

# Governing Social Enterprises: emerging challenges and needs<sup>1</sup>

*Chris Cornforth, Roger Spear and Mike Aiken*  
*Open University, Walton Hall, Milton Keynes, MK7 6AA, UK.*

Email: [c.j.cornforth@open.ac.uk](mailto:c.j.cornforth@open.ac.uk) and [r.g.spear@open.ac.uk](mailto:r.g.spear@open.ac.uk)

Phone: +44 1908 655863

## **Abstract**

The social enterprise sector has grown in size and significance in many European countries (Nyssens, 2006). In the UK it has grown rapidly over the last 10 years, and includes a diverse range of different types of organizations and legal forms. Government estimates of the number of social enterprises vary considerably from 15,000 to 55,000 depending on how they are defined. This rapid growth has raised new concerns about the quality of governance and accountability of social enterprises and how governance arrangement can best be supported.

While there is a growing body of research on the governance of voluntary and community organizations (e.g. Cornforth, 2003) research on the governance of other forms of social enterprise has been relatively neglected. The research project on which this paper is based was designed to help fill this gap in current knowledge. In particular it aimed to identify the governance challenges of social enterprises.

The very great diversity of the social enterprise sector meant one of the first challenges the research team faced was to 'map' the diversity of the sector and decide what sorts of social enterprises to include in the research. It was felt important to include a range of organizations that captured at least some of this diversity and varied on important the dimensions, such as size, legal structure, and origins that were likely shape the governance challenges the organizations faced.

The research used a combination of interviews and focus groups. In the first phase of the research a series of interviews was carried out with staff of infrastructure organizations and advisers familiar with the governance needs of social enterprises. These focused on the identification of common problems and challenges around the governance of different types of social enterprise. The second phase of the research consisted of a series of focus groups and interviews involving board members and senior staff from different types of social enterprise, including co-operatives, credit unions, development trusts, football supporters trusts, health social enterprises, social firms, leisure trusts, and trading charities. The focus groups and interviews explored in more depth the issues identified in phase one. In all more than 45 people from across 40 organisations were interviewed or took part in focus groups during a four month period in the summer of 2007.

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The findings from research suggest that despite the apparent diversity of the different types of social enterprise there are both similarities and differences in the governance challenges they face. The research suggests two dimensions are important in helping to understand some of these similarities and differences. The first dimension concerns the origins of the social enterprise and identifies four types according to whether their origins are in: mutualism (e.g credit unions, co-operatives), public sector spin-offs (e.g leisure trusts), charitable and voluntary activity (e.g. trading charities), or new-start enterprises established by social entrepreneurs, often linked to new social movements (e.g. fair trade and recycling organisations). The second dimension concerns the social enterprises governance structure, in particular whether boards are self-selecting or elected from a wider membership (Spear, 2004).

The paper describes both the common governance challenges of social enterprises and those that are more specific to the particular types of social enterprise.

### **References**

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