



PROJECT:

**THE CONTRIBUTION OF SOCIAL CAPITAL IN THE
SOCIAL ECONOMY TO LOCAL ECONOMIC
DEVELOPMENT IN WESTERN EUROPE**

WORKPACKAGE 7:

**Social Audits of Social Enterprises: Consolidated
Report**

FINAL REPORT

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Preface

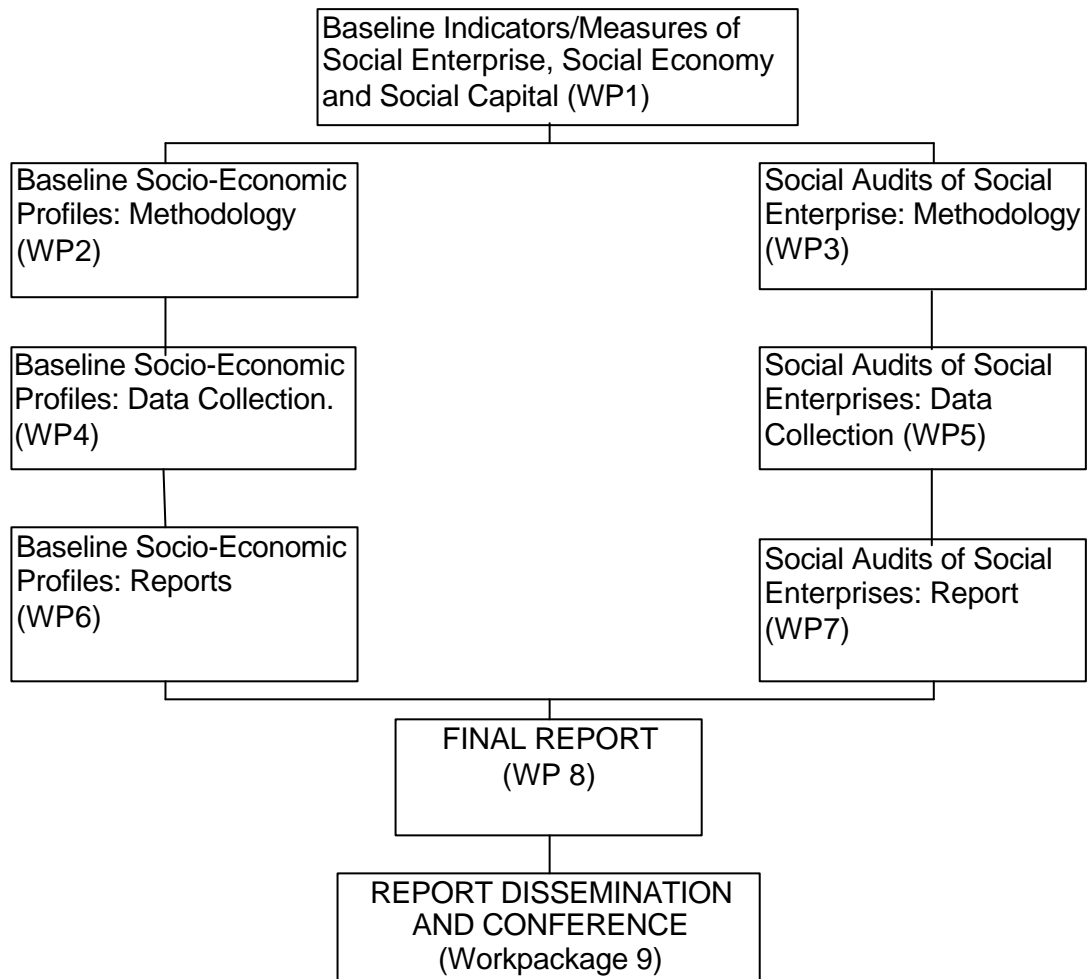
CONSCISE is the acronym for the research project "The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe". It has been funded under the European Framework V Key Action "Improving the Socio-Economic Knowledge Base". The project has examined the extent to which social enterprises in the social economy produce and reproduce social capital and thereby facilitate local economic development, social cohesion and inclusion in four European countries (UK, Germany, Spain and Sweden).

CONSCISE over its 3-year life span endeavoured to fulfil six detailed objectives:

- 1 To model the range of ways in which different social enterprises in the social economy in the four countries can produce and reproduce social capital.
- 2 To identify the ways, and the extent to which, social capital produced and reproduced in family and community networks influence the development of social enterprises in the social economy.
- 3 To generate indicators and measures of social capital produced by social enterprises.
- 4 To develop a new model of local economic profiling, which incorporates a concept of social capital, and measures and indicators.
- 5 To develop an augmented model of social auditing, which incorporates a concept of social capital, and measures and indicators.
- 6 To produce an assessment of the role of social capital in the social economy for the development of local social cohesion and social inclusion.

The CONSCISE Project provided a range of reports and workshops during its course and a major report and conference will conclude the project in 2003. A detailed diagram is on the following page showing the parallel pathways for the project.

Diagram: Work Packages (WP)



1 Introduction

1.1 Background to the CONSCISE Project

The CONSCISE Project started in March 2000. It was designed to examine the extent to which social enterprises drew upon and generated social capital in their local area. For the definition of social capital see the Work Package 1 Report and Box 1 below. The CONSCISE Project has looked at how social capital can influence the development of social enterprises and how social enterprises can generate local social capital and, through it, the local social economy.

Box 1: CONSCISE Project Definition of Social Capital

Social capital consists 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 the community more generally.

The Project identified eight communities in four European countries and carried out a socio-economic profile of each area looking, in particular, at the level of social capital present in the local social economy and how it has been generated and used.

A social enterprise in each area was then identified (see Box 2 below) and a social audit carried out in conjunction with the staff and key personnel of the enterprise. The usual social audit methodology (see Work Package 3 and Section 2 of this report) was extended to examine the level of social capital that the social enterprise generates and how it uses that social capital.

Box 2: The Eight Social Enterprises

Spain....

La Vall d'en Bas: an agricultural co-operative established in 1971 in a rural area of Catalonia, Spain.

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.

Germany....

Kirchbauhof GmbH: a church-based training and employment company operating mainly in the district of Kreuzberg, Berlin.

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.

Sweden....

Vagbrytarna/Break: an education and employment programme targeted at young people which is a subsidiary of the local YMCA (KFUM Norrsbyskar) in Umea, Northern Sweden.

Nastansjo Kooperativa: a village and farmers' co-operative established in 1907 in Nastansjo, Northern Sweden.

UK....

Hornbeam Environmental Centre and Gannets Café: a community-run urban environmental centre in the London Borough of Waltham Forest.

BRAG Enterprises: a community based and owned social enterprise serving the villages of the former central Fife coalfield, Scotland.

Thus, the CONSCISE Project worked closely with local organisations and individuals, at the same time enabling the social enterprises to carry out a social audit of their impact and level of performance in relation to their own objectives and values.

The CONSCISE Project has reported on its ongoing work through a series of Work Packages, which may be accessed through the CONSCISE Project web-site (www.conscise.mdx.ac.uk).

Work Package 1: Key Concepts, Measures and Indicators: This defined the concepts of social enterprise, the social economy and social capital and outlined how these concepts might be measured and what indicators could be used. It also included an extensive bibliography for the project, which has been added to over the course of the project.

Work Package 2: Baseline Local Socio-economic Profiles: Methodology: This described the methods to be used in carrying out a socio-economic profile in each of the chosen field locations. It also included a pilot questionnaire to measure the level of local social capital within the local communities.

Work Package 3: Social Audits of Social Enterprises: Methodology: This detailed the social audit methodology and how it would be adapted to measure the level of social capital used and created by a social enterprise. It identified a number of techniques that might be applied within the overall framework to record and assess levels of social capital.

Work Package 4: Baseline Socio-economic Profiles: Data Collection: Eight socio-economic profiles were researched and written using the methods outlined in Work Package 2.

Work Package 5: Social Audits of Social Enterprises: Data Collection: Eight sets of social accounts were drafted and six were submitted to a social audit panel for independent verification. The final reports each contain sections on social capital and how the social enterprises in the eight locations have used and generated it.

Work Package 6: Baseline Socio-Economic Profiles: Report: This report consolidated the findings from the eight socio-economic profiles and started to explore the main findings that were beginning to emerge. This report also included a substantive section on key issues and the developing debate surrounding social capital, especially its role in building the social economy.

1.2 Outline of this Report

The main objective of this present report (Work Package 7) is to bring together and consolidate the findings of the eight local social accounts of the social enterprises prepared through Work Package 5.

The intention of this report is to:

- Report on and review how the social accounting and audit methodology was used to produce social accounts for each of the eight social enterprises (Sections 2 and 3);
- Report and review how the social accounting and audit methodology was used to examine the use and creation of social capital by the social enterprises (Section 4);
- Consolidate the findings from the eight social enterprises regarding the six elements of social capital (Section 5);
- Draw conclusions in respect of defining social capital and its importance to the social economy and identify some policy implications (Section 6).

The research teams maintain that the methodology used should be given as much attention as the substantive findings of the social audits. The method is action oriented and participatory and therefore it required considerable flexibility in application to take account of the different circumstances in the eight fieldwork locations.

The very characteristics of social capital are such that the act of research itself generates a heightened awareness of its presence (or absence). As a consequence of our fieldwork, we have been able therefore to reflect on the nature of research and social investigation.

2 Social Accounting and Audit Methodology for Work Package 7

2.1 Social Audit Methodology

The social accounting and audit methodology developed for Work Package 7 has been fully described in Work Package 3. The methodology used was based on the Five Stage Social Accounting process as described in the Social Audit and Accounting Manual¹ (see Box 3).

Box 3: Stages of the Social Accounting Process

Stage One: Introducing Social Accounting and Audit

- What is it?
- Why do a social audit?
- What are the key principles?
- Understanding the jargon
- What do we already do – towards a social audit?
- What do others do? – history and current practice in different sectors
- Do we want to do it?
- Managing the Social Audit

Stage Two: The Foundations

- Clarify the social Objectives and the Activities undertaken to achieve them.
- State the Values which underpin the purpose and work of the organisation.
- Prepare a Stakeholder map of the organisation, and
- Identify the Key Stakeholders
- Determine the Scope of the social audit

Stage Three: The Nuts and Bolts – Social Book-keeping

- Agree the indicators which will allow performance to be assessed
- Identify what existing records and data can be used
- Decide what new, additional data will be collected and how
- Agree how and when to consult which stakeholders, and about what
- Organise the resources needed to carry out the social book-keeping and the stakeholder consultation
- Produce a Social Accounting Plan and time-table
- Implement the Plan and monitor progress

Stage Four: Preparing and Using the Social Accounts

- Draft the Social Accounts using existing information, the data collected and the views of the stakeholders
- Identify the key issues on which the organisation should act
- Review the Objectives and Activities, and the Values
- Set targets for the future

¹ Pearce, John; Social Accounting and Audit for Community Organisations: Manual, Workbook and CD; CBS Network and SEN Merseyside

- Review the social accounting process and make necessary adjustments
- Plan dialogue and discussion with stakeholders
- Review the social accounting process and make necessary adjustments
- Plan how to publish (a summary of) the audited Social Accounts to all stakeholders

Stage Five: The Social Audit

- Appoint the members of the Social Audit Panel
- Present the social accounts to the Social Audit Panel
- The Panel arranges to verify a sample of the data used;
- Assesses the interpretations given in the accounts; and
- Comments on the quality of the social accounting and reporting
- The Social Accounts are revised in accordance with the Panel's recommendations, and
- The Social Audit Statement is issued.
- Publish (a summary of) the audited accounts to all stakeholders
- Continue with the next cycle of social accounting

The process provides for an organisation to identify its Values, its core Objectives and what it does to achieve them (its Activities) and to identify its Key Stakeholders. A social accounting plan is then developed which defines both quantitative and qualitative indicators which require to be collected and how the information will be gathered either through the social bookkeeping system (quantitative) or through consultation with the key stakeholders (qualitative). The quantitative and qualitative data is collected and analysed over a 12-month period. At the end of the year the social accounts are drafted and presented to an independent Social Audit Panel for verification. Each of the eight social enterprises was assisted to prepare social accounts based on their own values, objectives and activities.

In selecting the social enterprises that took part in the CONSCISE Project, it was agreed to work only with those that had not carried out a social audit in the past. Therefore, each social enterprise was new to the process, framework and, to a certain extent, the techniques.

2.2 Social Capital Element of the Social Audit

For the purposes of the CONSCISE Project two additional Objectives about social capital were agreed, each with six activities which related to the six elements of the CONSCISE definition of social capital (see Box 4).

Box 4: Social Capital Objectives

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

Each social enterprise adopted these social capital objectives and included in its social accounting plan a range of methods to gather information and consult stakeholders. The full social accounts of each social enterprise can be accessed on the CONSCISE website and each includes a section on methodology.

This Work Package 7 report has been based on the following processes, information and documentation:

- Regular assessments by the partners at the CONSCISE Project workshops which have been held at intervals throughout the life of the project.
- A focused discussion at the workshop held in Scotland in September 2002 based on presentations made by each partner. These presentations:
 - described what methodology each had used in respect of the social capital objectives and activities;
 - critically reviewed how effective the social accounting process had been in exploring and reporting on the social capital objectives and activities;
 - identified (at least) ten key findings with regard to social capital and social enterprises in the local social economy.
- Following the workshop the presentations were revised and submitted in writing and can be viewed in Appendix 1 to this report.
- A questionnaire was circulated to all partners containing questions about:

- the social accounting process in respect of the social enterprises; and
- the effectiveness of using the social accounting and audit process to examine the use and creation of social capital by the social enterprises.

A copy of the questionnaire can be found in Appendix 2 of this report and the analysis of the survey in Appendix 3.

- Certain key sections from the social accounts relating to social capital written in Swedish, Spanish and German have been translated into English. These may be viewed on the CONSCISE web-site alongside the full social accounts in the language of their country of origin. The key sections translated were:
 - how the social audit was organised;
 - the history of the social enterprise and a summary of the social capital findings from the original scoping study;
 - the detailed findings relating to the social capital objectives and activities;
 - key findings regarding social capital and the social enterprise and the local social economy;
 - conclusions and recommendations; and
 - review of the social accounting and audit process.

3 Social Accounting and Audit for the Social Enterprises: Review of the Methodology

3.1 Introduction

Social accounts were produced for all eight social enterprises and followed a common format. In each case the primary author was one of the CONSCISE research team. Six sets of social accounts completed the five-stage process by being submitted for verification by a social audit panel. In the case of Vagbrytarna the social audit panel happened remotely, using telephone and e-mail, rather than face to face.

La Mina and Nastanjo did not go through with the verification process. In the case of La Mina this was because the project, which had in any case been short-term, had been completed by the time the social accounts were completed. In Nastanjo the remote location and local cultural tradition (see later) resulted in the social audit process being based on the spoken rather than the written word and emphasised the process rather than the production of social accounts. Therefore the need for verification was not seen as important by the members of the co-operative.

3.2 The Social Accounting Process

As can be seen from the table below partners generally found the sequence of key tasks which make up the five stage process to be manageable, with Stages Three and Four being judged slightly more problematic than Stages One and Two. (In the table 5 = very easy and 1 = very difficult)

	1	2	3	4	5	DK N/A
1 Agreeing the Mission of our organisation.		XX		XXX	XXX	
2 Agreeing our Values.		X	XX	XXXX	X	
3 Agreeing our Objectives...			XX	XXX	XXX	
4 And the Activities we undertake to achieve them.			X	XXXXX X		X
5 Preparing the Stakeholder map....		X	X	XXX	X	XX
6 And deciding which were the Key Stakeholders who must be consulted.		XX		XXXX	XX	
7 Deciding what information must be collected (social bookkeeping)....		X	XXX	XXXX		
8 And setting up the systems to make sure it is collected.	X	X	XXXX	X	X	
9 Deciding what questions to ask the stakeholders and how....		X	XXX	XXX	X	
10 And carrying out the stakeholder consultations.		XX	XXXX X		X	
11 Writing up the Social Accounts.	X		XXXX	XX	X	

Both Nastanjo and Vall d'en Bas emphasised a local cultural tradition which preferred the spoken word to the written and so there was little enthusiasm for social book-keeping as such although in Vall d'en Bas record-cards were introduced with some success to capture such events as social activities. Regular interviews by the CONSCISE researcher were also used to gather quantitative information.

Vagbrytarna reported a stronger interest in consulting stakeholders rather than recording facts and figures. Hornbeam, with hindsight, thought their stakeholder mapping had been inadequate and suggested the need for a set of “criteria or clearer guidelines” for identifying stakeholders.

3.3 Stakeholder Consultation

Stakeholders are “those people or groups who are either affected by or who can affect the activities of an organisation”². Common examples of stakeholders to a social enterprise might be beneficiaries, clients, customers, trainees, staff, management committee members, funders and partner organisations.

The most commonly used stakeholder consultation techniques were questionnaires, interviews and focus groups or workshops. Self-completing questionnaires were not successful in the rural communities. In the German examples the size of stakeholder groups consulted (that is the number of people within a stakeholder group) was quite small.

3.4 The Social Audit Panel

A social audit panel consists of three to five independent people who meet to verify that the social accounts presented by a social enterprise are a fair and reasonable interpretation of the social performance of the enterprise against its objectives during a stipulated period.

Four of the social audit panel meetings took place on the premises of the social enterprise and one at the premises of the CONSCISE partner, the sixth was held remotely. The two UK panels lasted for more than five hours while the remainder took between two and four hours. In the cases of BRAG and Hornbeam, the social audit panel only had time to verify the part of the social accounts which reported on BRAG’s and Hornbeam’s own objectives and activities and was not able to examine the social capital sections.

In five cases the panel required changes to be made to the draft social accounts while in the sixth case only recommendations were made for a future social audit cycle. In one case, from the UK, the changes required were considered to be “extensive”.

The UK panels consisted of four and five members, while the others consisted of two or three. The two German panels did not include any outsiders, that is people not connected to the social enterprise or to the CONSCISE partner, but in both cases other stakeholders were invited to attend and take part in the meeting, making it a semi-public affair.

Regarding the panel meetings, two partners noted that the discussions had been constructive, one referred to the value of clarifying findings and informing strategy and another to getting “advice for improvement for next year’s social audit rather than external validation”. Kirchbauhof emphasised the value of participation by members and stakeholders. Three partners commented on the lack of time for the panel (including regret by Vagbrytarna that it had not been possible to arrange a face-to-

² Social Accounting and Audit for Community Organisations – Manual, Workbook and CD ROM; CBS Network and SEN Merseyside; 2001

face meeting while one (from the UK) thought the process had been “a bit pedantic at times”.

3.5 Value of Social Accounting for the Social Enterprises

Five partners reported that their social enterprises are likely to continue to prepare social accounts in the future. In two cases it is certain that they will not, including La Mina which of course has closed down, and one which does not know.

Partners identified a number of positive outcomes from the social audit process for the social enterprises (see Appendix 1).

For Vall d'en Bas “social audit has allowed the organisation to identify and explicitly state its Mission, Values and principal Aims ...(which) had never been clearly stated until this auditing process”.

While Zukunftsbau emphasised the value of proving performance with social book-keeping data: “...social audit is a very dynamic process. The activities laid down by social book-keeping are a proof of the enterprise’s performance never realised before”. Vagbrytarna focused on the value of stakeholder feedback: “The best aspect of social audit is that all activities have been examined in a systematic manner and from different perspectives”. Both identify the value of a systematic approach.

BRAG and Hornbeam both emphasise the value of creating a baseline from which to judge future performance and also point to how material from the social accounts may be used for publicity and fund-raising as well as reporting purposes. This latter point is echoed by Zukunftsbau. Hornbeam also emphasises the importance of reporting to all stakeholders: “...(the) value of the social audit process in enabling Hornbeam Environmental Centre (HEC) to monitor the quality and usefulness of what the Centre does and report to the users and the local community and not just to the funders”.

Nastanjo, which did not go so far as verification, emphasises the value gained from the *process*: “The social audit was a positive experience and has become the starting point for many activities and processes of changed attitudes in the village ... a helping hand to systematically evaluate the current situation and to identify problems”.

3.6 Problems of the Social Accounting Process

The main problem referred to by all partners centres around the resources needed to carry through the social accounting and audit process to completion. In all cases the CONSCISE Project researcher has played a lead role and it is unlikely that social accounts would have been completed – at least to such a full extent – if the researchers had not been available to do much of the work relating to planning the process, consulting stakeholders and drafting the social accounts. Indeed, the *quid pro quo* of CONSCISE’s relationship with the social enterprises was that they would get a comprehensive social audit of their organisation at the same time as co-operating with the exploration of social capital.

A consequence of the CONSCISE Project researchers playing such a key role was the difficulty of getting “buy-in” from the personnel of the social enterprises. In most

cases, there was a sense in which it was a CONSCISE Project endeavour rather than their own. However, this was emphatically not the case with Vagbrytarna/Break who did most of the work on the stakeholder consultation and wrote the social accounts. It generally meant that the scale of the social accounting process could be greater than if it had depended more on the social enterprises themselves to implement. Hornbeam makes the double point clearly: “..(there was) difficulty in getting commitment and full participation from all internal stakeholders to the social audit exercise. It was a very resource intensive process; in hindsight the project was over ambitious.”

There were also issues identified regarding lack of enthusiasm to collect quantitative data and the failure of some social bookkeeping methods that were tried out. Whereas Hornbeam felt that they had spent too much time failing to collect quantitative data at the expense of consulting stakeholders, the Swedish social enterprises simply “skipped” the bit that did not interest them (facts and figures) and concentrated on what did capture their interest (stakeholder views).

4 Social Accounting and Audit for the Social Capital Objectives: Review of the Methodology

4.1 Understanding Social Capital

With hindsight only one partner thought that the social capital objectives and activities had been clearly expressed for the purposes of the research and two thought that they had not been clearly stated. This reflects the views that came through both from partners and the social enterprises that people had serious problems understanding social capital as a concept. However, the researchers also reported that once people came to understand the six different elements and were able to discuss these, then an abstract concept became “concretised” and more understandable.

Nastanjo explains: “We found it difficult to incorporate social capital since the concept is still very abstract, and in many ways a contrast to other objectives (of the co-operative) that are far more concrete”.

However, once “concretised” into the six different elements, whilst finding the elements more manageable, people then found it difficult sometimes to distinguish between them. “Generally, when social capital was explained with examples and illustrations, people understood the concept of the six elements. It was harder to distinguish between the elements” (BRAG).

Zukunftsbau attempted to address this problem of understanding by identifying, in the table below, additional indicators for each of the elements of social capital so that people might better grasp what was meant.

Characteristics	Indicators for Social Capital
Trust	Personal confidence, security, responsibility, authorisation
Mutuality / reciprocity	To help one another, sense of duty, to do favours for one another
Shared norms of behaviour	Values, agreement, distinctiveness and mutual tolerance
Shared commitment and sense of belonging	Content with the neighbourhood, sense of responsibility, loyalty, civic commitment
Social networks	Connections within and outside the locality, closer acquaintances, opportunities of networking
Information channels	Information sources, support of information, attention

This table is a close adaptation of the table drafted as a common resource in Work Package 2 (Page 10, Table 3).

4.2 Quantitative Indicators for Social Capital

The intention had been for each social enterprise to gather some quantitative information about each activity of each social capital objective in the same way as would be included in social accounts on the core objectives of a social enterprise. It was thought that by exploring the extent of networks and the frequency and nature of contacts with other organisations and people, an understanding might be built up of

the web of relationships in which it might be expected that social capital would flourish. For some social enterprises, especially the two in the UK, which act as resources centres and providers of information, recording such information also relates to their core objectives and activities.

Two methods of collecting such data, additional to what the social enterprises might already be doing, were suggested. First, *activity logs* through which the enterprise and its staff could chart the different contacts they engaged in during the working week and where those contacts fitted into their scheme of work or into the use and creation of social capital. Second, a *contacts map* through which the enterprise could map the web of relationships, which were important to it. This latter method could be seen as an expanded stakeholder map, regularly updated.

In the event neither of these methods was effectively used. Both UK enterprises set out to implement them but there was just insufficient willingness and time on behalf of the key staff in the social enterprises to make them work. In BRAG their potential value was recognised and to the extent that they were briefly tested it was possible to see how the information that would be forthcoming would be valuable.

The most effective use of a version of the activity log was the twelve record cards devised and used in Vall d'en Bas, each to capture a particular type of activity relevant to social capital during the course of the social audit year. It was reported that this relatively simple system worked reasonably well, as it was clearly understood by the manager. It also enabled the staff of Vall d'en Bas to relate their day-to-day activities to the different elements of social capital.

Otherwise, quantitative information relevant to social capital came, to the minimal extent it was reported in the social accounts, from existing records of the social enterprise such as membership records, minutes of members meetings, project diaries, telephone and e-mail records and project files. Some partners abandoned any attempt to use quantitative indicators: "The six elements of social capital worked well to introduce the concept, but at a certain point this abstract concept was difficult to discuss in a more 'down to earth' manner. Even more difficult was to transform the concept into tangible quantitative measures.....The organisation did not see the point of recording quantitative data on social capital" (Vagbrytarna).

4.3 Qualitative Indicators of Social Capital

For all partners the most useful way of exploring social capital with stakeholders was through face to face consultations, usually using some form of questionnaire format which served as the basis for unstructured discussion. So, one to one interviews, group interviews, focus groups and workshops were all used.

While one partner also referred to using direct observation as a research technique, others reflected on how the research relationship built up with the social enterprises over the duration of the CONSCISE Project, developed the sort of trust which permitted the researchers to gain insights that otherwise may not have been achievable. "Gradually a relationship between the staff and the researchers developed – based on social capital! – and this method of research became more and more revealing as the understanding of social capital got deeper on both sides." (BRAG). One implication is that the researchers became closely involved with "their" social enterprise to the extent of obtaining quite confidential information, which it was not possible to report in the social accounts. A further implication was that as understanding of social capital deepened so what stakeholders were asked evolved

and their views could be interpreted with the benefit of the deepening insight. That, in turn, means that stakeholders who were consulted earlier in the research may have their opinions reported less insightfully.

Partners in the UK and Spain both used self-completion questionnaires about social capital, which were sent out by post or were hand-delivered. While the response rate in the UK was reasonable, in Spain it was quite negligible. However, even in the UK, the value of the data gained from the questionnaires was considered of doubtful value because the questions themselves were something of a “blunt instrument” (ie. the written questions prompted relatively stark responses and did not allow for more discursive and subtle answers). The value was also limited because of the problems people had in understanding the concept in the first place. “The questions in the questionnaires were not very easy to answer and were much more successful when they were used in face to face interview and explanations could be given” (BRAG)

4.4 Social Capital and the Other Objectives of Social Enterprises

In their reports, partners also noted that there was considerable “crossover” between the social capital objectives and activities and the core objectives and activities of the social enterprises. On the one hand, this further complicated the aim of trying to gather data and information about social capital as distinct from the core work of the social enterprises. On the other, it confirmed that social capital is necessarily woven into all aspects of a social enterprise. “The social capital objectives fitted with Hornbeam’s social audit framework quite well and there was considerable crossover in terms of what the organisation was aiming for in its own key objectives.” And “Information and understanding of social capital in relation to the organisation was evident in other parts of the process as well. In many cases there was an overlap of social capital objectives and other objectives”. (Vagbrytarna)

One consequence of this convergence was that the two German social account reports and the social accounts for La Mina interestingly related the social capital findings very directly to the specific core objectives of the social enterprises. The other partners maintained the distinction in their social accounts but referred in general findings to the convergence.

4.5 Usefulness of the Social Accounting Process to Explore Social Capital

Two partners considered that the social accounting process had lent itself well to the exploration of social capital. For the German partners social capital and the objectives of the social enterprises were closely connected: “The combination of social auditing and the analysis of social capital is an appropriate tool to develop the (corporate) identity of social enterprises because it provides holistic views of the social objectives including the quality (and quantity) of social relationships”. The other two partners were neutral in their opinion.

5 Social Capital: the Findings from the Eight Social Enterprises

5.1 Social Capital as a Concept

The term “social capital” is an abstract, rather “woolly” or vague, term which most people have difficulty in understanding. To add to the confusion the term has infested the language in recent years, being used by different commentators to mean quite different things. It was therefore important to clarify what the CONSCISE Project meant by social capital and this was done through the device of specifying six rather more concrete elements. Even so, the research found that people did not really get to grips with the concepts until they had the opportunity to discuss them and when examples were put to them. Once that happened then it became a concept to which people could easily relate and recognise as what they do (or sometimes do not do) in their daily lives.

One important implication of this difficulty in pinning down just what social capital might be is that understanding it depends on discussion and using concrete examples. The written word is not sufficient and that, in turn, means that questionnaires are less useful than face to face (and less structured) methods of inquiry.

Once social capital is recognised and understood it is seen to be nothing new, but identifies ways in which communities and groups function by defining certain elements or resources which may be built up and used to get things done through collective and co-ordinated action. What is new perhaps is giving the concept a “tag” and so getting people to think about it. Because, once people recognise and relate to it, they begin to see how it translates into actions and behaviour which may be adopted for the benefit of their organisation or community.

Although the research project was based on the notion that social capital could be explored separately from the other objectives and activities of the social enterprises the findings challenge that by suggesting that social capital is closely woven into what organisations do and how they do it. Thus social capital is more akin to the values of the organisation, influencing all that it does. The German partners expressed the point in this way: “Social capital should be part of the Leitbild (mission) or the strategy of the social enterprise because it seems important for the development not only of the social enterprise but also for the local economy as a whole to include values which state the social capital development”.

The research also demonstrated that it is difficult to distinguish between *using* social capital and *creating* social capital, not least because when you are using it you are creating it at the same time. “What seems obvious is that whenever social capital is used, social capital is also created” (Vagbrytarna). This illustrates a unique feature of social capital – it does not diminish but will always grow with use.

It is also found to be difficult to differentiate between the elements of social capital and that is a point to which we shall return later. For now though, we shall look at each of the elements separately.

5.2 The Elements of Social Capital

a) Trust

Trust is generally agreed to be an essential aspect of social capital, maybe the most essential without which the other elements of social capital cannot be developed. Vall d'en Bas expresses what was a sentiment common to all eight social enterprises: "Trust supports all the fabric of internal and external relations, which keep the co-operative afloat." In Nasthanjo one of the outcomes from exploring trust was the decision to start talking to those villagers, who seemingly were mistrustful of the co-operative and therefore not involved, in order to try and build new trustful relationships with them.

It was also generally agreed that trust is not something that can be taken for granted. It has to be worked at and nurtured. Vall d'en Bas again: "The co-operative has to win and constantly renew trust among its partners (members), as everyone will agree that trust is more easily lost than won."

And indeed there was also agreement that trust is delicate, taking time and effort to build but all too easily lost. "Trust is fragile and can be destroyed in a moment while taking an age to develop and establish". (BRAG)

Trust between organisations seems to depend largely on trusting relationships that develop between individuals. Kirchbauhof reports how a change of management team was able to start a process of rebuilding trust which had been seriously lost by the previous directorate, even to the extent of threatening the very existence of the social enterprise. It means also that changes of personnel will impact on levels of trust between organisations.

Partners reported how the competitive climate, in which social enterprises find themselves bidding against each other for scarce physical, human and financial resources, can seriously damage relationships of trust between them, and also diminish scope for collaboration and other mutual working. By contrast, Vall d'en Bas explained how trust and working together allowed the co-operative members to compete more effectively in the market and that in turn strengthened local social capital.

Trust between an organisation and its different stakeholders will vary and so it is important to consider all stakeholder relationships from a trust perspective. The Spanish partner emphasised that trust can also develop when there are joint commercial ventures between organisations. These are likely to derive from shared interests and, if successful, can greatly enhance a trusting bond between organisations.

Trust can only develop and grow if people meet, talk and interact in networks. Thus the opportunities to meet through such networks, social events and the daily round are an essential prerequisite to the building of trust within an organisation or community, and between an organisation and other agencies.

b) Reciprocity and Mutuality

All partners were able to give examples of reciprocal help and mutual collaboration demonstrating that it is the way in which social enterprises work. Zukunftsbau referred to preferring "co-operative norms of conduct to competitive behaviour". Organisations such as BRAG and Hornbeam seek to create an atmosphere in which helping and

working with other organisations is expected: “It is part of its ethos to generate a climate of mutual help. In this respect BRAG leads by example offering (and taking) reciprocal help to (and from) social enterprises in the area”. (BRAG)

Vall d'en Bas emphasised co-operation as one of its core values and as the key to survival in the contemporary economic climate: “adopting co-operation and/or joint work as an essential value is nothing less than a defensive answer in face of a global economic system which demands a steady increase in economic growth and particularly productivity”. By working together the farmers can survive.

It was noticeable in the case of BRAG that the incidence of reciprocity and mutuality was far stronger between BRAG and local social enterprises and between the social enterprises themselves than it was between them and private businesses based in the same workspace. It was also noticeable that reciprocal help could be multi-lateral rather than bi-lateral: in other words one social enterprise might help another without expecting a direct pay-back, but knowing that at some point in the future they might draw assistance from within the social enterprise group. This finding reinforces the characteristic of reciprocity described in the Work Package 1 report which refers to “*balanced*” and “*generalised*” reciprocity – the former being a favour for a favour while the latter refers to favours given without any certainty of when they will be repaid or who within the given “community” will ‘repay’ them.

Reciprocal help is more likely to occur between organisations, which already know and trust each other and this, of course, means that there are individuals in the organisations who know and trust each other.

The rural social enterprises emphasised a tradition of reciprocity which is still alive, although Vall d'en Bas has observed a reduction in reciprocal behaviour both between partners (members) and by the partners towards the co-operative. It suggests that the smaller and more remote the community, the greater the likelihood that reciprocal help will still be the norm. This is one of the key findings of Work Package 6 which states that “the most rural locations score the highest on the index of local social capital” while the urban areas displayed a lower stock of social capital.

Although the general sense was that trust is a prerequisite for reciprocal and mutual behaviour, La Mina suggested that it may work the other way: “Reciprocity and/or collaboration may be the starting point from which trust may be derived.”

c) Formal and Informal Social Networks

Networks, formal and informal, are recognised as being essential to the building of social capital and social enterprises invest considerably, some more than others, in building contacts.

It is clear that trust grows from people meeting people and so investment in social activities and events can be important: “..the co-operativa promotes meetings, parties and other activities which lead people to get acquainted and to know one another.” (Vall d'en Bas)

It is also clear that the UK, Swedish and Spanish social enterprises see themselves as a key part of several networks and indeed in some cases as the instigator of new networks. In these examples the social enterprise acts as a conduit of information to other local social enterprises, to members and to partners. In other words the networking of the social enterprise is expressly used to benefit others.

In the specific case of BRAG, its staff are in the position to be able to foster networking by attending meetings within and outwith the local community and so develop a wide range of relationships at the same time as acquiring valuable information and intelligence. Much of this is then shared with other local social enterprises and indeed some of the most frequently quoted examples of reciprocal help from BRAG were to do with the sharing and use of information and contacts first obtained by BRAG.

d) Shared Norms of Behaviour

The original definition for social capital refers to “norms of behaviour”. In the course of the research, this was often regarded as “values” that can be held by individuals or organisations. It was felt that the values held actually govern the behavioural norms and in the course of the research the distinction became blurred.

The research confirms that values are a key element in social capital in that people who share similar values may more easily develop relationships of trust faster and be more willing to work together: “trust cannot be expected to appear easily when there is not a system of common or shared values and a sense of commitment and belonging”. (La Mina)

Sometimes it seems that it may not be so much a set of shared values but a common way of thinking about the area and what might be done for the common good: “it also seems that at local level people can coalesce around a ‘way of thinking’ about their community (vision) and commitment to it (sense of belonging) which may transcend otherwise conflicting value systems” (BRAG). In the specific case of BRAG, local politicians from three quite different political parties worked together to create their social enterprise.

Through engaging with the social accounting and audit process and with the exploration of social capital the social enterprises became more aware of their values and the crucial role they may play in strengthening social capital. The need to be clear about values and to express them becomes therefore an important issue.

What was less certain was whether values belong to an organisation or to the people within the organisation. Hornbeam noted: “There are a number of shared values and norms that are integral to it (HEC) and its workforce. There is some suggestion however that those are not shared, at least not to the same extent, by all Hornbeam personnel” while BRAG questioned whether staff who may simply work for the organisation “just as a job” should be expected necessarily to share the values of the organisation.

It was also noted that a strong value base can serve to make an organisation inward-looking, or at least to be less aware of others who perhaps do not share exactly the same values: “Whilst there is a lot of bonding on the basis of shared environmental values with other organisations and individuals, there is no evidence to indicate that this bridges to non-environmental community groups or individuals.” (Hornbeam)

Vagbrytarna expressed the concern that the shift from being a voluntary organisation to becoming a social enterprise might threaten the core values which had been inherited from the parent body: “The transformation from a voluntary organisation into a social enterprise has not been entirely uncomplicated. Some of those involved in KFUM Norrbysskar have been worried that its “soul” would be difficult to maintain in the new organisation with employees instead of volunteers. The maintenance of the

shared commitment and the shared norms has been and is very important to Vagbrytarna in its relation to the mother organisation.”

There was a general emerging view that shared values “may be at the very core of social capital” (BRAG) and that “other elements of social capital are in part dependent upon the shared values....the reputation of the organisation is based on its shared values.” (Vagbrytarna)

e) Shared Commitment and Belonging

The sense of belonging to an area and consequently being committed to it, also emerge as important features of social capital and were particularly noted in the scoping studies which explored the role social capital may have played in the formation of the social enterprises. “Historically, social capital was very important in the initial stages of the enterprise’s development – it was built up entirely on volunteer labour driven by shared values and commitment to a common goal and facilitated through effective networking and shared communication and information channels.” (Hornbeam)

History emerges as important here also. On the one hand, understanding how social capital was formerly used by the community or organisation to get itself established can show up gaps in the current stock of social capital and suggest ways of tackling that. In Nastanjo, for example, the decision was taken to make contact with those members of the community who were critical of and no longer involved in the co-operative. On the other hand, exploring the history of the community will show how social capital is not a new concept and how it has determined the way the community functioned in the past. This was perhaps especially noticeable in the BRAG area which has been a tight-knit mining community in the past or in the Vall d'en Bas.

Where there is a strong sense of belonging or commitment then it will be easier to develop relations of trust between people, sharing as they do a common desire to build a common purpose. That, in turn, will lead to identifying at least a common way of thinking about the area, if not to recognising some shared values.

Vall d'en Bas emphasised that the sense of belonging was to do with “being a peasant rather than the fact of living in a certain area”. This introduces the notion of social capital being built within a “community of interest” or across a class of interests. Communities are not always locality focused. This finding also raises the notion of what a community actually is. The Work Package 4 reports clearly defined the communities in which the social enterprises operate and detailed the socio-economic conditions within the community. However, it is very often the case that social enterprises operate to benefit people who are not necessarily the residents in a particular local community. Social capital operates in a similar way in affecting people in wider localities and not just the immediate community. The concept of community and the exact “location” of social capital will be addressed in Work Package 8.

The other side of the sense of belonging “coin” for the social enterprises is that of accountability to the local community: they belong to it and so they must be accountable to it. In this context the social accounting process has a key role to play.

It was also noted that the sense of belonging might lessen over time, or appear to lessen, for a social enterprise, such as BRAG, as it builds up its external, bridging, social capital making contacts and working with bodies beyond the locality. La Mina identified the opposite problem: “When exaggerated this sense (of belonging) may be

contrary to the interests of development, particularly if it moves those who hold it to close over themselves and to disregard the external world, with which bridges and connections are absolutely necessary to generate new patterns of social and economic growth.” These points are explored further in the section on bridging and bonding social capital below.

f) Effective Information Channels

Having channels of access to information is and has been clearly important to all the social enterprises, but those channels depend on having contacts and knowing people, that is on networks and trust. It became apparent therefore that, while access to information is important, it is not an element of social capital in the same way as the others. Indeed being able to access information depends on having good social capital to use as defined by the other five elements.

Zukunftbau reflected that if a social enterprise does not provide sufficient information, say to its internal stakeholders, then their sense of belonging and commitment to the enterprise can be lessened. Poor internal communications, and by implication lack of information, was an issue raised in the social accounts of several social enterprises. Zukunftbau also identified how failing to give information to external stakeholders can result in a diminished reputation for the enterprise. These points seem to reinforce the notion that obtaining and using information are *tools* with which to build social capital rather than an integral element of social capital.

Social enterprises are likely to adopt a culture of sharing information as part of the networking role with other social enterprises and this was especially noted by BRAG, Hornbeam and Vall d'en Bas.

Vall d'en Bas also emphasised how information needs to be person-to-person if it is to be used effectively. When the co-operative sends out paper information circulars it notes: “After receiving one of such circulars, the usual thing for many partners (members) is to get in touch with those responsible in the co-operativa to look for an explanation of its contents”.

5.3 Origin and History of the Social Enterprises

The origin and history of the social enterprises are included in the Work Package 5 reports and are summarised as follows:

Social Enterprise	Origin and history
Spain	
La Vall d'en Bas	Created as a result of three circumstances: crisis in the agricultural sector; land concentration into larger farms; and the union of four local municipalities. These circumstances (or indeed threats) along with support from public officials at national and local levels brought the agricultural owners together, using social capital, to form a local co-operative. The co-operative resulted from circumstances, need and local people acting together. It did not emerge from another organisation.

CLS La Mina	Created in response to funding from the European Social Fund and administered through the life of the project by Fundacion Cirem (a non-profit, private organisation) a large organisation established in 1990. This project was a partnership between the local municipality and the Catalan government employing Fundcion Cirem to administer the micro-project grants.
Germany	
Kirchbauhof Gmbh	Created in response to high local unemployment and set up by a local church to provide training and employment. This organisation was created as part of the outreach work of the church.
Zukunftsbau GmbH	Created as part of a wider enterprise, Zukunft Bauen, to foster youth training and counter high unemployment. The social enterprise was created by an existing social organisation.
Sweden	
Vagbrytarna/Break	Created in response to the needs of young people for education and employment. Set up by the local YMCA (KFUM Norrsbyskar) with inspiration from a similar organisation in a neighbouring town.
Nastansjo Kooperativa	Created by local people in order to obtain cheaper goods and influence the selection of goods within the village co-operative store. It was originally initiated by a temporary resident but is part of a large co-operative movement in Sweden.
UK	
Hornbeam Environmental Centre and Gannets Café	Created by two local environmental activists and voluntary groups to provide a focus for a wide range of community-led environmental activities that use the facilities.
BRAG Enterprises	Set up by local activists working with local councillors from different political parties to take over a local school that was closing down to provide a workspace and training for employment. Support was further provided by a social enterprise support organisation and council officials but the main driving force was local residents working together.

All the social enterprises started in different ways. All except CLS La Mina were in direct response to a particular need or problem evident in the area. La Vall d'en Bas, Nastansjo and BRAG Enterprises were set up primarily by local people to counter difficulties in the local community. Kirchbauhof Gmbh, Zukunftsbau GmbH and Vagbrytarna/Break were set up by larger, "parent" organisations; while Hornbeam was created by two environmental activists working with a number of voluntary organisations and the local council. CLS Mina was different in that it was a project set up to distribute small grants in an area experiencing a range of socio-economic problems.

In two cases (Nastansjo and Hornbeam) the activists who took the initiative to form the social enterprise might be identified as "social entrepreneurs". In the other cases it is more common that local people and/or existing organisations operated collectively to form social enterprises in response to specific needs. The research evidence suggests that in all cases these local people and/or organisations had to use social capital creatively in order to set up the social enterprises.

5.4 Social Enterprises and Social Capital

It has become clear from the research studies that the social enterprises all make use of social capital in their day-to-day operations and an examination of their initial establishment demonstrated very clearly that social capital **was essential in their formation**. Once the concept is understood and, as it were, “operationalised” by identifying the concrete elements, social enterprises are able to interpret their past in terms of social capital and, more importantly, see how they may build and use social capital in their present operations.

The notions of **bonding** and **bridging social capital** were also shown to be relevant. In most cases the importance of strong bonding social capital was emphasised at the time of establishment of the organisation: in Vall d'en Bas the need for small farmers to come together in the face of structural changes; in Nastanjo the decision of the village to set up and, later, remain as an independent co-operative; in BRAG the community determination to fight back after the closure of the local mines; in Vagbrytarna the strong social capital and values of the parent organisation. However it was also noted that social enterprises, as they develop and strengthen their position, need to grow much more bridging social capital in order to survive in the wider world of markets and government contracts. There may then be a tendency to fail to continue nurturing the local, bonding social capital, at the expense of developing external contacts. In BRAG this was described as the shift from the *start-up phase*, when the community came together to fight to get the social enterprise off the ground, and the *sustaining phase* when the emphasis is more on keeping the enterprise afloat. Obviously, moving from *start-up phase* to the *sustaining phase* is not entirely the same as moving from bonding to bridging social capital. Although both bonding and bridging social capital are required in both phases, the start-up phase of a social enterprise's development often involves a concentration on bonding while the sustaining phase requires a shift to the use of more bridging social capital.

Recent work has suggested that there may be a third dimension called **"linking" social capital** (see Work Package 6), to focus on connections between different levels of power or social status. While there may be merit in distinguishing *linking* social capital from *bridging* social capital, it does introduce a sense of hierarchy where stakeholders with power may be treated differently from others and this runs contrary to the more democratic concept of “bridging” social capital with and between all stakeholders. Further research might explore whether “linking” is distinct from “bridging”, or no more than a function of bridging, and also how social capital works in a hierarchical or class-based context.

The relationship between social capital and the **reputation** of an organisation was also identified. Organisations that are trusted by a range of stakeholders will develop a reputation as a dependable, effective organisation and that reputation itself will help strengthen social capital. But reputation and image cannot be taken for granted. They depend on people being told what the organisation is doing (information), on relationships being developed and refreshed (networks) so that trust is maintained. In other words social capital must always be nurtured in all its dimensions.

Reputation, based on **trust**, may easily be damaged. Indeed, in the case of social economy organisations it is possible that the loss of trust by one organisation can deleteriously affect the reputation of others. Thus in Fife, a scandal known locally as “Officegate”, centring on one social economy organisation and which ultimately led to the resignation of Scotland's First Minister, created a generalised climate of uncertainty about the social economy across the region. The context, political,

cultural and historical, is therefore very important to the development and use of social capital by social enterprises. La Mina and Kirchbauhof both reported how the local reputation of a social enterprise could be positive while at official, political administrative level the reputation was poor.

It became clear during the research that **engaging people** in the social accounting process to look at social capital of itself created social capital. Mention has been made earlier to the growing relationship of trust between researchers and the social enterprises and to how stakeholders came to understand and relate to the concept of social capital through the discussion processes employed. Kirchbauhof referred especially to the involvement of young people: "The most impressive focus group was with young people from ZB where it became clear that the youngsters were keen to learn more about the social enterprise's objectives and asked the management to delegate more responsibility to them".

It was also confirmed that social capital can contribute to the **reduction in transaction costs** between social enterprises and their stakeholders. Vall d'en Bas reported, for example, that "red tape is reduced to very low levels".

There was also evidence that some of the social enterprises (BRAG, Vall d'en Bas, Hornbeam) have assisted with the **creation of other social enterprises** within the locality and in this sense social capital has been used to grow the social economy. This corresponds to findings described in Work Package 6 suggesting that social enterprises use social capital in the creation and support of other social enterprises.

5.5 Social Entrepreneurs and Social Capital

The research of the CONSCISE Project revealed that the relationships that generate social capital often relate back to individuals. It is individuals that use social networks, build up trust and engage in reciprocal arrangements. It would appear that the social capital links between individuals is stronger than the links between organisations of which the individuals are part and which they represent. This leads into the discussion about the role of social entrepreneurs and to what extent individuals may be treated separately from their organisation or community.

The formation of social enterprises and the development of a vibrant social economy relies on both individuals and organisations using social capital and on individuals building social capital on behalf of their organisation. It is not sufficient to rely on business plans, market-place opportunities and knowledge of enterprise development. The building of relationships within a community (bonding) and outwith the community (bridging) is also required. A successful social entrepreneur can use social capital and particularly trust between him/herself and other individuals to develop social enterprises, but always working on behalf of and as part of a host organisation or community.

In this way a social entrepreneur is the individual manifestation of the more collective social enterprise. However, they are not the same entity and there is a danger in considering the individual social entrepreneur to be the social enterprise. The dynamics of the relationship between social enterprise, social entrepreneurs and the use and generation of social capital is a potential area for further research.

5.6 Social Capital in Action

It seems that the six elements of social capital fall rather neatly into three categories:

- *Trust, reciprocity and mutuality*, and *both formal and informal social networks* are about relationships **between** individuals and organisations;
- *Shared norms of behaviour*, and *shared commitment and belonging* are about people **sharing** a way of thinking or having a common vision about an area or a group;
- *Effective information channels* are about individuals and organisations **accessing** information both from within the community and organisation and from outwith.

As mentioned above, the sixth element is fundamentally different, as it is not to do with how people and organisations relate to each other. It is about finding a way around systems and acquiring relevant information, which comes through effective networks, building trust and so forth.

In Work Package 6 (Section 2.5) the elements of the first two bullet points above were described (following the debates in the literature - see Uphoff 2000³ and Foley and Edwards, 1999⁴) as “cognitive” and the last bullet point as “structural” relating to Putnam and Coleman’s definitions of social capital respectively. While networks have also been described in the literature as “structural”, the findings from the social audits suggest that the quality of the person to person contact which comes through networking means that they should be considered as “cognitive”. This thinking will be developed in Work Package 8 and in particular the ways in which the different elements of social capital are related. The interpretation of how the six elements are grouped can provide insights into the way social capital works and how it can be used.

The first five elements of social capital are very closely linked and, while it is useful to identify them as separate, concrete elements to aid in the understanding of social capital, it is necessary to recognise that they are integrated. The Nastanjo report observed that “the social capital of the store cannot be separated from the social capital in general in the community” and all partners reflected on how the different elements blurred the one into the others.

Several of the CONSCISE Project researchers have suggested that of all the elements trust is the most important, the foundation stone of social capital. Without trust people will not work together, may not share information. But for trust to grow people have to meet and make contact through networks, and people who find they have similar values or who share a strong sense of belonging and commitment to their community or to a particular idea are more likely to trust each other sooner and

³ Uphoff, N. (2000) “Understanding Social Capital: Learning from the Analysis and Experience of Participation” in P.Dasgupta and I.Serageldin (eds.), *Social Capital: A Multifaceted Perspective*, Washington D.C.: World Bank

⁴ Foley, M. and Edwards, B. (1997) “Editor’s Introduction: Escape from Politics? Social Theory and the Social Capital Debate”, *American Behavioural Scientist*, 40/5: pp.550-61. (Special Edition: “Social Capital, Civil Society and Contemporary Democracy”)

therefore start working together. In other words social capital is a close-knit weave of five crucial ingredients each nurturing the other.

⁵Two partners (CBS Network and GES) attempted to express this in a cyclical diagram showing what might be called a “virtuous cycle” of social capital (Diagrams 1 and 2 on the pages following this section). The diagrams are, at this stage, no more than attempts to explain how the 6 elements relate with each other. This discussion will be explored and taken forward in more detail in the final report (Work Package 8).

Partners came to view values as central to the concept of social capital, not just in the sense that shared values help build trust and confidence and facilitate mutual working, but in the sense of seeing the idea of social capital and how its elements are operationalised as being a key part of the value system which determines how the organisation behaves. In this way, *building* (and therefore *using* since there is no clear distinction) social capital becomes integrated into the values of the social enterprise.

Social enterprises clearly use social capital in order to get going and in order to survive. As described earlier, bonding social capital seems to be more important in the start-up phase of social enterprise development. It is often the community’s response to a socio-economic problem or a response to a threat from outside the community. During the sustaining phase, a social enterprise needs to use bridging capital more. Once the concept of social capital and its practical manifestations are recognised then it becomes apparent just how social enterprises are using and creating it all the time. Being conscious of that allows them to plan how build it up in their day to day work.

It can also be observed at local, neighbourhood level in particular, that social capital is not something, which exists just within the social economy, it exists in all aspects of community life. For social enterprises, healthy social capital will exist between people and agencies working within the public sector (Second system) and in the private sector (First system) (see Work Package 1 for an explanation of the three systems in the economy) and there will be people and organisations with a foot in all three systems. While the research has focussed onto social capital of social enterprises within the local social economy, it is often quite hard to distinguish that from local social capital which transcends the social economy.

Social capital of itself is value free. It is neither benign nor malignant, for it is how it is used, the purpose to which it is put, that matters. Furthermore the problems of local communities may not be addressed simply by looking to build social capital. As Nastanjo observes: “Maybe Nastanjo is doing a bit better than other villages in the region but social capital alone is not enough to turn (around) a structural negative development.” Social capital can help a community make better use of other “capital” such as finance, natural, infrastructural and human but it cannot substitute for them.

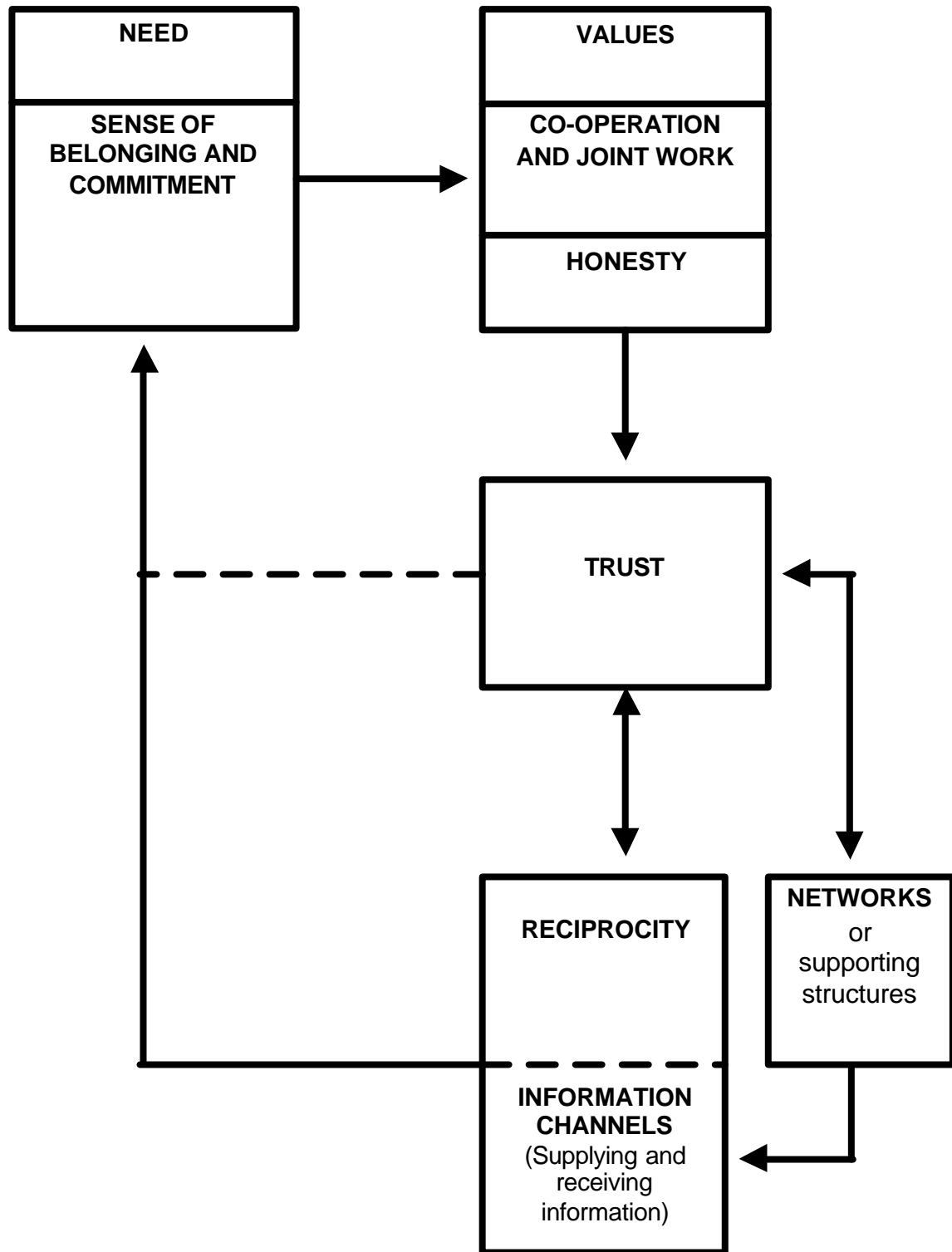
Whether the social enterprises do build a greater stock of social capital within their local social economy remains unclear. We may assume it from the evidence that social enterprises use social capital and that it does exist. One, Hornbeam, argued that it creates more than it uses but others tended towards recognising that it is important, and that, once recognised, it may be found everywhere, but identifying a

⁵ Uphoff, N. (2000) “Understanding Social Capital: Learning from the Analysis and Experience of Participation” in P.Dasgupta and I.Serageldin (eds.), *Social Capital: A Multifaceted Perspective*, Washington D.C.: World Bank

measurable stock of social capital remains very difficult. At root, it is an idea, a way of thinking about relationships (a “heuristic device”⁶ or an exploratory tool), which may be operationalised such that it influences the behaviour of organisations and the people working within them.

⁶ Schuller, T., Baron, S and Field J. (2000) “Social Capital: A Review and Critique” in Baron, S., Field, J. and Schuller T (eds) (2000) Social Capital – Critical perspectives; Oxford; Oxford University Press

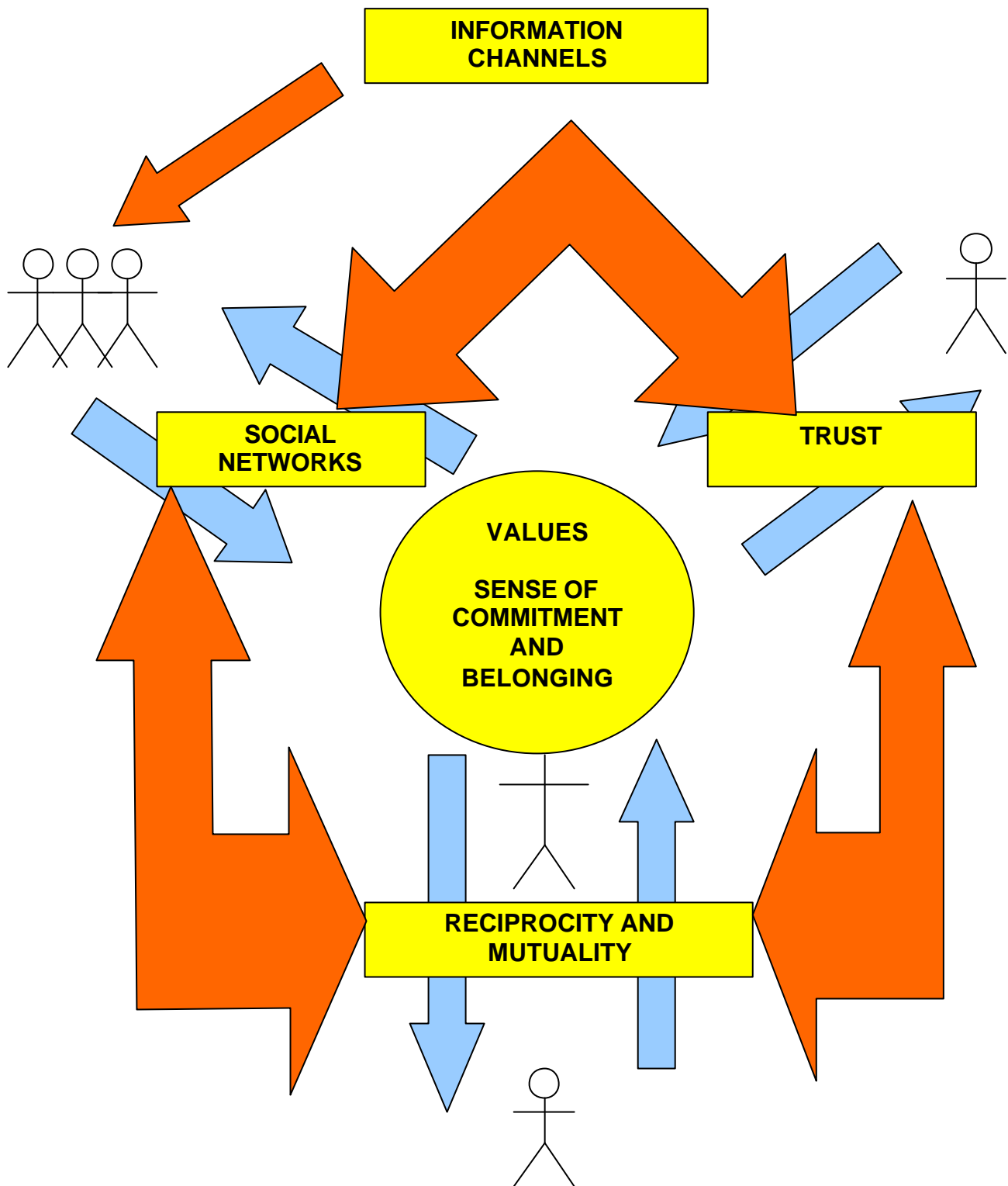
Diagram 1: "The Virtuous Circle of Social Capital" (Work Package 5: Vall d'en Bas)



Explanation for Diagram 1:

- 1 There is a link between the six elements of social capital.
- 2 The starting point is **Need** or the **Sense of Commitment and Belonging** (which in the case of Valle d'en Bas lies in the fact of being a peasant)
- 3 This strong sense of belonging is what facilitates **co-operation** and **joint work** within the group and the establishment of relations based on **honesty**. It is this sense of belonging that selects and/or favours the basic **values** in which the organisation is rooted.
- 4 These values are applied to the practical work of the organisation.
- 5 Through applying values to the practical work of the organisation, **trust** increases.
- 6 Increasing trust brings about the emergence of relations based on **reciprocity** and the creation of **networks or supporting structures**.
- 7 Reciprocity leads to the exchange of information and knowledge through **information channels**.
- 8 As reciprocity and the relationships through the supporting networks increase, trust also increases and is reinforced.
- 9 Reciprocity and trust contribute to strengthening the sense of belonging and commitment.
- 10 The cycle is completed and continues to spiral as a model for the production and reproduction of social capital.

Diagram 2: Social Capital Cycle (Work Package 5: BRAG Enterprises)



Explanation for Diagram 2:

- 1 At the centre of the diagram is an entity – either an individual or an organisation.
- 2 That entity possesses **values, norms of behaviour** and/or a **sense of commitment and belonging**.
- 3 That entity develops **trust** with other entities. This is a two-way relationship.
- 4 It also has **reciprocal** and **mutual** relationships with other entities. Again, two way between entities.
- 5 It also develops **social networks** with a series of other entities. This is two-way in that the central entity is part of the network and receives from it as well as gives to it.
- 6 **Information channels** are developed through networks.
- 7 There are two way links between **social networks, trust** and **reciprocity and mutuality** and the cycle linking these three elements can be entered at any point. For example, trust between entities can lead to reciprocal understandings which can link into other networks; similarly, social networks can lead on to reciprocity and then on to trust between entities.
- 8 Central to the diagram are the inherent **values, norms of behaviour** and/or a **sense of belonging and commitment**.

6 Social Capital: Conclusions, Implications and Policy Recommendations

6.1 Social Accounting and Audit for Social Enterprises

- The social accounting process has been used quite effectively in all eight locations with eight quite different social enterprises.
- The process has been capable of being adapted to suit local needs and cultural traditions, confirming that the basic framework is sufficiently flexible.
- It is encouraging that five of the seven continuing social enterprises intend to produce some form of social accounts in the future. This suggests that the process may become embedded in these five social enterprises.
- The question of the resources needed to effectively engage with social accounting is clearly an important issue. Because the resources of the CONSCISE Project research teams were available, the scale and scope of the social accounts prepared was far greater than might have been managed by the social enterprises on their own. Therefore social accounts in future cycles are likely to be less comprehensive.
- For social accounting to become an effective and popular methodology in the social economy social enterprises will need to be in the position of dedicating adequate resources to the preparation of social accounts. This has implications for those who fund social enterprises and they should be willing to ensure that social enterprises are enabled to engage thoroughly with social accounting.

6.2 Social Accounting and Audit Methodology in Relation to Social Capital

- Finding quantitative indicators for social capital proved elusive, partly because the methods proposed were too demanding of time and partly because of a growing sense that quantitative indicators are not really relevant.
- Instead the emphasis in the research was on qualitative indicators but this was handicapped by the problems people had simply understanding the concept. This required to be “broken down” into concrete elements which people could relate to and best discuss in face-to-face consultative situations.
- The social accounting process was able to accommodate looking at social capital in a uniform way across eight social enterprises. However, the research also demonstrated that social capital is so very closely entwined with the values, objectives and activities of the social enterprises that it became questionable whether attempting to look at social capital as an abstract entity had been in fact the best way of doing it. A future project might better take the route of exploring social capital as embedded in the day to day work of the social enterprise.
- 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. That 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.

6.3 The Concept of Social Capital

- Social capital is a relatively new concept, but it encapsulates phenomena as old as the hills. The advantage of branding characteristics of relationships like trust, reciprocity, networks and values as social capital has been to make people aware of what it is and what it might be, not that the term itself is instantly understood. It has to be “unpicked” and turned into concrete elements to which people can relate and the relevance of which they can see in their day to day work. Once understood, then it has an important value for social enterprises (and other organisations) and may guide the way they manage their affairs.
- In the course of the interviews the research noted that there are communities which appeared to have low levels of social capital. Paradoxically it may be argued that we become more aware of the value and impact of social capital when we can observe locations where there is a clear absence of it. When there are few social networks, a lack of trust, little effective mutuality, no shared norms and no commitment to the area, community cohesiveness declines and social under-development is likely to occur. This is often indicated by an increase in crime, a desire to leave the area, mutual suspicion, lack of information, few social facilities, lower health standards, a degraded physical environment – in short all the hallmarks of a disadvantaged neighbourhood. By recognising the existence of social capital the understanding of the way communities operate and how they function might be enhanced and could direct community development strategies towards interventions that will help (re)build social capital.
- The CONSCISE Project definition unpicked social capital into six elements: trust; reciprocity and mutuality; social networks; shared values and norms; sense of belonging and commitment; and effective information channels. A future definition might focus specifically on the first five and drop the sixth on the grounds that it is not to do with relationships between people and organisations and is more a tool to be used as a consequence of effective social capital developed through the other five elements. In addition a redefinition may refer more accurately to “shared values” rather than “shared norms of behaviour”.
- The CONSCISE Project explored social capital by means of defining two common social capital objectives to add to the values and objectives identified for each of the eight social enterprises. The research findings from Work Package 5 have shown how social capital is closely entwined with the day-to-day work of the social enterprises and has suggested that it might be more appropriately seen as part of the value system of social enterprises, affecting the way organisations behave and relate to their different stakeholders.
- The more social capital is used the more it is strengthened and created. But at the same time no organisation can take for granted its stock of social capital. It requires nurturing. In Box 5 at the end of this section we offer a first attempt at a *social capital checklist* which social enterprises might employ to

ensure that they keep themselves aware of social capital and take continual steps to nurture – and use – it.

- Social capital is a “value neutral” resource: its characteristics can be used to positive or negative effect.
- Social capital is no substitute for other forms of capital: physical, financial or human. But being aware of social capital and building it can help organisations and communities access and make more effective use of other forms of capital.
- Trust is a key ingredient of social capital and it is on relations of trust *between individuals* that the social capital between organisations is built. Trust also exists between organisations but not to such a strong degree as it exists between individuals.
- The *values* held by a social enterprise would appear to be critical in development of that organisation. Shared values and a commitment to the enterprises and/or to the local community may lie at the core of social capital. It is through individuals and organisations sharing values, that a common vision can be agreed on. This may then lead on to using social networks, forming trustful relationships in a reciprocal way. There could be merit in exploring values within and amongst social economy organisations, as it is these values that distinguish a social enterprise from a private or public sector organisation.
- Social capital can be seen both as the “glue” which binds a community together and as the “grease” which helps get things done. The trick is to keep these two aspects in some form of harmonious balance.

6.4 Summary of the Key Findings in the Context of Previous Work Packages

The key findings from the Work Package 5 reports are described and discussed elsewhere in this report. They will also be explored in the final report (see Section 6.5).

Although the Work Packages may be regarded as separate pieces of work, there are a number of themes beginning to emerge and cohere in the CONSCISE Project research. They are:

- An understanding of the Third System, the social economy (and social enterprise) and how it relates to the other economic systems may be helpful in understanding social capital and how it can be used and generated (Work Package 1).
- Geographically remote and isolated locations appear to have higher levels of social capital and bonding social capital appears to be especially prevalent (Work Package 6). This was further reinforced when the social audit findings of the more remote, rural social enterprises are compared to the urban ones. Different types of social capital (bonding and bridging) are used at different stages of a social enterprise’s development. It is not clear whether “linking” social capital really is distinct from “bridging” and this will be further explored in Work Package 8.

- Context is important when assessing the presence and impact of social capital at a local level (Work Package 6). This was supported by the evidence from the social accounts of all the social enterprises. Not only are background and history important but the overall legislative, policy and public approach also greatly influences the development of social capital and hence the social economy.
- Social enterprises continuously generate and use social capital (Work Package 6). This was confirmed by the results of all the social audits.
- It is possible to use the social auditing framework and the model of socio-economic profiling to assess the levels of social capital and show how social capital can be used in and for the social economy. Proxy indicators in surveys and interviews are useful tools (Work Package 6) but the main precondition is that all stakeholders understand the concept and see, through concrete examples, its relevance to what they do.
- Social capital is a heuristic device rather than a precise scientific concept (Work Package 6). This notion, again, is supported by the Work Package 5 reports.

6.5 Looking Forward to the Final Report

The Final Report (Work Package 8) will:

- discuss in full the main findings from all the research and relate them back to the original 6 detailed objectives;
- examine how, in the light of the findings, our understanding of the concept and definition of social capital has changed – particularly how the different elements of social capital interconnect;
- place the main findings within the overall debate surrounding social capital;
- consider the concept of community and the exact “location” of social capital
- show how the findings can influence policy at a European, national and local level; and
- reflect on the methodology used by the Project and suggest approaches for future investigations in this area.

However, this report will begin that process by briefly re-examining the original objectives:

Original objective	Brief comments
To model the range of ways in which different social enterprises in the social economy in the four countries can produce and reproduce social capital.	Eight social enterprises in four countries have been examined in depth over a prolonged period. A social audit framework has been used to examine six elements of social capital. The main results have centred around bonding and bridging social capital and how they relate to the development phases of a social enterprise; the creation of social enterprises and the development of the social economy; the importance of context and history; the role of social enterprises in using social capital to strengthen the local social economy.

<p>To identify the ways and extent to which social capital produced and reproduced in family and community networks influence the development of social enterprises in the social economy.</p>	<p>The relationship between familial structures and social capital has not been examined in any detail. The project looked at formal and informal social networks within the community and described them within a historical context to show how they influence the development of the social economy. The main results have shown the importance in understanding background and the local socio-economic context; the rural/urban continuum; and the importance of local support and involvement (particularly in the creation of social enterprises).</p>
<p>To generate indicators and measures of the social capital produced by social enterprises.</p>	<p>The project has used the social audit framework to measure the extent social capital has been used and generated by a social enterprise in the development of the local social economy. The main findings have been that a social auditing framework can be for this purpose; the objectives and activities pertaining to social capital have to be refined; more time is required for getting activists and staff to understand the concept of social capital; more work is needed in developing innovative methods (other than questionnaires and interviews) to measure social capital within a social audit framework.</p>
<p>To develop a new model of local economic profiling, which incorporates a concept of social capital, and measures and indicators.</p>	<p>Eight local socio-economic profiles were written using the same overall methods. Four techniques were trialed: a local soundings group which acted as a forum for the overall process; a data profile using available data; a questionnaire survey about local social capital and a survey of local social enterprises. In combination, these methods revealed a considerable amount of information about levels of social capital in the local areas. The main points to emerge centred around: the significance of getting local people to understand the concept of social capital; the significance of history; the importance of context including the rural/urban differences; the possibility of using proxy indicators for the social capital elements in mass questionnaires; the use of proxy indicators such as the number of local voluntary organisations, turnouts at elections, etc. as indicators of social capital.</p>
<p>To develop an augmented model of social auditing, which incorporates a concept of social capital, and measures and indicators.</p>	<p>An augmented model of social auditing was developed (see above). In addition, it has been used to measure how a social enterprise uses and generates social capital in the development of the social economy and demonstrated that it is possible for different enterprises to explore common objectives in a similar way. While the project has shown that it is possible to measure how a social enterprise generates and uses social capital it does not reveal universal comparable indicators – rather it shows how a process or framework can be used. Thus, the results of the eight social audits focus on our understanding of the role and use of social capital rather than of measures of social capital.</p>
<p>To produce an assessment of the role of social capital in the social economy for the development of local social cohesion and social inclusion.</p>	<p>This project has considered and assessed the role of social capital in the social economy. It has shown that social enterprises use and generate social capital; different forms of social capital are used at different stages of development; policies of government and local authorities can influence the levels of social capital; social capital is required as a precursor to social economy development; a community development approach can greatly generate social capital; a focus on social capital legitimises it and adds credence to networking, equal partnerships and the forming of advantageous connections.</p>

As with a lot of research, there is a necessity to revisit and examine the concepts, hypotheses and methods that have been used to explore them, namely:

- revisit notions of social capital, social enterprise and social economy in the light of the research;
- further explore the use of proxy indicators and concrete examples (especially in questionnaires and interviews);
- further examine incorporating a social capital objective into the social audit framework;
- try out new and more innovative techniques to assess the use and generation of local social capital;
- enhance the understanding by local communities of social capital as a local resource.

6.6 Policy Implications of Social Capital

- **Awareness of social capital** – and the ingredients which make it up – reinforce the value of the community development approach: building networks, supporting community groups to form and take action, fostering social interactions and so forth. Much of this work appears intangible but it can be seen as vital to building the social networks and the contacts and collaborations through which social capital may build. A community or organisation without social capital will find it more difficult to achieve development.
- Social policy therefore needs to invest both in an awareness of the processes and practices of **community development** and, through it, in the encouragement of all forms of social networks at local community level, especially in areas of disadvantage where social capital may be observed to be low.
- Planning policy needs to ensure that there are “**safe**” **spaces and places** where people may meet and interact, talk and plan, share experiences and build up common approaches to tackling local issues. These places may include community centres, village halls and community-owned cafes. Such physical, infrastructural capital is important to the generation and maintenance of social capital.
- Relatedly, all communities need “safe” spaces to meet and if these can be under **local community control** then social capital may grow all the quicker. The very fact that local people have local responsibility leads to a greater interest in the development of their communities and gets people working together and generating higher levels of social capital.
- **Networks**, which bring together the institutions of civil society at regional and national levels, are important, not least because they facilitate the bridging which is so important to small organisations at the local, community level. Networking, if done well, can impact on levels of social capital in society.
- The value of networking, of providing resources to community organisations, of encouraging **collaborative work** must not only be recognised but also financed. Collaborative work or partnerships are more effective when there is a vision commonly held between partners. Often this common vision is

directly related to the shared values of the partners and more work is required in encouraging stakeholders in partnerships to be explicit about their values (both shared and distinct) and how they relate to the work programme at hand.

- The CONSCISE Project has shown that social enterprises share particular values, which make them different from public and private sector organisations. Without a clear **understanding of these values**, it will be difficult for policy makers to shape policies that can encourage the growth of the social economy.
- Some social enterprises are more active at **generating social capital** than others. As examples, LET Schemes, Time Banks, community-based Credit Unions and other such organisations are centred around social capital. They are dependent on trust, reciprocity and networks. Support for these types of organisations at a local level may generate levels of social capital which may then lead on to more cohesive communities that are better equipped to deal with some other social and economic problems that they may face.
- Support for **community activists** who act as social entrepreneurs thus enabling them to further the social and economic development needs of their local communities. However, care should be taken to nurture entrepreneurship within local communities and amongst local people rather than focus on the support needs of individuals.
- A possible **checklist** for social and community enterprises follows (Box 5)

Box 5: Social Capital Checklist for Social and Community Enterprises

Trust: Whom do we trust? Who do we not trust? What can we do about it? Who trusts us? Who does not trust us? How dependent are we on contacts with individuals? What will happen to relationships of trust if key people leave our organisation? What will happen to relationships of trust if key people leave organisations that we trust?

Reciprocity and Mutuality: How do/can we help other organisations? How can they help us? Are there projects or campaigns where we could be working in partnership together?

Networks: Are we nurturing our network of contacts? Are we aware of them all? Have we done a proper stakeholder analysis? What do we do to keep in touch with our different stakeholders? Are there groups we have lost contact with? If so, why? Are there some groups we just do not communicate with? If so, why not?

Values: Are we clear about our values? When did we last discuss them? Do we tell others what they are? Are they shared with other social enterprises? Are there other organisations with similar values?

Sense of belonging: How strong are our roots in the local community? Do we belong? Are we well accepted by local people and organisations? Are our stakeholders rooted in the local community? How do we involve the community? How do we account for our actions in the community?

Information Channels: How do we get reliable information? Do we keep our stakeholders properly informed about what we do? Do we offer opportunities for them to tell us what they think? Do we share information with others?