



LNNet FIRST DIALOGUE REPORT

Enterprise and innovation in deprived urban areas:
Lessons from social enterprise

Introduction

After decades spent in the wilderness of economic and community development policies, with very little recognition and support from governments, social enterprise has finally entered the spotlight and is beginning to attract the level of attention and support it deserves. But why is this? What makes social enterprise so special? Does it have what it takes to make a significant contribution to urban regeneration?

LNet partners have been asking themselves just these questions, building a picture of social enterprise in their different countries and bringing together practitioners and experts from the field to understand and unlock the potential of social enterprise for promoting positive and sustainable change in deprived urban areas. The best practice and expertise shared have uncovered many lessons for the future and policy recommendations which we set out here.

1

Social enterprise: between policy and practice

The experience of social enterprise on the ground is truly inspiring. How can we ensure that the policies which are developed are as insightful and close to emerging needs?

In many of the LNet partner cities, the development of social enterprise has gone hand in hand with the modernisation and decentralisation of public services. In addition, local actors are increasingly having to find alternatives to cope with shrinking public budgets and the downsizing of the welfare state.

A combination of public sector ethos and entrepreneurial spirit, social enterprise provides innovative opportunities to tackle social issues, enhancing employability, developing skills and promoting sustainable development.

The key questions emerging are:

- What role should policy play in enhancing social enterprise?
- What are the policies and practice trying to address?
- Is social enterprise the most appropriate way of achieving the set goals?
- How can governments create an enabling environment for social enterprises to thrive?
- How do we ensure the policy interest is not 'just a trend'?

2

Exploring the potential

The European Learning Network brings together practitioners and policy makers to explore the potential for economic and social renewal in deprived urban areas through enterprise promotion.

Social enterprises across Europe provide the ideal 'test bed' for innovative and alternative ways of tackling long-standing urban disadvantage. The case studies collected through the LNet project reveal a variety of innovative initiatives addressing similar realities: from the transformation of a run-down church into a community hub in London to the child day care centre in Hamburg, from the 'supported employment' scheme helping mentally disadvantaged people find and maintain employment in Prague to the 'Grande Casa' in Milan which works with minors living at risk of poverty and ill-treatment... the array of initiatives is truly inspiring.

LNNet's quality assured case study review process ensures that the potential for transferability is carefully assessed and that the lessons learned in one context are not lost, but that they contribute to improving the development of future initiatives and shaping the local and national policy framework they develop in.

The key questions emerging here are:

- Is there a model for social enterprise?
- What matters: the type of activity or its rationale?
- How can the understanding of the potential of social enterprise be enhanced?
- How can we successfully transpose an initiative to a new reality?
- Which barriers do we need to address?

3

Pursuing the bottom line

Social enterprises are being set up in response to local needs, addressing a range of social and environmental problems, contributing to the achievement of social objectives and promoting an inclusive society.

One of the key differentials of social enterprise is what is called the 'double' or 'triple' bottom line: unlike mainstream businesses, where, generally speaking, the bottom line is the financial return, in social enterprises, this is a combination of the pursuit of social and environmental returns, where the surpluses are primarily reinvested in the business or community to develop further jobs or services.

Often the thriving of social enterprises relies upon the commitment and engagement of key individuals. As a result, it is crucial to ensure the right conditions are created to enhance social entrepreneurship.

The key questions emerging here are:

- What are the factors behind social enterprises?
- How can we use the lessons from the social enterprise sector to enhance social and environmental cohesion in our cities?
- What are the conditions for social entrepreneurs to thrive?

4

Measuring success

Crucial to determining the value of social enterprise as a tool for public policy is the assessment of the impact of social enterprises and their outputs. This is complicated by the fact that, by their nature, the added value of social enterprises lies in their commitment to social objectives, the achievement of which cannot be as easily determined as trading surpluses.

The measurement of Social Returns on Investment is relatively recent, but one that we can expect to gain ground, as social enterprises engage more fully in public procurement and in the general market place. The critical challenge here is comparing the level of investment with the value it creates.

At the macro-economic level, social enterprises can make a significant contribution to welfare state reform and perform a redistributive function among different social groups. At a more local level, they can directly contribute to the development and enhancement of local labour markets and supply chains, to the benefit of local communities and the wider economic and social cohesion. LNet will develop a set of indicators to measure the impact of initiatives, based on their outputs and achievement of social objectives, to allow us to grasp the full impact of initiatives and assess their success as enterprises and as contributors to positive change in the wider local context.

The key questions emerging here are:

- How do we measure the wider impact of social enterprise?
- How do we measure success in relation to the achievement of positive change in deprived urban area: success for the area or the enterprise itself?

5

Next steps

The European Learning network will over the next few years engage practitioners and policy officers from across Europe in a dialogue on the promotion of enterprise in deprived urban areas.

In its various expressions across Europe, social enterprise has demonstrated an enormous potential for positive economic, social and environmental change in situations of disadvantage. Sprung from a diversity of historical backgrounds and socio-economic conditions, social enterprises are successfully tackling gaps in community and social needs, addressing market failure and downsizing of public service provision.

The LNet Learning Method is a process of continuous learning, from experiences, policy developments, on the ground initiatives and discussions.

The LNet Learning Method on social enterprise includes:

- The completion of a questionnaire on social enterprise in the different partner cities, enabling comparisons and enhancing mutual understanding
- The preparation of quality assured case studies
- Structured dialogue with practitioners and field experts
- The refinement of a toolkit to support local actors in their policy and project activities
- The development and follow up of policy recommendations