



Summary

The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe

Research Project 2000 - 2003

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1 Introduction

Across Europe there has been an idea that "social capital" should be nurtured to encourage and enable inclusive forms of economic development. It has been suggested that what drives social capital within communities are people and non-profit organisations. It is they who develop initiatives which contribute to the creation of employment and strengthen social cohesion - using social capital as a key resource.

There are a number of unresolved problems related to this notion of social capital. These include: reaching agreement on what social capital is; figuring out how we can measure its growth or decline as a resource for development; and understanding how it can be "built".

Such questions have been the subject of the research of the CONSCISE Project (The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe). The specific focus of the CONSCISE Project has been threefold: firstly, how local social capital contributes to the growth of social enterprises; secondly, how local social enterprises generate social capital; and finally, how social enterprises, by working together, can generate social capital and through it develop the social economy.

Researchers in four European countries (UK, Germany, Spain and Sweden) have worked closely with social enterprises in eight different locations.

The CONSCISE Project Partners were:

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2 What is Social Capital?

The phrase “*social capital*” appears everywhere these days – in newspapers and in magazines as well as in weightier, academic articles and volumes. It is pressed into service by the left and right alike. But it is a vague term, a “woolly” expression, in danger of meaning all things to all people and therefore....nothing.

The CONSCISE Project decided to break this elusive concept up into concrete terms and we found, then, that it was easier for ourselves and the people we were working with in the field to grasp the overall concept and see how it can be important and useful in the day-to-day work of social enterprises.

Our concrete elements of social capital are:

Trust: having relations of trust with people and organisations so that you feel confident and comfortable working with them.

Reciprocity and mutuality: having the sort of relations with people and organisations which mean that you do something for them without expecting immediate payback; that you help each other out; that you are prepared to work together on schemes of common advantage.

Social networks being in touch with a wide range of people and organisations so that you get to know them; to learn to trust them and work together; to give and get information.

Shared norms of behaviour: realising that you share ideas with others of how things should be done; that you can build a common vision; that you broadly agree on what is acceptable and what is not.

Sense of commitment and belonging: realising that sharing a commitment to an area or to a group can uncover a shared understanding of issues and lead to a common sense of purpose.

Social Capital is all of these concrete elements and it evolves through relationships between people and organisations.

These relationships can strengthen the sense of identity and purpose of a community or of an interest group – that is often referred to as “*bonding*” social capital – the “glue” which binds a community together.

The relationships can also build links with other people and bodies external to the immediate community or interest group - that is often referred to as “*bridging*” social capital – the “grease” which helps to access other resources and get things done.

With strong social capital a community, organisation or group can more easily determine what it wants to do and how to set about getting the other forms of capital it will need: financial (access to money); physical (access to land, buildings, machinery); natural (access to raw materials, clean air and water); and human (skills, education and knowledge). Social capital cannot substitute for these, more tangible, forms of capital but it can help to pull them in.

Social capital grows with use – the more you use it the more you build it. The more you develop relationships of trust, give and take help, work with others, actively network formally and informally, understand where others are coming from and demonstrate your commitment to the area or to the programme in hand – the more

you will find yourself using social capital to get things done. That is why it is important for social enterprises to be aware of social capital and to take steps to nurture and build it.

It is not really a new idea. What is new is giving the concept a “tag”, getting people to think about it – and realise how important and useful it is.

3 Taking Stock of Social Capital

Social capital relates to what social enterprises (and other organisations) do day-by-day. It is the daily round of contacts, meetings, chat and discussion which is the life-blood of social capital. Being aware of social capital helps people recognise what is needed to keep it building. The Social Capital Stock-take below is a simple checklist tool derived from the work of the CONSCISE Project. It is designed to help organisations monitor the health of their social capital on a regular basis. You cannot take social capital for granted; you need to constantly work at it.

The CONSCISE Project suggested a way in which organisations can check their “stock” of social capital....

Instructions: Answer each question as truthfully as you can. Award one point for a “yes”; half a point for a “so-so” answer; and nil points for a “no”. The maximum you can score is 20, the lowest is zero. Some of the questions do not require a score but should be discussed and any consequent actions monitored.

SOCIAL CAPITAL STOCK-TAKE	Yes (1 pt)	So-so (.5 pt)	No (0 pt)	Comments or how to change towards the more positive
Trust				
Do we, in general, trust other organisations we work with?				
Do other organisations we work with trust us?				
What can we do where there is a lack of trust?				
To what extent is trust dependent on relations between individuals?				
What will happen to that trust if key people leave our organisation or other organisations?				
Do we use trust in getting things done?				
Reciprocity and Mutuality				
Do we help other similar organisations?				
In what ways?				
Do other similar organisations help us?				
In what ways?				
Are there projects or campaigns we (could) work on together?				
Networks and Information Channels				
Do we have a wide network of contacts?				
Do we nurture our contacts and go out and make new ones?				
Are we aware of all our stakeholders?				

	Yes (1 pt)	So-so (.5 pt)	No (0 pt)	Comments or how to change towards the more positive
Are we in regular contact with all our stakeholders?				
Are there other groups and people we should be in contact with more?				
Are we able to get good and useful information?				
Do we share information with other organisations? How?				
Shared Norms and Values				
Do we have a clear set of values?				
Do all our staff and Board understand our values?				
Do all our staff and Board share our values?				
Do we share these values with the organisations we work with?				
Do we tell others what our values are?				
Commitment and Sense of Belonging				
Do we have strong roots in the local community or amongst the people we serve?				
Are we truly accountable to our community?				
Do we involve our community in our work?				
Do we keep people informed about what we do?				
Other Comments, Discussion or Action Points				

4 CONSCISE Project

The CONSCISE Project was a three-year research project funded under the European Framework V Key Action "Improving the Socio-Economic Knowledge Base". The project has worked in eight local fieldwork locations to examine the extent to which social enterprises in the social economy produce and reproduce social capital and thereby facilitate local economic development, social cohesion and inclusion.

The CONSCISE Project produced a number of specific and interconnected research packages (Work Packages: WP).

First, we carried out an extensive review of the literature available and defined the key concepts of social capital, social enterprise and social economy (WP1).

Second, the concepts and appropriate indicators were then incorporated into methodologies a) to prepare a socio-economic profile of each location focussing especially on the level of social capital (WP2); and b) to prepare social accounts for a social enterprise in each locality (WP3), adapting existing social accounting methods to include exploring how social capital is used and created in the development of a social enterprise. Fieldwork locations were selected and an active social enterprise willing to participate in the action-research project in each location was identified.

Third, we carried out a social-economic profile for each locality (WP4) and worked with the social enterprises for over one year to prepare social accounts for audit (WP5). At all stages we were concerned to work closely with and involve local people in the action-research.

The socio-economic profiles paid particular attention to the presence and growth of social capital, the extent of social enterprise development and the scope of the social economy within each location.

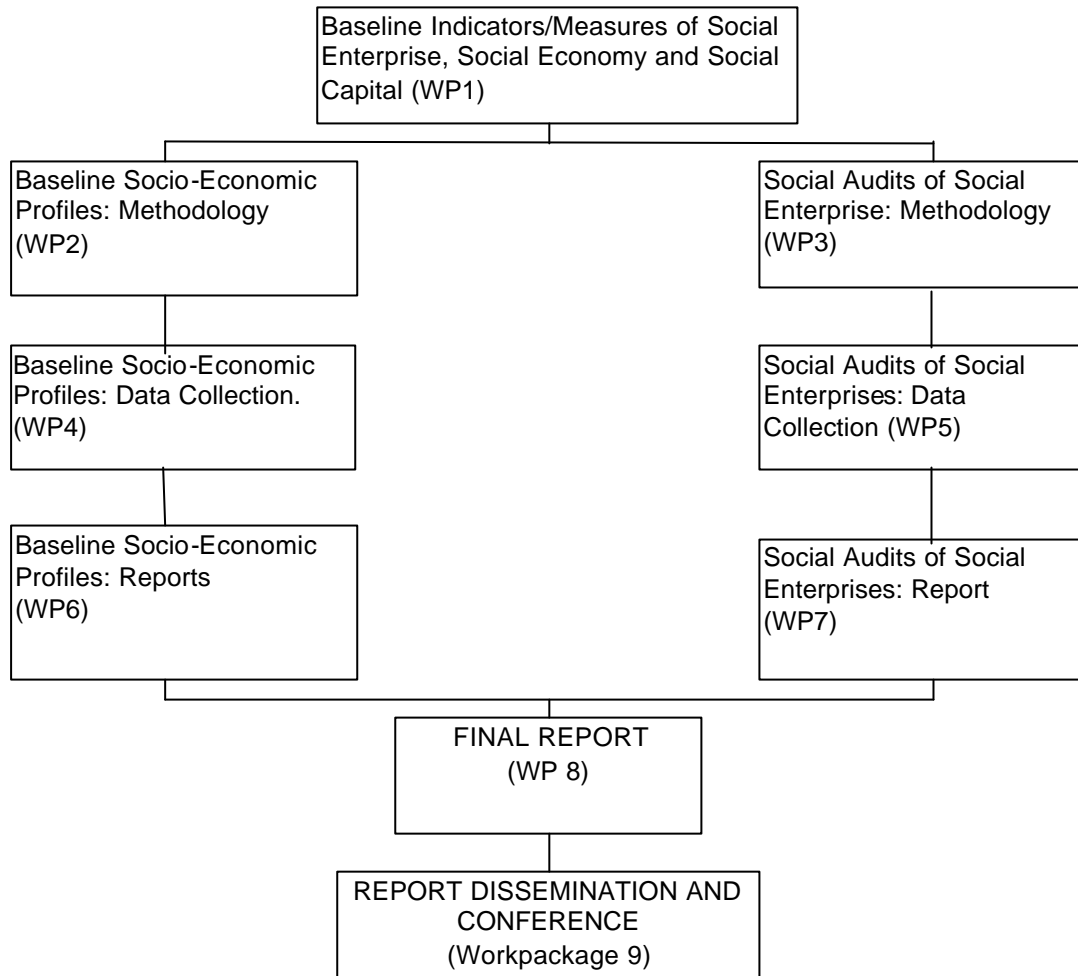
The social accounts assisted the social enterprise to measure its performance against its own social objectives and its impact on the development of the locality. At the same time the social accounts explored how the enterprise used and generated social capital in its development and the development of the local area.

Fourth, we then summarised the results from the eight socio-economic profiles and the eight social audits in two separate compilation reports (WP6 and WP7). These reports focussed on the common threads and interpreted how social capital may be seen to have been used by social enterprises both in their development and in the development of the local social economy.

Fifth, a final report (WP8) distilled and presented the main findings from all stages of the action-research.

Lastly, these CONSCISE Project findings were presented at an international conference held in London in May 2003 (WP9).

The diagram illustrates the parallel pathways of the project and the Work Packages.



5 CONSCISE Project Definitions

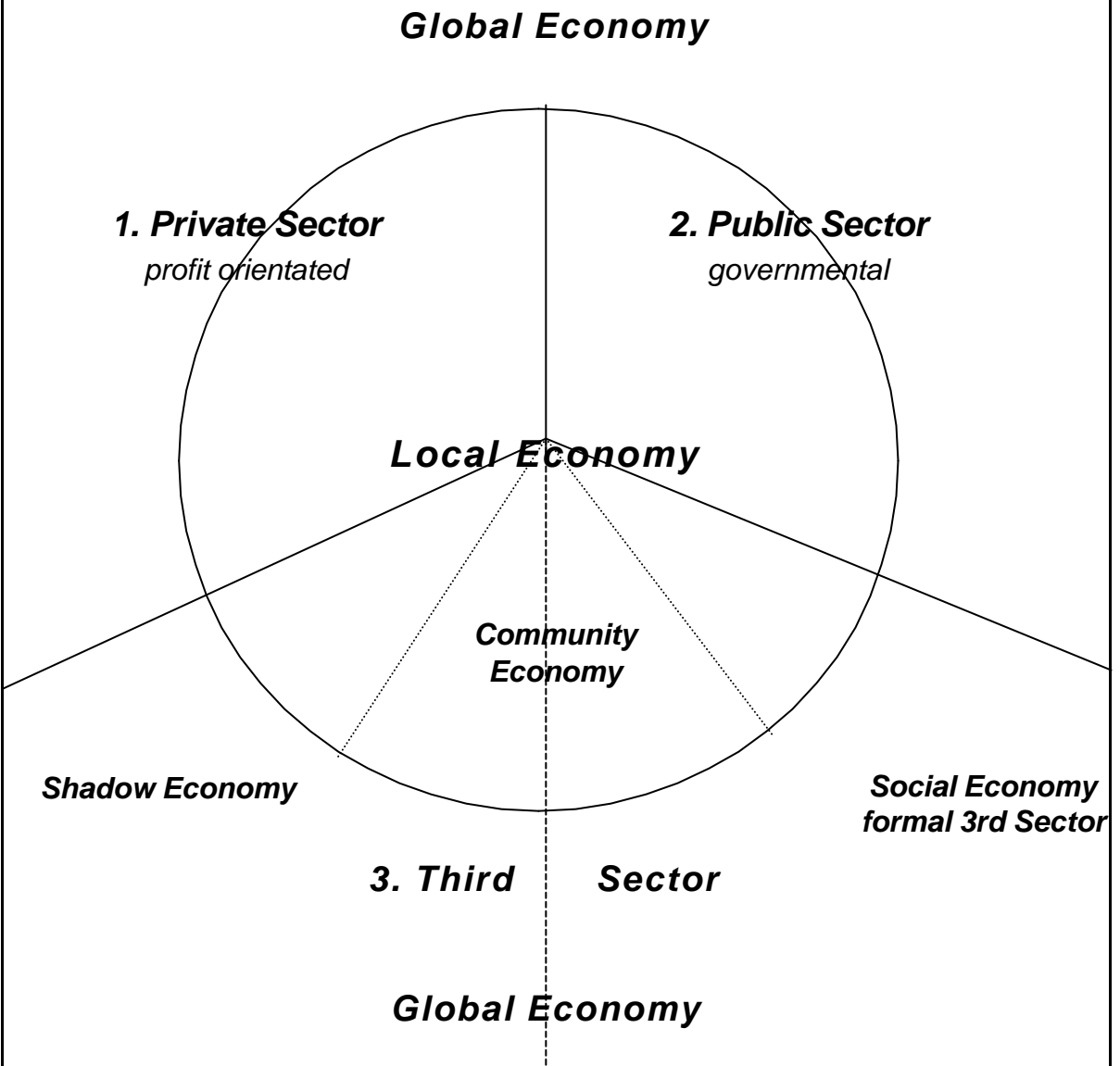
By the end of the project we had revised the way we define and understand the social economy and slightly amended our definition of social capital. The definition of social enterprise remained unchanged. These are our *original* definitions.

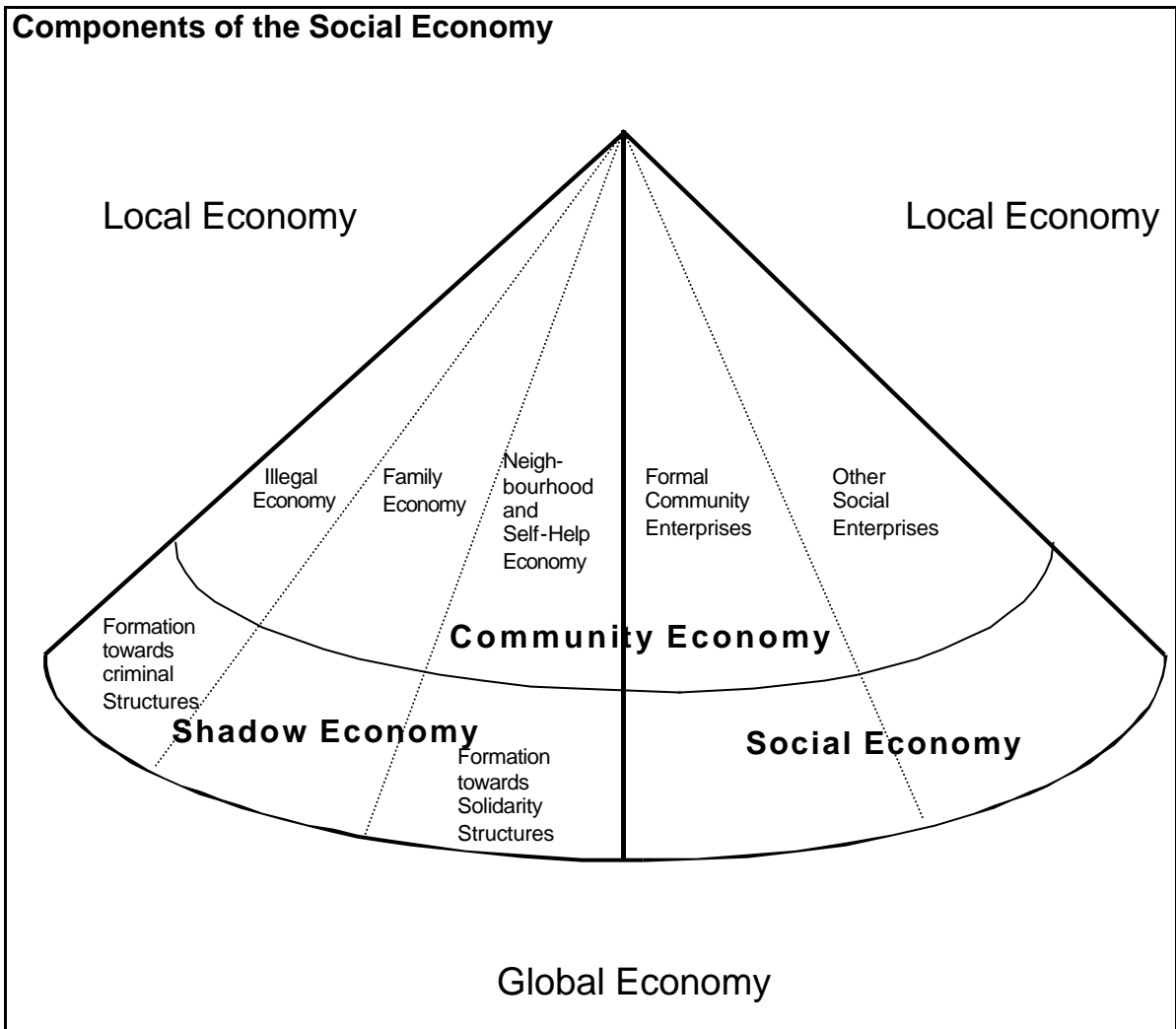
5.1 The Social Economy

The social economy can be understood as a dynamic economic system that emerges from the Third Sector and consists of formally structured organisations. The Third Sector can be defined diagrammatically and seen to be distinct from the private, profit oriented and the public or governmental sectors in the global economy. It is a system of shared values of reciprocity and shared aims in which production for need and not for private profit is pursued.

The Third Sector, incorporating the Social Economy may then be analysed in more detail. During the course of the CONSCISE Project this diagrammatic definition of the social economy and its context within the global economy was analysed further (see below).

Situating the Social Economy





5.2 Social Enterprise

The following are the key characteristics, which can be identified as common to all social enterprises:

- They seek to tackle specific social aims by engaging in economic and trading activities.
- They are not-for-profit-organisations, in the sense that all surplus profits generated are either re-invested in the economic activities of the enterprise or are used in other ways to tackle the stated social aims of the enterprise.
- Their legal structures are such that all the assets and accumulated wealth of the enterprise do not belong to any individuals but are held in trust to be used for the benefit of these persons or areas who are intended beneficiaries of the enterprise's social aims.
- Their organisational structures are such that the full participation of all members is encouraged on a co-operative basis with equal rights accorded to all members.

It is a further characteristic of the social enterprise sector that it encourages mutual co-operation between social enterprises and with other organisations in the wider social and local economy.

5.3 Social Capital

Officially defined by the European Union as...*features of social organisation such as networks, norms and social trust that facilitate co-ordination and co-operation for mutual benefits*...the CONSCISE Project adopted a working definition of social capital as....

...consisting of resources within communities which are created through the presence of high levels of...

...trust

...reciprocity and mutuality

...shared norms of behaviour

...shared commitment and belonging

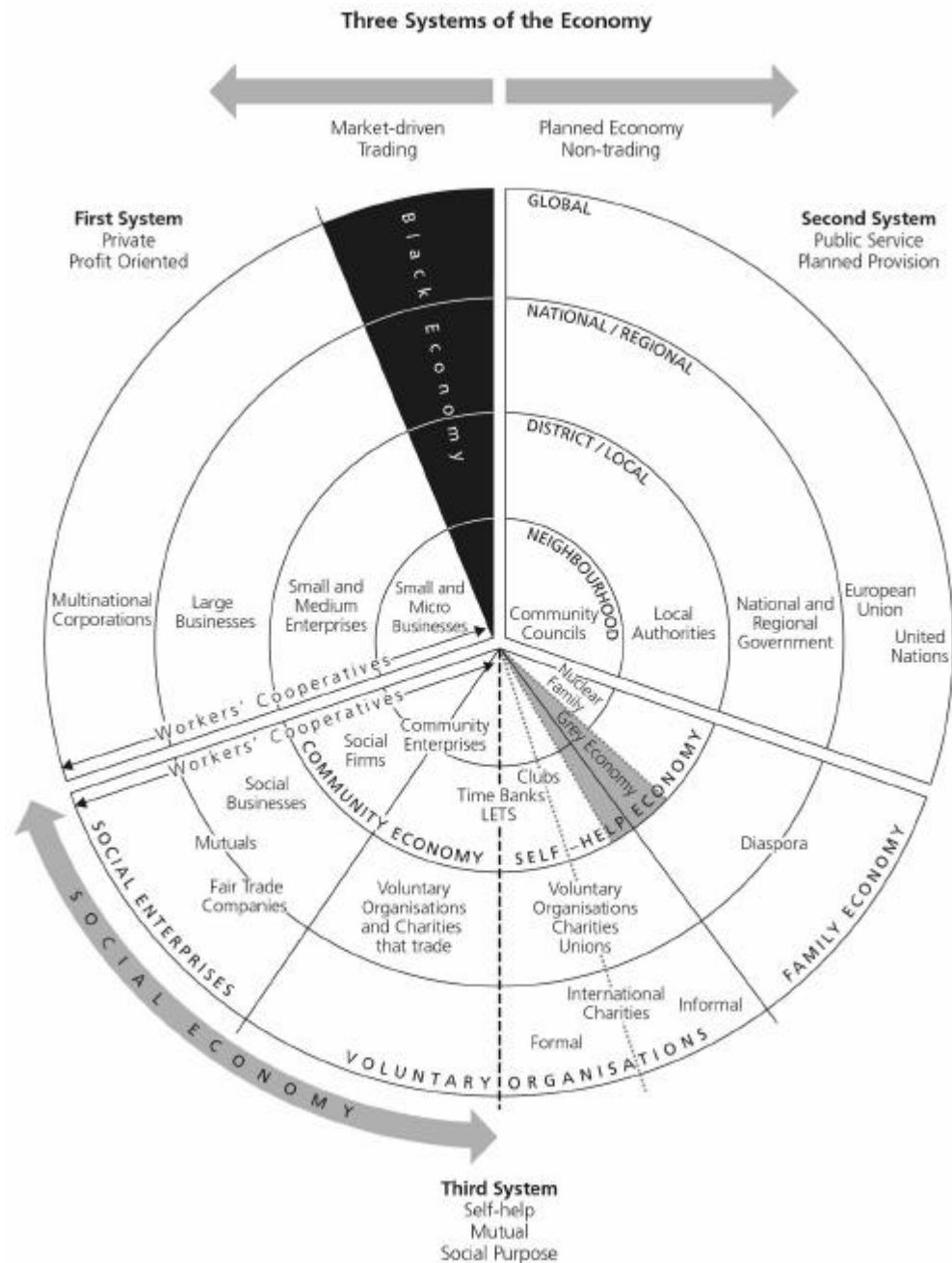
...both formal and informal social networks and

...effective information channels....

...which may be used productively by individuals and groups to facilitate actions to benefit individuals, groups and community more generally.

5.4 Revised Definition of the Social Economy

During the course of the CONSCISE Project we have taken a more analytical approach to the social economy and revised the diagram....



The Third System is distinct from the First System (Private Sector) and the Second System (Public Sector) from neighbourhood level up to global level. The social economy is part of the Third System and is made up of social enterprises and those voluntary organisations which engage in trade. At a local/neighbourhood level the social economy may be called the community economy and the enterprises referred to as community enterprises. The social economy does not include non-trading voluntary organisations, nor the family, or domestic economy which do, however, form part of the wider Third System. The Third System may be distinguished from the First (private) and Second (public) Systems by the values which underpin it: self-help, mutuality and having a social purpose.

6 CONSCISE Fieldwork: The Eight Social Enterprises and their Locations

The eight social enterprises that took part in the CONSCISE Project were as follows:

Spain....

La Vall d'en Bas: an agricultural co-operative established in 1971 in a rural area of Catalonia, Spain. The local area has a population of 2,500 with an unemployment level of 4%. There are 2 social enterprises operating in the area and around 26 voluntary organisations.

CLS La Mina: a project to disburse small grants (Local Social Capital with a Social Aim) of the Fundacion Cirem, in a neighbourhood of Barcelona, Spain. The neighbourhood has a population of just under 10,000 but with 33% of residents unemployed and 30% from ethnic minorities. 8 social enterprises and 13 voluntary organisations were identified in the area.

Germany....

Kirchbauhof GmbH: a church-based training and employment company operating mainly in the district of Kreuzberg, Berlin. The population of the area is around 12,500 of which 40% are from ethnic minorities. The unemployment rate is 25%. There are 22 social enterprises and 35 voluntary organisations in the area.

Zukunftsbau GmbH: a youth training enterprise which is a subsidiary of Zukunft Bauen and which focuses on the Borough of Mitte and the district of Wedding in Berlin. This urban district has a population of 23,000 of which 22% are unemployed and 37% from ethnic minorities. 7 social enterprises operate in the area alongside over 50 voluntary organisations.

Sweden....

Vagbrytarna/Break: an education and employment programme targeted at young people which is a subsidiary of the local YMCA (KFUM Norrbysskar) in Umea, Northern Sweden. Umea is a town with a population of 70,000 and an unemployment rate of 5%. There are 17 social enterprises and nearly 700 voluntary organisations in Umea.

Nastansjo Kooperativa: a village and farmers' co-operative established in 1907 in Nastansjo, Northern Sweden. The village has a population of 200 and an unemployment rate of 7%. There is only the one social enterprise and 8 voluntary organisations in the village.

UK....

Hornbeam Environmental Centre and Gannets Café: a community-run urban environmental centre in the London Borough of Waltham Forest. The neighbourhood (Bakers Arms) has a population of 62,000 of which 34% are from an ethnic minority. The area has an unemployment rate of 7%. There are 16 social enterprise and almost 700 voluntary organisations located in the area.

BRAG Enterprises: a community-based and owned social enterprise involved in training, employment creation and workspace development serving the villages of the former central Fife coalfield in Scotland. The population of the immediate area is just over 13,000, 8% of whom are unemployed. 13 social enterprises and over 50 voluntary organisations were identified as operating in the area.

7 Summary of Key Thinking about Social Capital

The vast amount of academic literature on social capital reflects the struggle which commentators have had in trying to define the concept and to extract some useful and practical ideas.

The term "social capital" was first used explicitly by Jane Jacobs in 1961, although the concept had been recognised by writers since the 19th Century. More recently, thinking about social capital has been greatly influenced by James Coleman, an American sociologist writing in the 1980s and Robert Putnam - also an American, and a political scientist writing in the 1990s; and to a lesser extent by Bourdieu.

It is impossible to detail the mountain of literature on social capital in this pamphlet. However, in a nutshell....

...**Putnam** recognised that "good governance was closely related to civic engagement" and that social cohesion in communities depends on social networks, recognised norms of behaviour and trust. He affirms that these components make up social capital in communities and that this is necessary for improving the quality of life, civic engagement and community development....

...**Coleman's** somewhat wider definition of social capital constructed a social theory which stated that the "closure" of social networks can produce closer connections between people and that this in itself can generate obligations and sanctions on the community...

...**Bourdieu** showed how social capital exists alongside economic and cultural capital and can be part of strategy for individuals and groups to reproduce more social capital and/or convert it into other forms of capital....and...

...**Hirschman** uses the term "social energy" and suggests that it is made up of three components - "friendship" emphasising the personal impact of social capital; "ideals" which may lead to a shared vision based on values; and "ideas" which enables groups and individuals to present new solutions to their problems.

Clearly, different approaches to social capital lead to varying hypotheses. But there is general consensus that it is "something" that exists *between* individuals and organisations. This "something" emerges from connections (relationships) and is further developed through growing trust, through mutual understanding and through reciprocal actions based on shared norms and values.

Most people can recognise social capital as being those connections and trusting contacts that people make while going about their daily business. These contacts may lead to mutual and reciprocal actions which further the development of a community. Similar to other forms of capital, it is productive and exists as a "stock" or "fund" or "resource" that can be used - but in some communities it may not exist to any great extent. However, it differs from other forms of capital in that the more social capital is used, the more social capital is generated. The more organisations or individuals trust and develop relationships between themselves and others - the more those relationships, and thus social capital, is strengthened.

The two "dimensions" of social capital, "*bonding*" and "*bridging*" have been described on page 4. Some have sought to identify a third dimension: "*linking*" social capital which forms connections between different levels of power or social status. Such

links, while important, are not more than one set of the relationships which may be developed as part of bridging social capital.

8 The Socio-economic Profiles

Each partner followed a similar methodology across the eight locations to prepare a socio-economic profile.

A **local data profile** was constructed from existing available sources. Data was collected for each locality about: its geography, history, population, housing, local employment, economic activity, consumer services, education and training, qualifications and skills, entertainment, sports and leisure facilities, healthcare, transport, community and voluntary organisations, crime, religion, politics and civic engagement and information channels.

A **social capital survey** was carried out using a specially constructed questionnaire which employed proxy indicators for the identified characteristics of social capital. The same questionnaire was distributed to a sample of residents in the eight localities and provided a rough and ready general index of local social capital.

Examples of proxy indicators

The proxy indicators used in the CONSCISE Project were in the form of statements and local people were asked decide how much they agreed with the statements.

Here are some of the examples of the **statements on trust**:

- *When everything is taken into account, this locality is a safe place to live.*
- *If I were looking after a child and in an emergency I needed to go out for a while, I would trust my neighbours to look after the child*

Here are some of the examples of the **statements on reciprocity and mutuality**:

- *By helping other people you help yourself in the long run.*
- *If I see litter in the neighbourhood, I normally pick it up even if I have not dropped it there.*

A **survey of the social enterprises** in each locality was carried out in order to indicate the size, nature and extent of the local social economy. The survey questionnaire was the same in all the eight localities but was administered differently in different locations (sometimes through a postal survey and sometimes by face to face interviews).

An important element of the method was the use of a **soundings group**. This group both 'drove' the fieldwork and also generated data in itself. The soundings group had four main purposes: the people recruited to the group acted as *discussants* on the data and on the draft reports prepared; as *informants* by providing information about the area and insights on the nature of local social capital, the impact of social enterprise and the relationship between social capital and social enterprise; as *gatekeepers* who identified sources of relevant local data; and finally as *advisors* to the CONSCISE Project action-researchers regarding the direction of the local socio-economic profiling exercise.

8.1 What did we learn from the methodology and the profiles?

- The examination of social capital has to be placed in context, which the soundings groups in particular emphasised. For example, history can provide an understanding of past social capital and how it has been used and, maybe, lost. Context cannot be captured by applying survey research or using secondary data as proxy indicators.
- The methodology drew on both secondary and new data which was discussed in the soundings groups. This interpretative discussion itself generated further qualitative data.
- Data is not neutral. Soundings groups reported the benefit of having local data gathered into a profile which could then be used for various purposes. Also, the profiles, based on interpretations as much as facts, gave a sense of local 'ownership' of both the profiling process and the profile itself...
- Interpretation allows connections to be made between different data while the local socio-economic profile brings alive the use and the purpose of the methodology.
- The research work and the discussion in the soundings group strengthened and built new local social capital as researchers and local people learned on the job just what social capital is and so raised awareness of it; used existing networks and instigating new ones.
- Research and action could not be separated. In some cases soundings group led to new developments, which in turn will both build social capital and generate new co-ordinated actions.
- The level of social capital revealed by the survey using proxy indicators corresponds well with other social capital indicators such as the density of voluntary organisations in the area and the level of turnout in local and national elections. However this should not be seen as a substitute for the exploration of social capital using other, more qualitative and discursive methods.
- The proxy indicators that to an extent quantified the level of local social capital should be treated cautiously.

9 Social Accounting and Audit

The CONSCISE Project adopted the Five Stage Social Accounting process as described in the Social Audit and Accounting Manual (2001; CBS Network with Merseyside Social Enterprise Network).

Stage 1: Introducing Social Accounting and Audit:

Collecting information about social accounting and audit and looking at the reasons why the organisation you should do one. Checking out what they already do and the information they already collect that will work towards the social accounting process. Considering how the process will be managed.

Stage 2: The Foundations:

Clarify the organisation's Objectives, write them down and list all the Activities that they do to achieve these objectives. State their Values. Also prepare a Stakeholder Map of the organisation, identify key stakeholders and determine the scope of the social accounts. Stakeholders are people or groups who are affected by or who can affect the activities of the organisation eg. staff, volunteers, clients, customers, directors, local community, partner organisations, funders, suppliers etc.

Stage 3: The Social Book-keeping:

For each objective there will be a number of activities. Agree what indicators might be used to check on the performance of these activities. Some will be quantitative (facts and figures), some will be qualitative (what people think). Make sure the indicators are practical and that the information *can* be collected. Set up a social book-keeping system to make sure the organisation collects the facts and figures they need on a regular basis. Decide how they will consult their stakeholders: through individual interviews, through questionnaires, group interviews, workshops, whichever is most appropriate. Produce a Social Accounting Plan and Timetable and implement it.

Stage 4: Preparing and Using the Social Accounts:

At the end of the year collect together all the information – qualitative and quantitative - and interpret it to prepare the social accounts. Identify key issues for action, review the objectives and activities, set targets, discuss things with the stakeholders and review the social accounting and audit process.

Stage 5: The Social Audit:

The organisation will have to arrange for a *social auditor or social audit panel* to verify the information in the social accounts is accurately reported and has been properly gathered. The panel may interview some of the stakeholders; they will trace some data to source. They will rigorously review the social accounts with the organisation and make recommendations for the next social audit. When the revised social accounts are prepared the social auditor will issue the Social Audit Statement. Then the organisation can circulate the report, or a summary, to all stakeholders.

Each of the eight social enterprises prepared social accounts based on their own values, objectives and activities. They also adopted two Social Capital Objectives formulated by the CONSCISE Project and included in their social accounting plans a range of methods to gather information and consult stakeholders about social capital.

Social Capital Objective 1: To use social capital in sustaining our social enterprise by....

- using relations of trust with social economy and other organisations and with relevant individuals
- engaging with social enterprises and other local organisations in order to receive help on a reciprocal and mutual basis
- receiving support from a strong local network of support
- using a sense of shared commitment and belonging to the local area
- using shared values and norms of behaviour in the local social economy
- using extensive information channels

Social Capital Objective 2: To create and generate social capital for the benefit of the local community by....

- building relations of trust with social economy and other organisations and with relevant individuals
- engaging with social enterprises and other local organisations in order to offer help on a reciprocal and mutual basis
- contributing to and supporting local networks
- contributing to a sense of shared commitment and belonging to the local area
- strengthening the shared values and norms of behaviour in the local social economy
- building up information channels and sharing information

9.1 What did we learn from the social accounting methodology?

- Finding quantitative indicators for social capital proved elusive, although attempts were made by some partners to chart both the range of a social enterprise's contacts (ie. social networks) and the frequency, nature and extent of its dealings with other bodies (relationships). In the event, partners found the proposed methods of gathering information too demanding of time but also came to believe that quantitative indicators were not as relevant.
- Once the concept of social capital had been separated into its component elements partners found that people were able to relate to them and in face-to-face consultative situations answer questions, give examples and begin to discuss the concept and see how they both used it *and* created it. This gave the richest qualitative information. Self-completed questionnaires were not very successful as people lacked that element of discursive exploration before answering.
- The distinction of the two social capital objectives (distinguished in terms of using and building social capital) was found to be difficult to maintain and it would have been better to have treated it as one social capital objective.
- With hindsight, the CONSCISE Project believes that it was mistaken to separate the exploration of social capital from the main social accounts of the social enterprises. The research demonstrated that social capital is so very closely entwined with the values, objectives and activities of the social enterprises that attempting to look at social capital as an abstract entity was difficult. Future projects might better take the route of exploring social capital as embedded in the day to day work of the social enterprise and as something which underpins the way the enterprise behaves to other stakeholders.
- Nonetheless the research did demonstrate that the social accounting process is capable of looking at certain issues in a uniform way across a number of social enterprises at the same time as allowing the enterprises to explore and report on their own values, objectives and activities. This has important implications for the way social accounting might be used to explore the collective impact of a group of social enterprises in relation to specific societal goals.

10 Conclusions and Key Findings

10.1 General Findings

- Social capital exists and is a “graspable” concept. It is not easily definable or measurable however. It is best used as an heuristic device.
- When the concept of social capital is understood by social economy practitioners, it has a big effect on they way that they plan their work. They see social capital as a valuable resource to use alongside other forms of capital.
- Local socio-economic profiling can be used to examine the context in which social enterprises and the social economy emerges.
- Social accounting can be used to measure social capital. A social capital objective may be added to an organisation's social accounts and comparisons can then be made between organisations. But it is better to integrate the exploration of social capital within the main social accounts and as evidenced through the day-to-day work of the social enterprise.
- The social accounting process can be used to explore objectives common to a group of social enterprises in addition to the their own, specific objectives. In this way social accounting may be used to measure performance across a group of social enterprises and in relation to objectives set down by wider society.

10.2 Re-examining Social Capital

- Social capital can best be understood by disaggregating it into the five key elements, which paradoxically, allows people then to understand how they fit together as an integrated concept.
- The relationship between the elements of social capital can be expressed in different ways. Trust, social networks, reciprocity/mutuality are about relations between people and organisations (a "structural" analysis); while shared norms/values and commitment/belonging are about what people or organisations believe and feel (a "cognitive" analysis).
- Making a distinction between "bonding" (glue) and "bridging" (grease) social capital is useful for analysis and understanding. However "linking" social capital is a form of "bridging" social capital, which draws attention to hierarchical relationships of power and powerlessness.
- The balance between "bonding" and "bridging" social capital is important. The consequences of too much of either can be negative.
- "Bonding" social capital in urban settings is mostly associated with ethnic groups and special interest organisations. Smaller more isolated communities demonstrate high levels of social capital - although this tends to be more "bonding" than "bridging".
- Context is very important for understanding how social capital operates in communities. History can show how the use of different resources of social capital has developed.

- Shared values and the extent to which key stakeholders adhere to them are important to the development of social enterprises, and central to building social capital.
- Trust is a key ingredient of social capital but trust between organisations depends on relations of trust between individuals.
- Social capital is a “neutral” resource; it can have positive or negative consequences; it can be used to either exclude or include other individuals and groups.
- Social capital is an intangible and therefore more useful as a *heuristic device* than as a measurable concept.

10.3 Links between Social Capital and Social Enterprises

- *Local* social capital influences the development of social enterprises in rural and more isolated communities especially. Social capital, in general, and as used by specific interest groups, can also influence the establishment of social enterprises in more urban areas.
- Isolation, social homogeneity and small population numbers appear to impact on the level of local social capital - particularly "bonding" social capital.
- Social capital cannot be a substitute for other forms of capital; although it may, in disadvantaged communities, compensate to some extent for low levels of human capital.
- Social capital, especially bridging social capital, can provide access to other forms of capital essential to development and to the growth of the social economy.
- Using social capital to form links with the public sector is important in the development of social enterprises.
- Social enterprises tend to use more "bonding" social capital during their initial formation phase but need to use more "bridging" social capital when they become more established and wish to expand.
- Key individuals within communities can initiate the use of social capital to make things happen - but not in isolation. Effective community action requires a sense of collective endeavour and ownership.

10.4 Links between Social Capital and the Social Economy

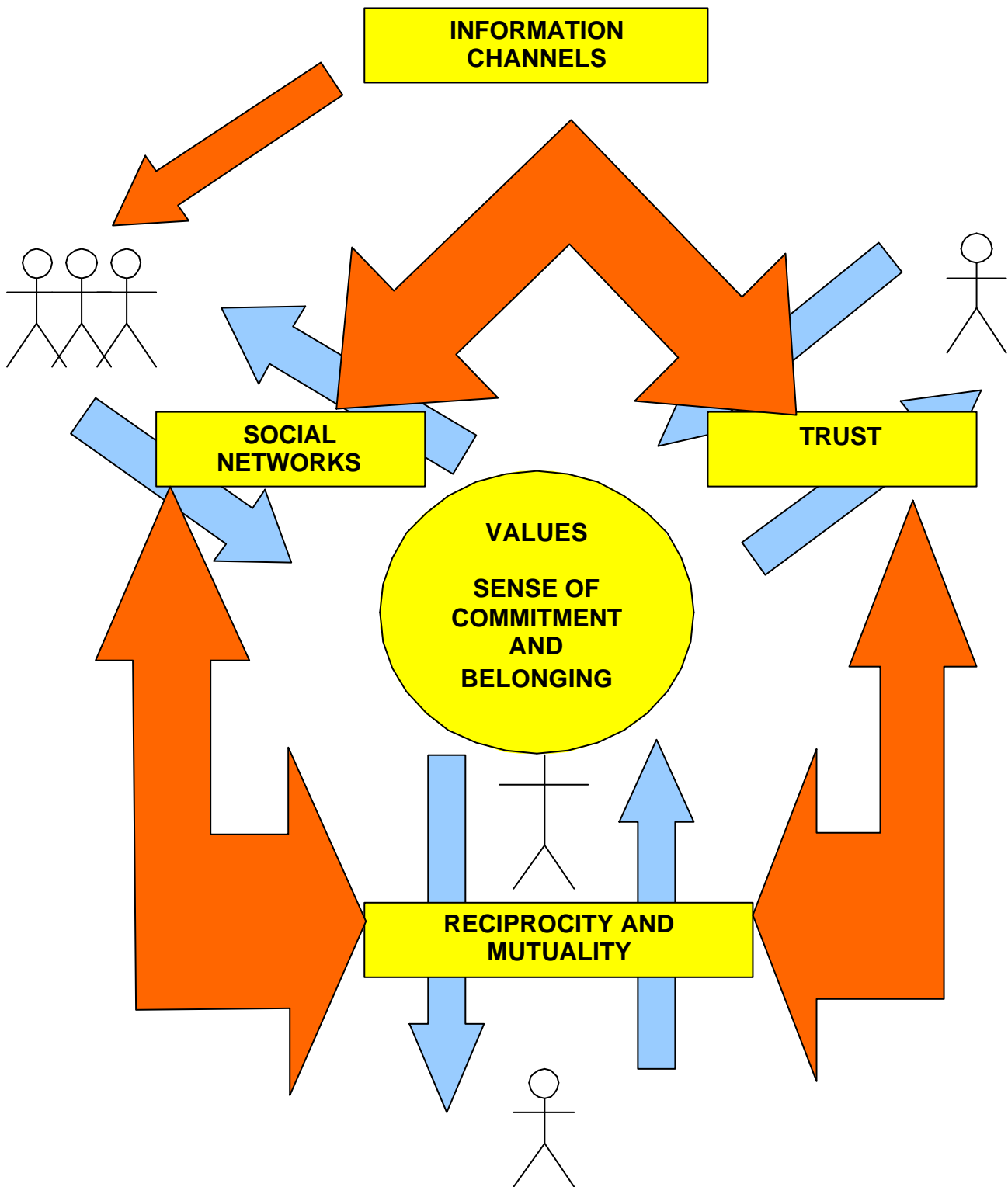
- Social enterprises are often required to compete with each other for limited resources and contracts. This competition acts against the growth of social capital between social economy organisations.
- The establishment of a social enterprise in a particular area can lead however to other social enterprises being created. In this way social capital generated by the development of an initial social enterprise can be used to develop other social enterprises.

- The reputation and trustworthiness of social enterprises is important - especially for how private and public sector institutions perceive the social economy.
- Social capital in the social economy can reduce transaction costs between organisations.
- Network relationships between social enterprises in the social economy can usefully be formalised through membership of associations.

10.5 Modelling Social Capital, the Social Economy and Local Development

- High levels of local social capital does not always give rise to social enterprises. In other words, local social capital itself is not always the stimulus for the creation of social enterprise.
- Social enterprises often emerge from the social capital of groups responding to socio-economic problems such as industrial decline, youth unemployment and rural isolation. Social capital is therefore a crucial resource where a social enterprise is formed to tackle such problems.
- Responding to crisis may be the stimulus for a community to begin to work together and, by doing so, to begin to create the social capital they need to help tackle the crisis.
- One way of seeing the relationship between social capital, social economy and local development is through a social capital cycle. This describes (see diagram) situations where trust, reciprocity/mutuality and networks encircle the heart of an organisation or community where there are shared norms/values and the sense of commitment/belonging. People and organisations can break into this cycle by building relations of trust, or by joining or creating networks, or by helping or working with others. Whatever the starting point, it will lead on to the other elements and serve to strengthen and use social capital to take action.

Social Capital Cycle



10.6 Policy Implications...

...for building social capital

- Build the awareness of social capital which reinforces the value of the *community development approach*: generating networks, supporting community groups to form and take action, fostering social interactions, etc.
- Encourage all forms of social networks at local community level, especially in areas of disadvantage where social capital may be observed to be low.
- Form networks which bring together the institutions of civil society at regional and national levels as they facilitate the "bridging" which is so important to small organisations at the local, community level.
- Build community infrastructure which supports the further development of local social capital as it can compensate for low levels of human capital.
- Strive to ensure there is a balance of bonding and bridging social capital, because social capital is value neutral and too much bonding leads to exclusion whereas too much bridging dilutes cohesion..
- Do not rely on measurable proxy indicators of social capital to direct policy. Social capital is about the quality of relationships and what can be achieved by working in co-ordination.
- Do not mistake proxy indicators for social capital itself. Understand how social capital works on the ground and what its impacts are.
- Understand the historical and the contemporary context for the emergence of social capital.
- Stress the potential of "sociability", of networking for its own sake, of having the time to chat – to build social capital, recognising the value of such outcome in preference to measurable outputs from community development.
- Create places for interaction where such "sociability" may flourish: "safe" spaces and places where different people may meet and interact, talk and plan, share experiences and build up common approaches to tackling local issues. Community meeting places, preferably under local community control.

...for building the Social Economy

- Promote opportunities for volunteering (both formal and informal) in local areas.
- Understand the values of the social economy and recognise that they are primarily social and distinct from the values in the private and public sectors.
- Support those social enterprises that especially generate social capital eg. LET Schemes, Time Banks, community-based Credit Unions and other such organisations which engage a critical mass of people.
- Support community activists to generate collective entrepreneurship thus enabling them to further the social and economic development needs of their local communities.

- Support educational and training programmes which facilitate collective entrepreneurship through an understanding of social enterprise.
- Value partnership as collaborative work based on shared vision or values which have to be made explicit.

...for building social enterprises

- Stress the importance of understanding and using social capital for social enterprises.
- Recommend that social enterprises regularly take stock of their social capital as part of the management process.
- Encourage local socio-economic profiling in order to understand the context of social capital in which social enterprises operate and may build the social economy.
- Encourage social enterprises to adopt social accounting methods which include a check on social capital as well as on their performance against values and objectives.
- Social accounting can be used to measure the performance of social enterprises meeting common objectives as well as individual objectives.

10.7 Recommendations for Further Research

Following from the work of the CONSCISE Project there are a number of questions that require exploration.

- Are there significant differences between horizontal and vertical bridging ties in terms of social capital? Can vertical ties based around clear and open differences of power and ownership and control of resources be perceived as social capital?
- Can there be ties of social capital between groups in the public sector and the Third System, and between groups in the private sector and the Third System? Can social capital be built between groups and individuals of groups who have fundamental differences of value system and objectives?
- What is the connection between human capital and social capital? Can human capital be transformed to other forms of capital or does it share the characteristics of social capital in being accumulated through further use?
- How might the concept of social capital as an essentially heuristic device be incorporated into policy and development tools to build social capital?
- What is the nature of entrepreneurship in the Third System? How does it differ from conventional entrepreneurship? What does "collective entrepreneurship" involve? How does it differ from social entrepreneurship?

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