



## **Social impact and the argument against unqualified 'growth'**

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In connection with business and the economy we hear a lot about 'growth'.

Economists argue that the economy has to grow year on year. Investors claim that businesses have to continually grow as the alternative is for them to stagnate and get overtaken in an increasingly competitive market. Even social enterprises are being pressed into 'growing their business' – usually in business terms such as increasing turnover, improving profits, increasing staff and, generally, expanding market share. It would appear that the winners in the pervading and traditional economy are the enterprises that are growing and, if you are not growing, you join the losers.

I want to challenge that idea when it is applied to 'social and community enterprises'. I shall argue that social economy organisations are different from mainstream businesses as their core 'business' is achieving an essentially social or community goal. Therefore, they should operate differently – making different decisions for different reasons – and ultimately judging their success or failure, not in terms of growth, but in terms of positive, qualitative social change.

I suppose what I want to say about 'growth' is not particularly new. Barack Obama has said...

*Trade has been a cornerstone of our growth and global development. But we will not be able to sustain this growth if it favours the few, and not the many.*

He was talking fundamentally about sustainability. Interestingly, this contrasts significantly with Benjamin Franklin one of the Founders of the USA, who several centuries previously, stated...

*Without continual growth and progress, such words as improvement, achievement, and success have no meaning.*

Indeed, the context was quite different in Franklin's time and the world was not hurtling towards climate change and potential environmental Armageddon. Thus, the historical context matters in how we consider concepts such as 'growth'.

In 2009 Tim Jackson wrote *Prosperity Without Growth: the transition to a sustainable economy*. The second edition, [Prosperity Without Growth: foundations for the economy of tomorrow](#) was published this year. In it, Jackson sees enterprise as a 'form of social organisation' with work representing participation in society where money should be used for the 'social good' – reducing inequality and supporting ecological stability.

This appears to me to be very close to what the pioneers in the social enterprise movement talked about. There has to be an alternative way of looking at the economy which is inextricably linked to notions around creating zero waste through re-cycling and working towards a more 'circular economy'.

I know of a number of social and community enterprises that responded to the urge to grow. They have tended to assess their success in increased turnover, improved surplus or profit, and in recruiting more staff. These are ways in which a traditional business measures their success and quantifies their achievements. But what of improving the quality of the social change that happens as a result of what they do? Is that to be side-lined in the drive for business success?

With *community* enterprises in particular, growth can be difficult. They are community based, often operating within a particular locality, and with no intention of growing through domination or expanding into other areas. They are often owned by the community to create community benefit on behalf of that very same community. They want to get better at what they do, and make a difference to local people by working closely with local residents.

The Scottish Government published its [Social Enterprise Strategy](#) earlier this year. I was interested to see that it recognises the wide community-based nature of social enterprise in Scotland – often operating in financially perilous waters. To its credit it does not bang on about 'growth' and in terms of 'scaling up' social enterprises. It states...

*In increasingly competitive and uncertain markets, scale can be a weakness as well as a strength. For social enterprises, it may become increasingly preferable to scale capacity and impact through partnership rather than pursuing an organisational growth strategy. Collaboration, franchising and replication will all come into sharper focus.*

The last sentence in this quote is crucial. It highlights the need for collaboration – implicitly in place of competition; and the role of looking to replicate practices in another place.

However, there lies a danger in both of these: *collaboration* is difficult to foster when funding and investment is usually distributed through highly competitive structures. Similarly, *replication* is problematic due to varying contexts – what works in one place will not necessarily work in another, or certainly not in the same way.

Within the social economy, I believe, we should be *doing enterprise* differently and one example of this is that collaboration should be encouraged to replace overt competition. Admittedly, this is a controversial notion and difficult to achieve but it is central to working together for the common good.

Another area where we should be doing things differently in the disputed arena of 'social impact'.

Social and community enterprises trade in exchanging goods and services. They do this to achieve a central aim of improving people's lives; not adversely harming the environment; and in changing behaviours or influencing cultural norms for the betterment and well-being of all.

So how do they know whether or not they are successful?

The [Social Audit Network \(SAN\)](#) has been working in this area of impact and subsequent accountability for a long time. It believes that social enterprises should report on their social and community achievements on a regular basis. At the same time, social enterprises should check on their internal aspects or *social enterprise credentials*. In summary, these credentials are: being good to their staff and volunteers; being accountable through appropriate governance; not making individuals wealthy at the expense of the wider society; 'washing their face' financially; being environmentally responsible; and helping the local economy along...

SAN also believes that social reports should not be used primarily for marketing and that they should be subjected to some form of *audit* that checks facts and interpretations made in these reports.

Some form of [social accounting and audit \(SAA\)](#) is required urgently by the social enterprise movement. SAA is an alternative way of doing things – recognising that working towards social change is a different aim, and cannot be measured in financial terms or in terms of business growth.

Social accounting is not about money. It is, crucially, about how a social or community enterprise can be *accountable* – and importantly – *held to account* for what it is trying to do and what it is trying to be, in social, environmental and cultural terms.

In conclusion, I have always believed that in the end, the future of social and community enterprise will come down to how accurately they gauge their success and how they report this differently, but not entirely differently, from traditional business.

We have to not only create a new way of seeing the world's economy (as referenced in Prosperity Without Growth), by getting in place more appropriate mechanisms that suit an alternative way of doing business. That includes social funding, social management, social accounting, social capital, social enterprise planning and so on...

So, ditch unqualified growth and get busy at doing things differently. A possible New Year's resolution?

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