) (cf. Tortia 2010).

Figure 1: Comparative perspectives on the key features of social enterprises in Scotland



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¹ It is not the scope of this contribution to consider the extensive literature which has developed the economic justification of social enterprises or on social entrepreneurship (Anheier and Ben-Ner 2003; Borzaga and Defourni 2001; Weisbrod 1991), and for a wider treatment we point to Borzaga and Sforzi in this volume. Still some considerations can be useful to clarify our illustration.

Social enterprises should not be confused with ethical profit-distributing businesses set up to maximise profit for the benefit of their founders, or charities that are dependent on grants (even if they do generate some of their own income). Rather they aim at maximising their income generation to meet their social and environmental objectives, to be independent and sustainable.² This enables them to be more creative and also responsive to market needs (Sacchetti and Tortia 2012).

Although the model of supporting social wellbeing used by social enterprise has been around for several hundred years, it was in the 1990s that the recent rise of social enterprise development began. Since then the notion of social enterprise has become ever more popular. Social enterprises exist all over the globe with more appearing every day. According to the European Commission, there are 2 million social enterprises in the EU (representing 10 per cent of all European businesses) and they employ over 11 million people (the equivalent of 6 per cent of the working population of the EU). In EU Member States, social enterprises are present in almost every sector of the economy, including banking, insurance, agriculture, crafts, various commercial services, and health and social services.

In 2003, while there was a growing interest in social entrepreneurship and social enterprise, there was little to no specialist support available and most social entrepreneurs in Scotland felt isolated and in danger of losing out to other more traditional forms of business or charitable organisations. This was the starting point from which a series of Social Enterprise Networks (SENs) emerged, using a model which intentionally put social capital theory into practice. As a result these networks have developed into an interconnected meta-network of self-organised, highly-connected economic and social networks, which play a key strategic role in the social enterprise landscape in Scotland, locally, nationally and thematically. They are made up of over 20 SENs, with 400 plus active members who meet together regularly, with a combined economic impact of over £300 million p.a.

The chapter focuses on how social aims and cooperative attitudes have been supported in the shaping of networks and why this is relevant for the sustainable development of social enterprise and communities. From this background, our main aim is to evidence the processes whereby cooperation leading to the rise of networks of social enterprises in Scotland, have created a collective identity and revamped social capital, in order to serve their mission for the promotion of public interest.

We reflect on the experience of those involved in the development of the Social Enterprise Networks in Scotland which illustrates the impact that taking a social capital approach has had in terms of the development model. We proceed by advancing some general considerations on how the idea of social capital has been explained using a behavioural perspective. We then justify, conceptually, the potential role of social enterprise in supporting the creation of social capital through the implementation of shared processes of choice within

² In Scotland a register of social enterprises has been set up to help the public and others identify the characteristics of social enterprises: www.se-code.net.

and across communities. These considerations are used to introduce and interpret the experience of the Scottish Social Enterprise Network.

Social capital and policy

Trust in others and our ability to work together for mutually beneficial outcomes is not a new phenomenon, it has been around for as long as we have been living in groups, in fact since hunter-gatherers collaborated to bring down large animals like mammoths. The term 'social capital' which defines the human capacity for collaboration is a recent addition to our language and still largely unknown outside of academic circles, although that situation is changing. It was first used in 1916 by Lyda Judson Hanifan to describe 'those tangible substances [that] count for most in the daily lives of people (Hanifan 1916). In the 1970's and 80's Pierre Bourdieu and James Coleman applied it in their work on inequality and education. Then, in 2000 Robert Putnam wrote a very readable account of the importance of social capital in *Bowling Alone: The Collapse and Revival of American Community*, which sparked a major rise in interest in the subject. It resulted in large numbers of academic papers being generated; supporting the claims of Putnam and others that social capital is critical if societies are to prosper economically and for development to be sustainable.

Today, social capital has an influence on a range of issues such as architecture and urban planning, education and health as well as economic development and public transport. The World Bank and the OECD have funded many studies on the topic and Governments around the world from Canada and Australia to the USA, the UK and Ireland have all set up initiatives to learn how best to invest in social capital. In the Austrian Federal State of Vorarlberg the Office for Future Related Issues (OFRI) has been using social capital successfully for over 10 years to develop policy interventions in sustainable development and participatory democracy initiatives. More recently the Province of Gipuzkoa in the Basque Country ran a programme to invest in social capital to reinvigorate the economy. The 'Gipuzkoa Sarean' project was designed to strengthen social capital to make Gipuzkoa a more competitive region, based on the identification and promotion of shared values to improve productivity, but also to invest in environmental sustainability and social cohesion.

As we move into the next decade of this new century, policy makers have recognised that communities will be facing significant global challenges. To respond effectively, collective action will be vital to ensuring that economic and social policies and programmes are as effective as possible. As Barak Obama put it: 'We know there are some things we do better together'. The application of social capital to public policy and programmes has a huge potential to impact positively on a wide range of economic and social issues. Regions, such as Vorarlberg and Gipuzkoa, where social capital concerns are properly and thoroughly addressed by public and private policy and programmes could well find themselves best placed to respond effectively to these challenges. In an ever more challenging world this could provide a competitive edge and a more secure route to wellbeing and prosperity.

Social capital, behavioural norms and values

In his seminal contribution Granovetter (1983: 202) distinguished between strong and weak ties where strong ties form a 'dense knit' that includes close friends, whilst weak ties refer to acquaintances forming a 'low-density network'. A substantive difference between the two is that, whilst weak ties extend opportunities beyond the individual's social circle, thus increasing access to information, strong ties are a rarer resource and feature 'greater motivation' (ibid.: 209). The overarching lesson from Granovetter's contribution is that weak ties can be a powerful medium to improve opportunities and choice beyond what our closer support sphere can offer.

However, an assessment of the opportunities available to actors and, through them, across communities and localities, needs to qualify ties also from a behavioural perspective. The challenge is one of linking the social ties of individual actors with local socio-economic development, or to move *from a consideration of the private sphere of opportunities* (e.g. typically applied to the individual job-seeker or for the firm) which are opened up by social networking, *to a consideration of relations as a shared asset for the community and its constituents*. Social capital, in particular, has been argued to act as a form of collective asset within and across communities by means of specific norms that promote cooperation, such as trust and reciprocity. In these respects, social capital can be defined, in line with Fukuyama (2001) as a behavioural norm that favours cooperation (rather than the adoption of self-regarding attitudes) between two or more individuals. The formation of trust, networks, and civil society is likely to be observed in societies with high levels of cooperative behaviour, which has been argued to give communities an advantage over those where, conversely, individualism and competitive dispositions shape people's attitudes and goals (Fukuyama 1995; Putnam 1993).

Cooperation, from a behavioural point of view, can be characterised by a social disposition to appreciate diversity of perspectives, needs, desires and impacts. Yet, the existence and recognition of interconnections and linkages amongst individual actions does not exclude self-regarding dispositions (or preferences) (Sacchetti 2013). Take for example the case of management exploiting information asymmetries at the detriment of employees, opportunistic behaviour in teamwork, or again cases of exploitation of common pool resources amongst communities of users (Ostrom 1990). It follows that sharing experience with others does not necessarily imply cooperation or inclusion of interested publics. Rather, the role of involvement, communication and pre-agreed norms about how to reach decisions that matter must be recognised. Empirical and experimental literature has shown that participation in the definition of norms increases effort and compliance to the norm (Ostrom 1990). Moreover, the presence of an established norm that supports reciprocity will generate cooperative behaviour. The norm, in fact, contributes to shaping agents' behaviour by generating the mutual expectation that each of the agents will reciprocate the other party. Since actors share the belief that individuals will reciprocate behaviours, choices are based on preferences that derive from conformity to the established norms, as well as from deontology, reflecting the agent's preferences on the rights and duties to be incorporated in choice-making. Interestingly, when no pre-agreement on shared behavioural norms is present, self-regarding

behaviours prevail (Grimalda and Sacconi 2005; Sacconi and Degli Antoni 2011; Sacconi et al. 2011).

Similar considerations can be applied to the analysis of cooperation amongst business firms. Take for example the experience of some industrial districts, where proximity makes interactions and tacit knowledge exchanges more likely and frequent (Becattini 1990; Becattini and Rullani 1993; Trigilia 2001). In the specific case of industrial districts, social capital has been applied to the analysis of relationships and trust amongst entrepreneurs. The positive effects of social capital have been related to the promotion of small and medium enterprises' economic performance and the effects that this has on the reproduction of a collective social and cultural identity within the district. Consistently, social capital partially justifies local competitiveness when it contributes to the creation of location advantages. Economic explanations have pointed to the fact that by facilitating relationships, enhancing information exchanges, by lowering transaction costs and generating positive externalities (pecuniary and technological) social capital can reinforce the attractiveness of a region or locality. Social capital seems in fact to provide fertile humus for business in general.

Since, however, business organisations differ in terms of aims, governance structures and processes, we further this line of analysis and hypothesise that inter-firm and inter-personal linkages will have different impacts depending on the type of norms (reflecting specific values) that the economic structure of a locality supports (Sacchetti 2013). The facilitating role of social capital needs therefore to be understood with respect to the specific aims, processes and outcomes of production organisations, the nature of their interactions and supporting institutions. In other words, the implications of ties can be different whether the norms of behaviour that regulate interaction amongst people and organisations support networks based on cooperation (emphasising shared decision making, reciprocity and trust) or, differently, conventional command-and-control business-network structures (Sacchetti and Sugden 2003). Because social capital is defined by the quality of human behaviours and relations, and its resilience depends on the degree to which cooperative behaviours are embedded in the community, we also hypothesise that, specifically, *organisations and network forms that place cooperation and social aims at their core, are well suited to use and reproduce social capital within and across communities* (Sacchetti and Sugden 2009; Sacchetti 2013; Sabatini et al. 2013).

The peculiarity of social enterprises, from this point of view, is that they promote social aims and cooperative relationships without the constraints imposed by profit maximisation and accumulation of individual wealth. Performance is not measured in terms of the pecuniary achievement, but rather in terms of the social value that accrues to collectively beneficial outcomes (Valentinov 2005). Social enterprises do so within an economic and social context that, by contrast, is dominated by a 'pecuniary culture', as Veblen powerfully argued when addressing socio-economic institutions in America (Veblen 1899/2003; Sacchetti et al. 2013).

Non-profit organisations, however, are not alien to market mechanisms. Rather, as businesses, they do operate in the market. Competitiveness-related principles are recognised as specific features of social enterprises as distinguished from other third-sector organisations such as

foundations and charities. Still, however, the pervasiveness of pecuniary values becomes of concern when, as Weisbrod (1998) noticed, conventional business aims are placed before social goals, or when self-regarding behaviour is promoted by specific incentives and managerial attitudes at the expense of cooperative dispositions, which would then get displaced over time (Ben-Ner and Ellmann 2012).

Meta-organisations such as networks of social enterprises may work as enablers and amplifiers of the values of social entrepreneurship. The idea being that networks that reproduce, in their praxis and outcomes, the values of social enterprise can help in achieving a ‘critical mass’ of cooperative attitudes, which would otherwise run the risk of being displaced by the prevailing values underpinning conventional economic aims and processes (cf. Witt, 2003, on the relevance of critical mass and value evolution). The problem of scale in the dissemination of values is therefore crucial, since this allows social enterprises to be identified as a distinguished entity, to signal and communicate preferred processes and aims to conventional businesses and to the public sector. *The signalling of a specific identity places social enterprises in the unique position to offer complementary competences (specifically on the delivery of welfare services) to other economic sectors, thus furthering communication and collaborations across the community as well as the opportunity of reaching collectively beneficial outcomes.* The case of the development of Social Enterprise Networks in Scotland presented in this chapter illustrates how social entrepreneurs have collectively acted to confront the pervasiveness of aims and practices emulated from for-profit organisations as well as some critical aspects of non-business-oriented organisations, to establish and reinforce the norms of behaviour shared by social enterprises in Scotland.

Discovery through networks based on cooperative behaviour

Why are cooperative attitudes, such as those developed in Scotland amongst social enterprises, desirable? How do they contribute to collectively beneficial outcomes? Dewey (1917; 1927) identifies the need to communicate and cooperate because of:

1) *Interconnectedness* of individual choices and actions with contextual conditions. For example, the choice of the entrepreneur to form a social enterprise improves the quality of life of particular categories of individuals, whilst impacting on the welfare of their families, on the perception that people in general have about these groups and, consequently, on social integration.

2) *The need to discover inter-connections* and understand their implications in order to form judgement. For example, networking amongst social enterprises or between conventional firms and social enterprises can activate learning processes that increase innovation, recognition of issues and reciprocal trust. Furthermore, early success stories can boost acknowledgment and prompt imitation of the social enterprise model or motivate conventional business to seek for collaborations with social enterprise. These outcomes, in parallel, can prove the socio-economic utility of social enterprise to policy makers who may be incentivised to introduce or reinforce dedicated policies.

What the discovery of multiple perspectives requires is a cooperative disposition of actors (e.g. the social entrepreneur), as well as supporting and enabling institutions at the contextual level (Sacchetti 2013). Specifically, institutions have had an enabling role since they provided recognition for social enterprises within a legal framework, as the UK law on social enterprise exemplifies.

Likewise voluntary codes of practice developed within social enterprise networks (SENs) have refined behavioural norms, social enterprise practices and made explicit the specific identity of social enterprise. This is especially relevant for social enterprises, which may run the risk of being overwhelmed by conventional business practices and goals.

Building a strong identity can also place social enterprises in a position to complement the competences of other socio-economic actors, thus avoiding the narrowing of concerns exclusively to users. A broader notion of communal benefit would include not only the users of social enterprise, or those working in it (i.e. volunteers, salaried workers) but also the extended network of related actors, including for-profit businesses and other stakeholders. For example for social enterprises aimed at the welfare of young people these would be parents associations, job centres, employers, public administrations and schools (cf. Valentinov 2013; Sacchetti and Tortia 2012). These *stakeholders work within and in collaboration with social enterprise, and therefore actively invest in the creation of social capital, as a common asset from which the community as a whole can benefit.*

Moreover, temporary hybrid networks have been developed through dedicated policies such as the introduction of a Community Benefit Clause in Public Procurement (CBC). Specifically, community benefit clauses were conceived by the Scottish Government to foster “sustainable procurement,” “a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits to society and the economy, whilst minimising damage to the environment” (Sustainable Procurement Task Force 2006: 10; Scottish Government 2008). This has provided a strong incentive to conventional firms to look for partnerships with social enterprises, providing partners with an opportunity to collaborate and generate trust, to learn about their respective aims, values and praxis. Social Enterprise Networks, as explained in more detail in the later Sections, have covered an important role by linking and facilitating cooperation (social capital) between the conventional sector and social enterprise. *Learning and communication across sectors and amongst a variety of actors that extend beyond social enterprise can contribute to increase community welfare since:*

a) by recognising multiple perspectives on issues of interest for the community/ies, shared decisions are likely to bring about processes and end-outcomes that are closer to what actors deem as desirable, as illustrated by the influence of thematic SENs on policy making (on which more will be said in the following Sections);

b) by recognising multiple perspectives and experiences, shared decisions are more likely to overcome false beliefs and eventually change existing norms or habits of behaviour (Dewey 1927; Habermas 1996; Sacchetti 2013). Habits that favour opportunism and self-pursuit

without appropriate engagement with others' views and needs would therefore be challenged by the diffusion of social enterprise and its values.

Senscot: Social enterprise and the emergence of the social enterprise networks

We have so far provided a justification for considering how cooperative behaviour can contribute to the identification of shared values, aims and processes within communities and to an evaluation of outcomes in general. We have also argued that linkages can support different aims and practices, from those of conventional enterprises to those of social enterprises. We wish now to relate these reflections to the specific case of social enterprise networks as these are, in their essence, modalities of linking business organisations which have at their core the pursuit of socially valued outcomes, even when placed in socio-economic contexts that promote diverse value sets.

The Social Entrepreneurs Network in Scotland (Senscot) was founded by a small group of such people who realised in 1999 that their work would benefit from being connected up with others sharing similar values and aims. The founders included Laurence Demarco and Rodney Stares, who have extensive backgrounds in practical and strategic community development initiatives. Both Laurence and Rodney remain involved and active. The first Chair of Senscot was Mel Young, founder of the Big Issue in Scotland and the Homeless World Cup. Senscot's aims were divided into the following three categories; *connecting and informing social entrepreneurs; facilitating peer support and developing the Sector*. With limited resources, the focus was on *providing information via a website and a regular email bulletin*. One of the UPS (Unique Selling Point) of Senscot is the bulletin, which starts with a blog written by Laurence, about his history, hobbies and holidays (mainly in Spain).

To facilitate development of the sector, Senscot acts as an incubator of support infrastructure for social entrepreneurs, identifying needs and researching and developing possible responses. This has seen them play a leading role in a range of partnerships that have resulted in the emergence of several key support organisations including the Development Trust Association Scotland (DTAS), Scotland UnLimited and First Port, the Social Enterprise Academy (SEA) and the Scottish Community Alliance. All of these initiatives were set incubated by Senscot and floated off as independent organisations with the aim of providing them with their own independence, rather than building a Leviathan.

By 2002, Senscot's bulletin was going out to over 2,000 individuals and there was a growing sense that social enterprise had officially arrived in Scotland. Initially, Senscot concentrated on information sharing and virtual connectivity through a weekly bulletin and a website, in order to reach out to the country in a financially viable way. In 2003 one of the authors, Colin Campbell, who had an active interest in social capital and how it could be put into practice, joined Senscot as Network Development Manager. Building on Fukuyama's analysis, he took the view that:

"People's ability to associate with each other, is critical not only to economic life but to virtually every other aspect of social existence as well. The ability to associate depends, in turn, on the degree to which communities share norms and values and are able to subordinate individual interests to those of larger groups. Out of such shared values comes trust, and trust, as we will see, has a large and measurable economic value" (Fukuyama 1996: 3-12).

He then used his understanding of social capital theory to develop a model of peer support that would assist isolated social entrepreneurs, who were lacking a collective voice and specialist support. To achieve this Campbell used and designed a bespoke Communities of Practice model for social entrepreneurs known as Social Enterprise Networks (SENs). The SENs provided a platform for social entrepreneurs to gather geographically and meet with others who also wished to move away from grant dependency.

In October 2004, Sencot began a process to facilitate a coalescing of social enterprises into local networks. The networks were to play a key role in supporting, advising and providing information on social enterprise both locally and on a national level across Scotland. They have played a key role in supporting and informing the work of the strategic partnerships in each Local Authority area. The first Social Enterprise Network to emerge was in Fife in April, a year later there were 7 geographically based SENs and 18 in 2006. This rapid growth proved there was demand for the approach, which Sencot used to attract funding from the Big Lottery and the Scottish Government to invest in what had developed into a key focus of work. There are currently 16 geographic and 5 thematic SENs.³

The SENs respond to the needs of their particular area and its unique characteristics, including the local support infrastructure, local economic conditions, and the history and tradition of social enterprise and social economy in the area. Membership is open to aspiring, emerging and established social enterprises delivering social and/or environmental benefit. This means that members share values, aims, and modalities of action, working with disadvantaged groups or in disadvantaged communities, including working with ethnic minority groups, people with physical/mental health difficulties and young people at risk, amongst others.

Sencot's role was to establish and facilitate SENs only where there was a genuine request or desire from local social enterprises to do so. Sencot would, by choice, not seek to impose a Network in an area that did not wish to develop one. The fact that participants in the network shared the same values, reflected in the choice of becoming social entrepreneurs, provided a basis for furthering communication, sharing experiences, and identifying multiple perspectives and mutually beneficial opportunities. The modality of interaction chosen was that of a heterarchical network, which encompassed essentially the same set of preferences on aims and processes that social entrepreneurs already applied to their own organisations. The creation of Social Enterprise Networks, from our point of view, can thus be appreciated as the result of the decision-makers' assessment of the desirability of processes and related ends,

³ For more information on the SENs visit: www.se-networks.net

even in contrast with prevailing interpretations in other parts of the community (in terms of values, norms, behavioural codes and ways of organising production). The model has since been reinforced with the creation of a Voluntary Code of Practice,⁴ which reflects the specific values of Scottish social enterprises. Before the Code of Practice initiative was launched, in fact, Sencot had to engage in gathering consensus from social entrepreneurs in Scotland on the parameters of social enterprise they most identified with. These differ from the perspective that is becoming accepted south of the border, in England specifically, where profit-distribution and a marginal role of the asset lock are accepted. In this sense, the modality by which agents obtain comprehensive outcomes of interest is endogenous and dynamic.

Social enterprise networks and long-term development

Network weaving: bonding, bridging and linking

In continuation we look at a detailed description of how the different elements of social capital interplay in the Social Enterprise Networks and so provide a platform for long-term sustainable action to emerge, without the need for top-down strategies or large scale resources.

As mentioned, social capital shapes the quantity and quality of our social interactions and how well we can act collectively to tackle issues in our lives. There are four main components of social capital (Putnam, 1993):

- *Networks* (groups of people linked by a number of different types of ties).
- *Values, norms and sanctions* (shared standards of behaviour and expectations). These would include: beliefs, traditions, festivals and laws
- *Reciprocity* (people will help each other because they know it will benefit the group as a whole or they are confident that someone will return the favour to them in the future).
- *Trust* (the expectation that other members of a community will be honest and co-operative).

All four components affect the others, so positive changes in one will benefit the other and the opposite is also true.

The practical importance of the concept of social capital is that it provides a structure and vocabulary, which enables us to examine and understand exactly what benefits and disadvantages social capital in its various forms brings, how it does so and how it can be maintained and developed effectively.

⁴ The aim of the code is to highlight the defining characteristics of social enterprise. These include an asset lock and the aim of changing the accepted meaning of business to one where the focus is the delivery of social fairness and the protection of the planet. For more information on the Voluntary Code of Practice visit: www.se-code.net.

Social capital has been argued to be able to assist economic development and growth in a variety of ways at the national and regional level (Helliwell and Putnam 1995; Iyer et al. 2005) although more research needs to be done with respect to its relation with specific development issues such as education, culture and health. To appreciate such impacts network ties can be further differentiated as follows (Putnam 2002; Szreter and Woolcock 2004):

- Bonding social capital occurs amongst people who are alike “in important respects” (Putnam, 2002: 11) and is characterised by strong bonds e.g. ties among family members or among members of a minority group.
- Bridging social capital brings “together people who are unlike one another” (ibid.) and is characterised by weaker, less dense but more cross-cutting ties e.g. with business colleagues, acquaintances, or with other groups.
- Linking social capital is characterised by “norms of respect and networks of trusting relationships between people who are interacting across explicit, formal, or institutionalised power or authority gradients in society” (Szreter and Woolcock 2004: 655), such as connections between those with differing levels of power or status, e.g., between local councillors and the general public.

The distinction between these different types of structural social capital is crucial. The impact of social capital, for good or ill depends on the form and mix it takes in different circumstances and as individuals or communities we also have needs for different types of social capital at different points in our lives. As an example, in a poor urban area you might find a high level of bonding, a limited amount of bridging and no linking social capital. In such a situation you could discover that although the individuals communicate effectively amongst themselves, as a tightly bonded group of a particular ethnic minority, they are not effective in achieving change or progress. This is likely to be due to a limited influx of information from beyond their own immediate group, and therefore a lack of new resources coming into the community and a lack of strategic power relationships that might tip the balance in their favour politically.

In 2003 it was common to hear of social entrepreneurs going to their local voluntary sector agency for support, only to be told that they should try the local Business Gateway, the Scottish Government’s support agency for private businesses. There they would explain that their intention was to put all the profit back into the business, at which point they would be referred onto national volunteering organisation SCVO, who would signpost them to their local voluntary support organisation. The few social enterprise support agencies around were not yet visible and so there was no clear path for social entrepreneurs to gain the specialist support they needed.

As previously observed, taking a social capital perspective enabled Sencot to bringing social entrepreneurs together, based on their shared values, as an investment in bonding social capital. The cohesiveness achieved resulted in the emergence of self-identified groups of social enterprises in a geographic area. These clusters of social enterprises the SENs, facilitated by Sencot, act as Communities of Practice (COP), groups of individuals with common interests and goals who recognise that by working together they can find solutions to

the challenges they face. Research suggests that by creating focused, active connections it becomes possible to tap into and maximise the collective knowledge of a group (Lave and Wenger 1991; Wenger 2000). Among the many benefits of supporting and growing these COPs are:

- Sharing best practices
- Solving problems quickly
- Driving Innovation
- Capturing knowledge
- Enabling professional development

Bonding social capital is based on shared values and understandings which unite the group, and help to strengthen the ties between members. As the saying goes, 'birds of a feather flock together'. Meeting on a regular basis and sharing information that fits into the mutual agenda, provides the opportunity for members of the group to deepen the relationships. This is key in forming and maintaining perhaps the most important of all the elements of social capital - that of trust. Trust between group members ('group' here used in the loosest sense) is fundamentally their ability to act without the need for regulation, supervision, monitoring (ECOTEC research and Consulting 2001).

Based on the understanding of social enterprise and the growing interest in the model in Scotland as promoted by Senscot via the bulletin and its website, the shared norms in this case are the desire to use a business-like approach as a response to social and or environmental needs.

The purpose of the Social Enterprise Networks (SENs) was to:

- Access peer support (bonding)
- Exchange information (reciprocity)
- Provide mutual encouragement (reciprocity and bonding)
- Provide a point of contact with external agencies (bridging and linking)
- Help to influence policy and strategy at a local level (linking)
- Promote business/trading opportunities both within and between Networks (bonding and bridging)

SENs aspired to the following characteristics:

- independent (shared values)
- self-organising (shared norms)
- open to social enterprises; established, emerging or aspiring (shared values and norms)
- a revolving venue for each meetings (shared norms)
- statutory bodies, funders and support agencies can attend by invitation (shared values)

As the SENs began to grow in number Senscot began the process of bringing them together on a regular basis in order to maintain open boundaries and reduce the tendency for groups to become protective of their boundaries. This required additional resources beyond 1 network

facilitator. Sencot successfully applied to the Big Lottery and the Scottish Government for funding to employ a second network development officer in 2007. As the number of SENs has grown, so too has the number of Sencot staff members working specifically on network development. In addition, Networks1st, a new website and weekly bulletin, aimed at SEN members developed to reflect the growing importance of the SENs.

Sencot facilitates local and national meetings and events annually, to build bonding, bridging and linking social capital at both a local and regional level.

The first SENs to be set up were all local or geographically based. This meant that the membership was made up of a mix of different kinds of social enterprises from different market sectors. This worked well in that it allowed for the shared norms and values of social enterprise to be common bond, without the organisations having to worry much about issues of competition with social enterprises working in the same sectors. In time, due to the success of the SENs there was a growing sense that thematic SENs would be a valuable contribution, particularly for social enterprises which were slightly out of the mainstream.

The first thematic SEN to get off the ground was the Cultural SEN. Due to the small numbers of social enterprises connected to the SENs that were working in the cultural sector, it was agreed to set up these thematic groups with a national remit. Things started well as it transpired that at the same time the Scottish Government was carrying out a review of its cultural programmes. As a result there was a lot of opportunity for the Cultural SEN to engage with individuals and agencies relevant to the policy development in their sector. This meant they had relatively easy access to linking social capital, which resulted in multiple invites to debates in the Scottish Parliament and access to key stakeholders as guests at SEN meetings. However, once the creative consultation process concluded, the access to key stakeholders and hence the linking social capital dried up. This sudden loss of access to decision makers via the consultation identified a lack of a strategic pathway for thematic SENs, available instead to local SENs who were able to identify and access strategic bodies with a responsibility of economic and community development such as Local Authorities, Community Planning Partnerships and so on.

Even though membership rose to over thirty organisations, the loss of direct access to decision makers had a detrimental impact on the momentum within the thematic group that gradually died off. Eventually meetings of the Cultural SEN dried up altogether.

The second thematic SEN to be set up was the Social Enterprise and Health SEN. A similar picture emerged with initial momentum lost through lack of opportunity to impact on policy, leading to lack of momentum and loss of members. As a result Campbell realised that this issue was absence of a strategic pathway at a thematic level in Scotland. This acted as a barrier to policy development, which meant there was little or no impact of the collaboration amongst the Network. So once again Campbell's understanding of social capital enabled Sencot to design a method which would facilitate opportunities to build linking social capital for the thematic SENs. This led to the development of a thematic Roundtable sponsored by a relevant public sector agency which met regularly (every quarter) with representatives of the thematic SEN, thereby helping to reinstate the direct link to decision makers. Since the

objective of the Roundtables was principally social enterprise within a specific thematic topic, this model enabled decision makers to become familiar with the sector and in effect become its champions.

The role of the thematic Roundtables was to fill the gap between the grassroots social enterprises. The Roundtables were tasked to develop policy within the specific thematic area. To achieve this Senscot worked to identify individuals within these agencies with an interest in the benefits of social enterprise, namely social and environmental outcomes, social innovation and extended added value of public finance. The Roundtables now achieve a reciprocal output in that they build new linking relationships by meeting 3 times a year and sponsoring an annual conference to focus in on barriers to progress and look for possible solutions.

The introduction of the thematic Roundtables, with their make-up of social enterprise champions from the public sector, has been extremely effective in moving social enterprise up the agenda. As the financial crisis bites, companies that can deliver more for the public pound are finding favour. There are currently 4 thematic Roundtables for Health, Sport, Culture and Community Food.

By 2008 there were 18 SENs with some 250 members. At this stage we began to reach a critical point with a growing number of self-identifying social enterprises collaborating effectively and well connected, locally, national and thematically. This opened the doors to new opportunities, one of the biggest being the Scottish Government's move in 2005 towards modernising the public procurement process, which resulted (as mentioned in Section 5) in the inclusion of Community Benefit Clauses (Scottish Government 2008). The introduction of Community Benefit Clauses meant that suddenly the corporate sector was interested in working with social enterprises. To respond we set up an online register of procurement-ready social enterprises called ReadyforBusiness.org, which enabled the private sector to identify suitable social enterprises that could deliver the Community Benefit Clauses in the contract they had won.

The existence of the SEN and the central role that Senscot played interconnecting with every single member of them was the platform which enabled ReadyforBusiness.org to work so effectively. Without the level of connectivity it would have been impossible to locate social enterprises and work with them to develop ReadyforBusiness.org to the point where it became the register with most information on procurement ready social enterprises in the country. This encouraged the Scottish Government who had funded ReadyforBusiness.org as a pilot project to put out a tender to open up the public procurement sector even wider. The tender was won by a new social enterprise consortium ReadyforBusiness LLP (Senscot, Social Firms Scotland and CEIS [Community Enterprise in Scotland]).

Scope and impact of SENs

The model developed by using the social capital concept to design the culture of the SENs, the norms and values that govern them, means they have become a self-organising, hyperconnected network of real relationships, rather than a list of names in a database. It is this fact that provides the space for trust to begin to lubricate the wheels of commerce in and amongst the SENs. Today there are 21 SENs (16 geographic and 5 thematic; Health, Cultural & Creative, Community Food, Sport and Start Ups). They employ 6 full-time development workers, with 4 further staff employed directly to facilitate the SENs. A growing number of the SENs are now equal partners in the local strategic third sector infrastructures (known as Third Sector Interfaces) and the momentum is growing year on year. Collectively the SENs generate income for their respective Communities of Practice of millions of £ per year and are beginning to play an active part in writing policy relevant to their contexts.

There is a growing amount of evidence to demonstrate the scope and impact of SENs. A recent report carried out by Glasgow SEN ('Scale as well as Substance – Social Enterprise in Glasgow') reports that 509 social enterprises have a combined annual income of £767 million. In new research carried out by the Edinburgh SEN over one hundred and twenty social enterprise, are worth over £44 million a year to the local economy ('Social Enterprise in Edinburgh: People, Profit and Place'). Below we briefly describe five important SENs.

Dundee Social Enterprise Network (DSEN)

DSEN started out as an informal group of social entrepreneurs supported by Senscot. The network became a Community Benefit Company in 2010 and is currently applying for charitable status. DSEN has 26 members with 4 new applications in process and approximately 20 potential or aspiring social enterprises linked in. All DSEN members meet the social enterprise criteria and the Voluntary Code of Practice.

DSEN are equal partners of Dundee Third Sector Interface – alongside representatives from the voluntary sector and receive funding to provide social enterprise support in the city.

Dundee City Council have a strong working relationship with DSEN and the network has been a natural partner for the development of social enterprise in the city – this includes the development of a social enterprise strategy and involvement in a new asset transfer strategy.

Edinburgh Social Enterprise Network (ESEN)

Supported by Senscot, ESEN grew from a small group of social entrepreneurs that wanted to get together to discuss issues and offer peer support, to an entity that also wanted to become a collective voice for social enterprise in the city. Over the years they built the profile of the SEN and by the time the TSI emerged ESEN were a recognised organisation and a natural partner. ESEN is currently the largest SEN in Scotland with over 70 members and 50 non-member social enterprises receiving support. Equal partners of Edinburgh Third Sector Interface ESEN receive funding to provide social enterprise support in the city. In 2012 year ESEN provided support for 53 organisations.

ESEN employs a full-time Network Co-ordinator to provide administrative support and attend meetings on behalf of the members, a great amount of the support is peer to peer with many members meeting outwith the network events.

Sport SEN, Sencot

Sport SEN was set up in 2008 and has been supported by a dedicated member of staff within Sencot for the past 3 years. It has 62 members and over 20 other organisations aspiring to adopt the social enterprise model. With membership spread across Scotland, the network meets geographically with meetings in the North, West and East twice per year as well as an annual national conference.

Sport SEN members are encouraged to engage with both local SEN's if available and to local Third Sector Interface.

Health SEN, Sencot

There are currently 40 Health SEN members. The Health SEN aims at bringing peer-to-peer support and connections as well as keeping members up to date with current legislation and policies, funding information and potential partnership working. Sencot employs a Health SEN Co-ordinator who is also the Community Food SEN coordinator.

Cultural and Creative SEN, Sencot

The Cultural and Creative SEN (CCSEN) the first of the thematic SENs, now has 60 members across Scotland. Each of the thematic SENs has a Roundtable of strategically placed individuals. For Culture SEN the Roundtable includes representatives from Creative Scotland, the Cultural Enterprise Office, HIE (Highlands and Islands Enterprise), the Scottish Government, Museums Galleries Scotland, VOCAL and CCSEN. In 2012 the Cultural Roundtable produced a Position Paper that outlined areas in which the members could support the sector, and from this they are currently developing a workplan for 2013/14. The network is still growing, has a core group of active members that are keen to develop CCSEN further and would welcome any new members.

Key lessons and conclusions

It was indicated earlier in the paper that the intention was that of outlining the processes through which social capital and public wellbeing can be fostered by social enterprise, addressing specifically the role of networking. We have argued that taking in good consideration the issue of interconnectedness between social enterprise and community welfare means to engage with a process of discovery of multiple aims and needs. Here the implications of building linkages are not only economic, in terms of allowing a flow of

resources and information among social enterprises and between sectors, but also one of building trust, cooperative behaviours, innovative outcomes across sectors and within communities. Altogether, because of its values and aims, social enterprise is a strong initiator of social capital. Albeit through networking, we can say that it is in fact a multiplicity of stakeholders exceeding social enterprises that contribute to the creation of social capital.

Also, the value framework and understanding of social capital of the leading coordinator of social enterprise networking initiatives has played an important role in shaping SENs and, as a consequence, the capability of social enterprises to benefit from the economic opportunities offered by an evolving policy framework.

Prior to the emergence of Senscot in 1999, most social entrepreneurs found themselves with limited to no access to specialist support. This meant that there was very little funding available for them or they had limited access to specialist social enterprise support agencies. By tapping into bonding social capital initially, Senscot was able to facilitate a light touch, low cost intervention whereby social entrepreneurs could maximise their value through regular meetings to share learning with like-minded individuals.

Collaboration and cooperation in communities of practice based on shared understanding, leads to a scalable impact. The SENs gave social entrepreneurs a collective voice and enabled them to become visible by combining their economic impact. This increased capacity, provided new credibility and new business opportunities, which motivated members to continue to collaborate.

Short supply chains (e.g. the SENs) provide access to new opportunities, when decision makers are made aware of them. To amplify the impact of the SENs, Senscot facilitates national events bringing all the SENs together. This bridging activity magnifies the SENs economic impact many times, and brings opportunities to engage with decision makers. Facilitating access to these short supply chains by using ICT platforms (websites, databases, etc.) increases the impact further still, bringing access to new markets and bigger opportunities.

Finally, the emergence of the SENs (as self-managed networks of social enterprises) has engendered a sense of ownership and pride in the social enterprise sector in Scotland. The diaspora of the local and thematic SENs are now becoming equal members in the decision making process in local and national policy contexts, providing them with the ability to make decisions far more relevant to social enterprise. This in turn will influence the future direction of investment of public funding in the Third Sector and hence the long term future of social enterprises themselves.

This experience indicates that cooperative behaviours (social capital) within and amongst communities can be enhanced by the presence of social enterprises with a well signalled, distinct, but complementary role to that of other economic sectors. By providing themselves specific norms of behaviour, networks of social enterprises support the creation of a common identity. Collaborations across sectors, both with the private for-profit (as per CBCs) and the

public sector (as in the role of thematic SENs in advising policy measures), can be beneficial as long as the identity of social enterprise is respected and preserved.

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