

Günther Lorenz

The Implementation of Social Capital Features in Social Auditing Procedures to secure Community Accountability of Social Enterprises in the Third Sector

1. The CONSCISE Project

These findings were developed within a three year's research project entitled CONSCISE¹. Research partners from England, Scotland, Germany, Sweden and Spain worked together to examine the way in which social enterprises in the social economy contribute to the growth of social capital and facilitate local development in their locality.

The project was divided into 8 inter-related workpackages. The aim of the first workpackage was to providing working definitions and measures of the key concepts:

- Social Enterprise
- Social Economy
- Social Capital

These definitions and measures were then utilised in augmented local socio-economic profiling and social auditing techniques.

Social Capital Objectives

Early in the process Social capital objectives were introduced and added to the Framework The social capital

objectives and activities were:

- to use social capital in sustaining social enterprise by.....
 - having formal and informal links with other social economy organisations
 - having formal and informal links with other organisations and institutions
 - developing and using contacts with key decision-makers
 - having a strong local support network

and:

- to create and generate social capital for the benefit of the local community by....
 - promoting social enterprise
 - facilitating the development of other social enterprises
 - supporting initiatives of community benefit
 - encouraging other organisations to be active in the area

Activity Information required Method of collecting it

Objective 1: To.....by.....

¹ The CONSCISE Project was a three-year action research project (2000 - 2003) funded by the EU with fieldwork at eight locations in four European countries. It examined social capital through carrying out socio-economic profiles of communities and conducting social accounting with social enterprises. This Information Paper is based on the findings of the CONSCISE Project. Reference: CONSCISE Project: The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe; unpublished; www.conscise.mdx.ac.uk

Unique to each social enterprise.....etc.

Objective 2: To.....by....

Unique to each social enterprise.....etc.

Objective 3: To.....by....

Unique to each social enterprise.....etc.

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

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

2. Concepts of Social Capital

The high amount of literature on social capital reflects the problem to define an operational concept. The term was first used in the anglo-saxon world by Jane Jacobs² in 1961, although the concept had been recognised by writers since the 19th Century. The concept of social capital has been also influenced by the US American authors James Coleman³, in the 1980s and by Robert Putnam⁴ and to a lesser extent by Bourdieu⁵ and Hirschmann⁶.

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 wider definition of social capital constructed a social theory which stated that the "closure" or "connectiveness" 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.

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, are strengthened.

² Jacobs, J. (1961) *The Death and Life of Great American Cities*, New York: Random House

³ Coleman, J (1990) *Foundation of Social Theory*, Cambridge: Harvard University Press

⁴ Putnam, R. (1993) "The Prosperous Community - Social Capital and Public Life"; *The American Prospect* 13

⁵ Bourdieu, P. (1986) "The Forms of Capital" in J. Richardson, (ed.), *Handbook of Theory and Research for the Sociology of Education*, Westport, CT: Greenwood Press

⁶ New Economics Foundation, *Prove It!: Measuring the Effect of Neighbourhood Renewal on Local People*; Groundwork, NEF

Two “dimensions” of social capital, “bonding” and “bridging” have been described. Some have sought to identify a third dimension: “linking” social capital which forms connections between different levels of power or social status. While such links are important, they are really no more than one set of relationships which may develop as part of “bridging” social capital.

3. Social capital in the CONSCISE concept

The concept of Social Capital may be broken up into five concrete terms which make it easier for people to grasp the overall concept and see how it can be important and useful in the day-to-day work of social enterprises.

The elements of social capital are:

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

Reciprocity and mutuality: having relations with people and organisations without expecting immediate payback.

Social networks: being in contact with a wide range of people and organisations so that they know each others; to learn to trust and work together; to give and get information.

Shared norms of behaviour: realising that ideas are shared with others to build a common vision; a broad agreement 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 contains all these concrete elements. 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.

4. Measuring Social Capital

CONSCISE developed proxy indicators to “quantify” social capital. The proxy indicators used in the CONSCISE Project⁷ were in the form of statements with which local people were asked decide how much they agreed.

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.’

The CONSCISE Project included Social Capital Objectives as part of a social accounting framework and sought to measure how an organisation uses and generates the components of social capital. One version of the Social Capital Objective is defined below.

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

- using and generating 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 and contributing to the support from a strong local network of support
- using and generating a sense of shared commitment and belonging to the local area
- using and generating shared values and norms of behaviour in the local social economy

5. 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 and when it is in short supply. The Social Capital Stock-take below is a simple checklist tool. 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 foster it!

⁷ The CONSCISE Project was a three-year action research project (2000 - 2003) funded by the EU with fieldwork at eight locations in four European countries. It examined social capital through carrying out socio-economic profiles of communities and conducting social accounting with social enterprises. This Information Paper is based on the findings of the CONSCISE Project. Reference: CONSCISE Project: The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe; unpublished; www.conscise.mdx.ac.uk

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?				
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?				

6. Measuring social capital?

The examination of social capital has to be placed in context. For example, history can provide an understanding of past social capital and how it has been used and, maybe, lost.

Finding quantitative indicators for social capital has proved elusive although there have been attempts 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).

Once the concept of social capital is separated into its component elements people are 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 use it *and* create it. This can give rich qualitative information.

Social capital is very closely entwined with the values, objectives and activities of a social enterprise. Attempting to look at social capital as an abstract, isolated entity is fruitless.

Social accounting has been shown to be capable of looking at social capital in a uniform way across a number of social enterprises.

7. Some general findings on social capital.....

Social capital exists and is a tangible, operational concept. It is not easily definable or measurable. It is best used as an *heuristic device*.

When the concept of social capital is understood by social economy practitioners, it can have an effect on the way 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 illuminate the context in which social enterprises and the social economy emerge and in which social capital builds.

Social accounting can be used to measure social capital. Either a common social capital objective may be adopted by several social enterprises and reported on in their social accounts and comparisons made. Or the exploration of social capital may be integrated within an organisation's own objectives and evidenced through its day-to-day work. The social accounting process can be used to explore objectives common to a group of social enterprises in addition to 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.

8. Re-examining social capital....

Social capital can be understood by disaggregating it into the mentioned five key elements, which allows people then to understand it 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 no more than 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 may prove negative.

"*Bonding*" social capital in urban settings is often associated with ethnic groups and special interest organisations and elsewhere in smaller more isolated communities. Such communities with high bonding social capital often have weak bridging social capital.

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 often depends on relations of trust between individuals and not between the organisations as such.

Social capital is a "neutral" resource; it can have positive or negative consequences depending on how it is used; it can be used to either exclude or include other individuals and groups.

9. Relations of Social Capital and Social Enterprises

Local social capital influences the development of social enterprises in rural and more isolated communities. 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. Relations 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.

11 Social capital, the social economy and local development

High levels of local social capital do 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. A social capital cycle describes 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.

References:

ABC of the main instruments of Corporate Social Responsibility. European Commission. Directorate-General for Employment and Social Affairs, Unit D.1. Manuscript completed in 2004

Anheier, H. (2002): Dritter Sektor. Ehrenamt und Zivilgesellschaft in Deutschland. Thesen zum Stand der Forschung aus internationaler Sicht, in: Kistler, E.; Noll, H.-H.; Priller, E. (Hrsg.), Perspektiven gesellschaftlichen Zusammenhalts. 2. Aufl. Berlin, S. 145 ff.

Baron, S. Field, J. Schuller, T. (eds.) (2000) Social Capital - Critical Perspectives. Oxford University Press.

Baum, F. (2000) Social capital, economic capital and power: further issues for a public health agenda *Journal of Epidemiological Community Health* 54:409-410.

Birkhölzer, K. et al. (1997): Key Values and Structures of Social Enterprises in Western Europe. Concepts and Principles for A New Economy. Technologie-Netzwerk Berlin e.V., (Publication Series 29e)

Birkhölzer, K. (2001): Soziales Kapital und lokale Entwicklung – ein Forschungsbericht. In: brand aktuell, 6/2001, S. 12-13

Birkhölzer, K. (2001b): Globalisierung und die Chancen einer alternativen lokalen Ökonomie. In: Globalisierung als Schicksal? Zum Verhältnis von globalisiertem Markt und Demokratie. Dokumentation. Hrsg. v. Evangelische Akademie, Mülheim / Ruhr, S. 56-61

Birkhölzer, K.; Lorenz G.; Schillat, M. (2001): Lokale Partnerschaften. Wirkungsweise und Wirksamkeit sektorübergreifender und multidimensionaler Bündnisse zur Förderung sozialer Kohäsion. Veröffentlichungsreihe Lokale Ökonomie, Nr. 35. Berlin

Birkhölzer, K.; Kistler, E.; Mutz, G. (2004): Der Dritte Sektor. Partner für Wirtschaft und Arbeitsmarkt. VS Verlag für Sozialwissenschaften, Wiesbaden

Borzaga, C.; Defourny, J. (2001): The Emergence of Social Enterprise. Andover

Bundesarbeitsgemeinschaft Arbeit e.V. (Hrsg.) (1997): Soziale Unternehmen in Europa, Berlin

Bundesministerium für Bildung und Forschung (2000): Informelle Ökonomie, Schattenwirtschaft und Zivilgesellschaft als Herausforderung für die Europäische Sozialforschung. Bonn

CECOP: Comments and recommendations of the „Social economy“ group chaired by CECOP on the occasion of the UE plurilateral Forum on CSR on November 13. 2004 in Venice

CIRIEC (Centre International de Recherches et d'Information sur l'Économie Publique, Sociale et Coopérative) (2000): The Enterprises and Organizations of the Third System: A Strategic Challenge for Employment. Liège.

COMMISSION OF THE EUROPEAN COMMUNITIES: COMMUNICATION FROM THE COMMISSION concerning Corporate Social Responsibility: A business contribution to Sustainable Development, Brussels, 2.7.2002, COM(2002) 347 final

Conscise (2001) The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe, Report 3: Social Audits of Social Enterprises: Methodology

Consorzio di cooperative sociali – GESCO, (2002) Bilancio sociale 2002. Esperienze sociali e di lavoro. Napoli

Coulthard, M. Walker, A. Morgan, A. (2001) Assessing people's perceptions of their neighbourhood and community involvement (part 1), Health Development Agency, London.

Davies, A. (2001) But we knew that already! - A study into the relationship between social capital and volunteering. Conference paper. Anne Davies. Home Start. Sheffield

Dierkes, M.; Marz, L.; Antal, A.B. (2002): Sozialbilanzen. Konzeptioneller Kern und diskursive Karriere einer zivilgesellschaftlichen Innovation. FS II 02-107, Veröffentlichung der Abtlg. „Organisation und Technikgenese“ des Forschungsschwerpunktes Technik-Arbeit-Umwelt am Wissenschaftszentrum Berlin für Sozialforschung (WZB)

Habisch, A. (1999): Sozialkapital, soziales Kapital, in: Korff W. u.a.: Handbuch der Wirtschaftsethik. Göttingen, S. 470-507

Hall, P. (1999) Social Capital in Britain. *British Journal of Political Science* 29:417-461

info coop 16/2003 (Zeitschrift des Bundes der Genossenschaften Südtirols): Die Bilanz in den Genossenschaften

Lorenz, G. (1995): Zur Konzeption einer Socially Useful Economy. Egelsbach, Frankfurt am Main, St. Peter Port

Lorenz, G.; Schillat, M. (2002): Lokale sozio-ökonomische Profile. Soldiner Kiez und Wrangelkiez (Berlin). Veröffentlichungsreihe des Technologie-Netzwerkes Berlin e.V., (B36), Berlin

Münkner, H. u.a. (2000): Unternehmen mit sozialer Zielsetzung. Neu-Ulm

Osborne, M.; Sankey, K.; Wilson, B. (eds) (2007): Social Capital, Lifelong Learning and the Management of Place: An International Perspective, London and New York, Routledge

Passey, A. (2000) Social capital: embeddedness and autonomy. Conference Paper presented at ISTR, Dublin

Pearce, J. (2000) Social Accounting and Audit for Community Organisations (manual, workbook and CD) CBS Network and SEN Merseyside

Portes, A. (1998) Social Capital: Its Origins and Applications in Modern Sociology *Annual Review of Sociology* (24)1-24.

Putnam, R. (2000) *Bowling Alone - The Collapse and Revival of American Community* New York: Simon & Schuster

Secrétariat d'État à l'Economie Solidaire (Hrsg.) (2000): Ensemble pour une Economie sociale et de l'Economie Solidaire. Kongressdokumentation Tours 23-24 November 2002.

Spear, R.; Defourny, J.; Favreau, L.; Laville, J.-L. (eds.) (2001): *Tackling Social Exclusion in Europe*. Aldershot

Spreckley, F. (2000): *Social Audit Toolkit Third Edition*. Social enterprise partnership. Third Edition. Herefordshire

Technologie-Netzwerk Berlin e.V. (1999): Was ist Social Auditing?, Veröffentlichungsreihe des Technologie-Netzwerkes Berlin e.V., Nr. 32

Teichert, V. (1995): Perspektiven sozial-ökologischer Bilanzierung. Gutachten im Auftrag der Hans-Böckler-Stiftung. Düsseldorf

Woolcock, M. (2001) The place of social capital in Understanding Social and Economic Outcomes. *ISUMA Canadian Journal of Policy Research* 2 (1) 11-17.

Zadek, S.; Pruzan, P.; Evans, R. (1997): *Building Corporate AccountAbility. Emerging Practices in Social and Ethical Accounting. Auditing and Reporting*. London.

Website Links

<http://www.globalreporting.org/>

<http://www.accountability.org.uk/>

<http://www.sa8000.org/>

<http://www.iso.ch/iso/en/iso9000-14000/iso9000/iso9000index.html>

<http://www.iso.ch/iso/en/iso9000-14000/iso14000/iso14000index.html>

<http://www.emas.org.uk/>

<http://www.technet-berlin.de>

<http://www.technet-berlin.euronet.html>

<http://www.technet-berlin.de/planning/home2.html>

<http://www.uvm.baden-wuerttemberg.de/servlet/is/3305/Leitfaden%20-%20Nachhaltigkeitsberichterstattung.pdf?command=downloadContent&filename=Leitfaden%20-%20Nachhaltigkeitsberichterstattung.pdf>

<http://www.uni-lueneburg.de/umanagement/projekte/sbsc/downloads/Hahn%20&%20Wagner%202001%20-%20SBSC%20Von%20der%20Theorie%20zur%20Umsetzung.pdf>

<http://www.cbs-network.org.uk/socaudhi.html>

www.neweconomics.org/main/about/about.htm

http://www.neweconomics.org/gen/newways_socialaudit.aspx

<http://www.cbs-network.org.uk/SocAuditing.html>

<http://www.cbs-network.org.uk/>

<http://www.communio-essen.de/methoden.htm>