

Social Enterprise Terminology

There is much debate surrounding the definition of social enterprise, but for the purposes of this report, the definition in the DTI's recent Strategy on social enterprise will be adopted:

'A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy. By using business solutions to achieve public good, social enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy.'

A slightly more detailed definition taken from Social Enterprise London is as follows:

"Social enterprises are businesses that trade in the market in order to fulfill social aims. They bring people together in order to fulfill social gain. Social enterprises have three common characteristics:

- a) **Enterprise Orientated:** They are directly involved in the production of goods and the provision of services to the market. They seek to be viable trading concerns, making a surplus from trading.*
- b) **Social Aims:** They have explicit social aims such as job creation, training and provision of local services. They have ethical values including a commitment to local capacity building. They are accountable to their members and the wider community for their social, environmental and economic impact.*
- c) **Social Ownership:** They are autonomous organisations with a governance and ownership structure based on participation by stakeholder groups (users or clients, local community groups, etc.) or by trustees. Profits are distributed as profit sharing to stakeholders or used for the benefit of the community.*

Although there are many other definitions of social enterprise that exist, all of them have the common underlying theme that social businesses strive to fulfill social aims and needs through the use of common business principles.

1.3 Types of social enterprise

There are many different types of social enterprises which cover a wide range of forms and functions. They include local community organisations, mutual organisations such as co-operatives, development trusts and large scale companies that operate nationally or internationally. There is no single legal entity that applies to social enterprises. They can be industrial and provident societies, companies limited by guarantee, registered charities, companies limited by shares and unincorporated organisations. The following is a selective list of the different types of enterprise:

- **Community businesses:** social enterprises that have a strong geographical definition and focus on local markets and local services.
- **Social firms:** provide employment and training to people with disabilities and other disadvantaged groups.
- **Intermediate labour market companies:** provide training and work for the long-term unemployed.
- **Development trusts:** key actors in community based regeneration.
- **Credit unions:** provide access to finance.
- **Co-operatives:** associations of persons united to meet common economic and social needs through jointly owned enterprises.
- **Employee owned businesses:** create and rescue jobs as part of economic development strategies.
- **Charities' trading arms:** enable charities to meet their objectives in innovative ways, such as Fair Trade companies.