

Cr | E | S | S | I

Creating Economic Space for Social Innovation

## Entrepreneur Capital

# Case 4 of: Four individual case studies following a common template

Part of Deliverable D2.2

of the FP-7 Project: CRESSI (613261)



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The material was collected between fall 2014 and summer 2015 following a common template. The latter can be found at the end of this working paper. The collection was not intended to be published at the beginning but was thought as database for analysis in the later stages of the project. Therefore, it is a structured but unpolished collection of material much of which was seminal and exploratory. It may guide future researchers to literature and sources but is not a final product in the usual scholarly sense.

The material was used extensively in writing the CrESSI deliverable 5.2, which has been published as working paper no. 30. It also informed some chapters of the CrESSI project book 'Creating Economic Space for Social Innovation' which will be published by Oxford University Press in fall 2018. Any modifications or elaborations here are the responsibility of the current author(s), whose debt to the CrESSI project, its collaborators and funders is hereby acknowledged.



## **Content**

### **Individual Case Study 4**

**Christopher Houghton Budd**

**Entrepreneur Capital**..... **1**

**Case Study Template**..... **39**



# Entrepreneur Capital

Individual Case Study  
CrESSI WP 2, Deliverable 2.2

Christopher Houghton Budd, Delft University of Technology

## Contents

<b>1. Social problem addressed</b> .....	<b>4</b>
1.1 Unit of analysis.....	4
1.2 Problem area.....	4
1.3 Targeted beneficiary group(s) .....	4
1.4 Problem background .....	5
1.5 Entrepreneur capital and the social grid.....	5
<b>2. Solution, influences and relevant context factors</b> .....	<b>7</b>
2.1 Solution approach (capital transfers).....	7
2.2 Actors and networks.....	8
2.2.1 Builder Capital .....	9
2.2.2 Access to Training and Employment (A2T).....	11
2.3 Narratives and discourses.....	12
2.3.1 Interview with Mike Ditchfield .....	12
2.4 Rules, norms, and policies.....	14
2.4.1 The accounting meaning of entrepreneur capital.....	15
2.4.2 Overcoming the For-profit / Not-for-profit divide.....	15
2.5 Resources in terms of accounting.....	16
2.5.1 A2T's accounts (conventional and recast).....	17
2.5.2 A2T's Resources .....	20
2.6 Social and technological innovation .....	20
2.7 Social impact measurement.....	22
2.7.1 An epistemological reflection .....	22
2.7.2 Measuring social impact via accounting.....	22
2.7.3 Impact of entrepreneur capital .....	23
2.7.4 Subsidiary measurements.....	23
2.8 Further drivers and obstacles for the diffusion of entrepreneur capital .....	24
<b>3. Social innovation development and impact</b> .....	<b>25</b>
3.1 Development of entrepreneur capital .....	25
<b>4. Discussion and key lessons</b> .....	<b>26</b>
4.1 Discussion and questions .....	26
4.2 Social impact and policy .....	26
4.3 Summary of changes entailed by entrepreneur capital.....	27
<b>Appendix</b> .....	<b>28</b>
List of Figures .....	28



List of Tables.....	28
References .....	28
Appendix 1 .....	29
10 Capabilities per Martha Nussbaum .....	29
Appendix 2 .....	31
Access 2 Training & Employment Regeneration of Whitby Road, Ellesmere Port – Self Help Housing & Local Authority Partnership.....	31
Appendix 3 .....	33
Interview with Mike Ditchfield .....	33

## 1. Social problem addressed

### 1.1 Unit of analysis

This is a holistic single case study (cf. Yin, 2007). Its *unit of analysis* is the social innovation of ‘entrepreneur capital’, meaning a type and amount of capital the terms of use of which are given by the borrowers of it, not the providers. The existence of entrepreneur capital as an idea is articulated through the concept of ‘Builder Capital’ (see 2.2.1), and examined in the case of *Access 2 Training and Employment* (see 2.2.2).

In the sense of ‘An Extended Social Grid Model for the Study of Marginalization Processes and Social Innovation’ per Alex Nicholls and Rafael Ziegler (2014), as a social innovation entrepreneur capital is *incremental* in that it fills a gap in the provision of social/public goods, *institutional* because it entails change in social structures and the creation of new institutional arrangements, and *disruptive* because it requires changes in cognitive frames.

The *methodology* employed is to use primary data collected from published material, correspondence, recorded interviews and statements of accounts and related reporting.

### 1.2 Problem area

Two main problem areas are addressed:

- 1) The capitalisation efficiency and financial sustainability of social enterprises, and
- 2) The need for financial literacy on the part of social entrepreneurs, including young people – see 1.3 Targeted beneficiary group(s), paragraph 1.

### 1.3 Targeted beneficiary group(s)

The study addresses social entrepreneurs in general, including in particular young people seeking to take hold of their lives. Its frame of reference treats both categories as synonymous because they have the same need, namely a form of capital that enables initiative to be freely taken.

*Access 2 Training and Employment* (A2T) has been chosen as a case in point. A youth programme near Liverpool, England, it integrates all these dimensions. It does not, however, expressly or directly provide access to credit for young people. Rather it receives funding so that it can provide its services to young people, who then avail themselves of the project’s trainings, flats and retail premises, by means of which they can begin to lead their own lives, without themselves having to provide capital.

The funding of A2T itself is the main object of study, therefore, because in order to carry out its work with young people, it currently (and typically) has to secure funding not on terms born of its own situation, but according to those given by its funders – who typically provide grants and tied loans.

## 1.4 Problem background

The basic problem addressed is ‘credit-marginalisation’. As a general expression, the term ‘marginalised’ characterises those groups in society that, due to market and/or policy failure, are not able to participate fully in society. There are, of course, as many ‘causes’ of marginalisation as there are categories. In this study the focus is on those who are ‘credit-marginalised’, meaning those who find themselves on the margins of economic life and therefore society – not for want of skills or initiative, or a sense of what they would like to do with their lives, but for a lack of open access to credit, meaning credit advanced in a form and on terms (period of loan, rate of interest, etc.) that derive from the circumstances of the user, rather than those of the provider, of credit.<sup>1</sup>

All too often, the choice for young people, for example, is the narrow one between jobs and benefits, employment or unemployment, and the form of money is grants. If, instead, the emphasis were put on capitalising initiative, then the focus would shift to self-employment, or at least self-direction. This would strike a different tone because self-direction implies being believed in and therefore believing in oneself. That the world expects something of one and will enable whatever that is to happen can be the very source of the self-confidence on which identifying and developing one’s talents and skills relies. This is as true of young people as it is of social entrepreneurs.

Self-direction is a hollow thing, however, if it is not capitalised – if the capital one needs in order to take a training or to start an enterprise is not available, or if it is not of the right kind. For the most part, the money available for social enterprises or for schemes intended to enable young people to come off benefits, to find work, to develop a skill, to be able to afford ‘affordable’ housing, etc., is thin on the ground, conditional, and in the form of grants – that is to say, it is a kind of money that has to be spent in a pre-agreed way on pre-agreed things. It is like sending a child to buy a list of groceries at the store with instructions to come back with precisely those things and the exact change. In short, no initiative is expected, no self-direction. One is but an agent.

## 1.5 Entrepreneur capital and the social grid

Insofar as the CRESSI project is framed by the social grid derived from Beckert, Mann and Sen, the links of this case study to the grid have also been tracked and summarised in an accompanying spreadsheet – see below 4.3 *Summary of changes entailed by entrepreneur capital*. The main organising concepts are those of Beckert’s three fields (cognitive frames, institutions and social networks), with their matching to three of Mann’s ‘powers’ (ideological, political and economic), and their equivalents in this integrated case study (rethinking conceptions and conventions, reviewing legislation regarding shares and corporate forms, and new instruments and new types of investors). Beckert’s fields are elaborated by Ziegler and Nichols as, respectively, “commonly shared meanings and interpretive material by which to make sense of society and its actions” (Nicholls and Ziegler, 2014, p. 2). Onto this schema are then mapped various existing and proposed categories of change.

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<sup>1</sup> Treated fully in *Christopher Houghton Budd and C.W.M. (Ro) Naastepad* (18.12.14) ‘Beckert, Sen and Finance: A response to marginalisation mindful of today’s prevailing monetary and financial environment.’ in Report on Institutions, Social Innovation & System Dynamics from the Perspective of the Marginalised. 30 September 2014. Deliverable D1.1 of the FP-7 Project: CRESSI (613261), *Open Access Credit* is the idea of making access to credit open in the sense determined by the user, not the provider. Not in the abstract, but as set out in a detailed financial plan, that demonstrates the financial literacy of the borrower.

In terms of their relationship to Sen's capabilities (per Nussbaum) the following seem to be as are directly relevant<sup>2</sup>:

*Bodily Health*

Being able to have good health...; to be adequately nourished; to have adequate shelter.

*Senses, Imagination, and Thought*

Being able to use the senses, to imagine, think, and reason—and to do these things in a “truly human” way, a way informed and cultivated by an adequate education, including, but by no means limited to, literacy and basic mathematical and scientific training. Being able to use imagination and thought in connection with experiencing and producing works and events of one's own choice, religious, literary, musical, and so forth. Being able to use one's mind in ways protected by guarantees of freedom of expression with respect to both political and artistic speech, and freedom of religious exercise. Being able to have pleasurable experiences and to avoid non-beneficial pain.

*Practical Reason*

Being able to form a conception of the good and to engage in critical reflection about the planning of one's life. (This entails protection for the liberty of conscience and religious observance.)

*Affiliation*

– Being able to live with and toward others, to recognize and show concern for other humans, to engage in various forms of social interaction; to be able to imagine the situation of another. (Protecting this capability means protecting institutions that constitute and nourish such forms of affiliation, and also protecting the freedom of assembly and political speech.)

– Having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others. This entails provisions of non-discrimination on the basis of race, sex, sexual orientation, ethnicity, caste, religion, national origin and species.

*Control over one's environment*

– *Political*. Being able to participate effectively in political choices that govern one's life; having the right of political participation, protections of free speech and association.

– *Material*. Being able to hold property (both land and movable goods), and having property rights on an equal basis with others; having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human, exercising practical reason and entering into meaningful relationships of mutual recognition with other workers.

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<sup>2</sup> For the full list, see Appendix 1: 10 Capabilities per Martha Nussbaum.

## 2. Solution, influences and relevant context factors

### 2.1 Solution approach (capital transfers)

In this study credit-marginalisation is not seen in terms of individual inadequacies, so much as institutional blockages that reinforce rather than enable the overcoming of such inadequacies. The main blockage and thus focus of the study is the absence of entrepreneur capital or, rather, its eclipse by grant funding, and therefore its inhibiting of the capabilities mentioned in 1.5 above.

In principle, in accounting terms grants are an increase in Own Capital on the liabilities side and an increase in Cash on the assets side, which is then expended on the items and at the amounts detailed in the funding application. However, such funding can be seen more precisely as a *capital transfer* to social entrepreneurs, to be used by them in ways that they deem will achieve their projects' objectives. In this sense, in economic fact – that is, seeing beyond today's prevailing political and tax constructs – grants are transfers of capital to individual 'social' entrepreneurs. Touched on elsewhere in this study in regard to financial literacy, this simple fact has considerable implications for our understanding of finance in general and for the way in which social enterprise can be capitalised.

As well as the self-direction mentioned in 1.4 *Problem background*, therefore, there is a need for its institutional counterpart, entrepreneur capital, as defined in 1.1 *Unit of analysis* – namely, a type and amount of capital, the terms of use of which are given by the borrowers of it, not the providers. The sketch below illustrates the place of entrepreneur capital between debt and equity, a portion of internally generated capital (profit) that accrues to the entrepreneur as his own 'economic space for social innovation', rather than to shareholders for them to sell or receive by way of dividend.

CONVENTIONAL		RECAST	
<b>Income</b>	<b>Assets</b>	<b>Income</b>	<b>Assets</b>
	Land		Land
	Buildings		Buildings
	Equipment		Equipment
	Inventory		Inventory
	Debtors		Debtors
	Cash		Cash
	Etc.		Etc.
<hr/>			
<b>- Expenses</b>	<b>Debt</b>	<b>- Expenses</b>	<b>Debt</b>
	Overdraft		Overdraft
	Loans		Loans
	Creditors		Creditors
	Etc.		Etc.
<hr/>			
<b>= Profit</b>	<b>→ Equity</b>	<b>= Profit</b>	<b>→ Entrepreneur Capital</b>
			<hr/>
			<b>→ Equity</b>

Figure 1: Entrepreneur capital between debt and equity

Apart from the obvious 'bottom-upness' and implied decentralisation of such a concept, it also presupposes financial literacy on the part of borrowers. This dimension will be the

subject of the later WP 10 on financial literacy seminars<sup>3</sup>, so here it is only acknowledged, save to say that it is important to be clear what such financial literacy entails or should entail.

In this study financial literacy does not just mean familiarity with how the world of finance operates – balancing one’s cheque book, using a credit card, and so on – but awareness also of the ethical and non-financial aspects of that system, along with theoretical conceptions of how it works. To this in particular is added the ability to use accounts to track one’s activity, as regards both its financial and social implications.<sup>4</sup>

To operationalise the concept, one can ask what the solution approach of entrepreneur capital looks like. As elaborated below, our answer is twofold. Firstly, the articulation of the concept in the case of ‘Builder Capital’, which is an idea designed to reframe and rename existing realities. In its case the availability, on the one hand, of substantial investment funds looking for ‘social’ investment; on the other, the lack of financial literacy on the part of ‘social’ entrepreneurs such that can match the amounts and conventional dynamics of such funds.

Secondly, the case of A2T is then analysed in the light of the idea of entrepreneur capital. That is to say, A2T is not itself the social innovation investigated in this study; rather it is used as an actual project to ‘test’ the validity of entrepreneur capital.

The detail of entrepreneur capital qua social innovation is therefore to be found in the two descriptions of Builder Capital and A2T given in 2.2.1 and 2.2.2 below.

## 2.2 Actors and networks

The main actors in this case study are Helen Heap, Robbie Davison and Mike Ditchfield. Helen Heap had a career as a financial analyst and professional investor in investment banking and hedge funds before switching to social finance, working with Britain’s Cabinet Office, a number of prominent social investors, and social enterprises. Robbie Davison has long been active in the Liverpool area as a social entrepreneur, responsible for several successful projects, see, for example, Can Cook.<sup>5</sup> Mike Ditchfield is the founder and lead person of A2T.

As social entrepreneurs or advocates of social entrepreneurship, all three are professionally involved in value creation, albeit in ‘social finance’ modality. As individuals they are committed to their aims and projects, working mainly in team settings rather than collectively.

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<sup>3</sup> *Financial Literacy Seminars*: “Several seminars based on the microeconomic foundations of social innovation developed during the project will be organized by Technical University Delft in the final year of the project. The seminars will focus on disseminating the system of interlinked accounts developed in WP3 that aim at attracting finance for the initiatives and capacities of (young) people who are currently marginalised. The seminars will enhance the awareness of the role capital allocation plays in the current economic system and of the role it could play if the institutional framing of capital allocation were modified towards social innovation. These seminars will discuss the key findings concerning reframing the institutions and assumptions concerning efficient capital allocation in terms of addressing the most marginalised populations.” – {CRESSI Grant Agreement #3112 /nopar}.

<sup>4</sup> For a fuller description, see Houghton Budd, C. (2015b) Training Material on Accounting, Deliverable D3.2 of the FP-7 Project: CrESSI (613261) and Houghton Budd (2015a) ‘In the Shoes of Luca Pacioli’ in International Handbook of Financial Literacy, Springer, Berlin 2015 (forthcoming).

<sup>5</sup> Can Cook CIC, Office B4a, Liverpool Business Centre, 23 Goodlass Road, L24 9HJ. [www.cancook.co.uk](http://www.cancook.co.uk).

The immediate context of all three is funding or permissions (e.g. planning consent) routed via or subject to the direct jurisdiction of local authorities, but in the background are national government policies and directives, often in turn deriving or coming directly from the EU. Behind these lie the assumptions of economists (and therefore of policy makers and the social entrepreneurship and social finance literature in general) concerning accounting, the nature of profit, and the modality of grant-based funding (see *2.4 Rules, norms and policies*).

Although it is outside the scope of this study to assess the impact of entrepreneur capital on them, various communities are or would be affected by its recognition. Inter alia:

- economists
- policy makers
- local authorities
- financial analysts
- social entrepreneurs (including young people)
- ‘Builder Capitalists’
- accountants
- teachers

In that many aspects of entrepreneur capital as a social innovation detailed in *4.3 Summary of changes entailed by entrepreneur capital* entail a substantial review of current theory and practice, all the communities, networks and professional groups affected by it (or that accepted it) would become ‘multipliers’ or ‘amplifiers’ of the idea.

### ***2.2.1 Builder Capital***

As defined by its ‘inventors’, Helen Heap and Robbie Davison, Builder Capital, “is the financial scaffolding which supports the formation of a financially sustainable social enterprise during its earliest phases of development.”<sup>6</sup>

#### *The right sort of money*

Heap and Davison argue that Builder Capital is the right sort of money for capitalising social innovation, but what does ‘the right sort of money’ look like? In their view, if social enterprises are successfully to develop sustainable business solutions for meeting social need they require access to a different sort of money to that which is currently available. This money will:

- pro-actively seek to make positive social change and be prepared to take on the risks that come with genuine innovation;
- be ultra-patient and support the enterprise as it battles through market dysfunction on the way to a viable business model;
- be looking to build effective organisations that can sustain themselves in the long-term;
- enable entrepreneurs to avoid the need continually to fundraise;
- and expect to earn only social returns in the first instance;

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<sup>6</sup> This quote is from *The Investable Social Entrepreneur*, by Helen Heap and Robbie Davison (2014), on extracts of which the remainder of this sub-section is also based.



- then also financial returns once the enterprise has developed a viable and sustainable model.

### *Builder Capital*

Builder Capital is there to:

- pay for the development of the enterprise: Key staff, premises, mission-critical equipment, software or processes, finding new customers,
- fund R&D to develop services / products, and
- absorb losses while a viable business model is established.

Investment of the right amount of Builder Capital in the early stages of an enterprise's development will remove the need for entrepreneurs to spend time bringing together whatever funding they can find and instead focus on developing an effective model that meets the intended social need and creates a sustainable business. With Builder Capital in place, time and effort can be directed towards developing products and finding customers rather than filling out funding applications and answering yet more requests for information from financiers. The enterprise can develop lasting customer relationships that will lead to mutually beneficial business opportunities rather than having to chase whatever source of income happens to be available at the time.

In short, Builder Capital introduces the correct capital and capacity, buying the enterprise time to find and develop markets for the social impact it can deliver.

### *Who are Builder Capitalists?*

While accepting that such capital does not fit easily within the conventional risk/return spectrum used within financial markets because it is higher risk and yet offers no security or ownership stake in the enterprise, Heap and Davison maintain that social investors, by definition, are not purely motivated by financial risk and return alone.

They think the pioneering providers of Builder Capital (Builder Capitalists) will be wealthy individuals, trusts/foundations and/or corporations, with a powerful social conscience and a desire to see radical change, and that they will have a better than average understanding of risk. They will know how it feels to be responsible for a business operating in precarious markets and the livelihoods that depend on it.

Builder Capitalists will understand how long it takes to start with nothing and then to develop an enterprise that can take care of all its own needs without needing to rely on outside help. They will appreciate how hard that is. Builder Capitalists will be interested in solving problems and creating a lasting legacy. Financial returns will be important to them, but social impact even more so.

In this sense Builder Capitalist only exists conceptually in the first place. There may already be investors who fit the Builder Capitalist profile, but the point of the concept is not so much to create an alternative to what already exists, as to make what already exists more aware of its deeper implications and possibilities and to recast both existing and proposed investment as Builder Capital.



### 2.2.2 Access to Training and Employment (A2T)<sup>7</sup>

Access to Training and Employment (A2T) was originally formed in 2010 as the Pero Project. Run by Mike Ditchfield, A2T is a community interest company which, in simplest terms, means it is a not-for-profit organisation that works for the benefit of the community. Its aims and objectives are to make the community a better place for all to live in and to try to improve the lives of everybody within the community, particularly the most marginalised and disadvantaged. It originally started training young people who were generally towards the lower end of the education spectrum and could not get into mainstream education.

#### *Training Young People*

The project was set up to take training into the heart of some of the most deprived areas in Europe. A2T has a unique way of delivering qualifications to young people and benefitting the community as a whole. The community projects it embarks on match not only employees' needs but meet learners' aspirations while benefitting the community as a whole. The projects allow young people to see an end product, a product they can be proud of and a product which will benefit themselves and the community in years to come.

Although it is a relatively new organisation, from the directors to the delivery team, it has worked for over 15 years in this industry. A2T's greatest assets are its ability to retain young people on its programmes, and to achieve and maintain their engagement. A2T actively recruits learners from all areas of the community. Its main aim has always been to offer vocational programmes to those young people who are not yet ready or able to engage in apprenticeship, further education or employment.

It has worked with the local Vocational College in various forms of delivery in a capacity where it offers a delivery of programmes only and as a sub-contractor. As a delivery team, A2T was given the task of delivering qualifications as a teaching resource in both Worcester and Ellesmere Port, two areas near Liverpool, England, in which it is notoriously difficult to engage young people.

A2T's partnership with the Vocational College has been very successful in embedding itself within the local community, engaging learners from all areas of the community and working hard on breaking down barriers and beliefs. Its unique model of delivery and close working relationship with the Vocational College has enabled it to succeed where many providers have failed.

#### *Some practical aspects*

*Access2Training & Employment* offers young people training in construction in 'live' classrooms. Currently, the organisation is working with 20 young people from Ellesmere Port who were previously not in education, employment, or training. Qualified teachers supervise the young people as they progress their training towards employment or future apprenticeships within the construction industry. Alongside a Level 1 Diploma in Construction skills, they also achieve qualifications in Maths, English, Employability Skills and Health and Safety in the workplace.

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<sup>7</sup> Source: Access 2 Training and Employment (2013)

As reported in its web site news page (<http://www.vcoll.ac.uk/?p=88>), John McCollah (2013), Operations Director at the Vocational College, said: “This project is part of the college’s aim to fully integrate learning opportunities available through our Education Funding Agency Learner Responsive funding stream into community projects that will provide sustainable employment and valid progression routes to further study for our learners. Most importantly for potential employers, on completion of the programme, these young people will be job ready, knowledgeable, reliable, safe and useful from day one.”

The scheme, which is part of a town centre improvement programme, targets long-term vacant shops in the old high street of Whitby Road, Ellesmere Port, and aims to bring them back into use for the benefit of the community. Landlords are asked to rent out their unused retail unit to local community interest groups for a two-year period, receiving a peppercorn rent and benefiting from a grant to bring the property back up to modern specifications in return.

(For more on A2T, see *Appendix 2: Access 2 Training & Employment Regeneration of Whitby Road, Ellesmere Port – Self Help Housing & Local Authority Partnership.*)

## 2.3 Narratives and discourses

This case study cuts across the standard social finance literature as detailed for example in Nicholls, ‘D 3.1 Synthetic Grid’ insofar as that literature is predicated on the for-profit/not-for-profit divide. This bifurcates economic life into ‘private’ and ‘public’ sectors on the premise that the provision of ‘public benefit’ is mutually exclusive to individual gain – even though not-for-profits regularly pay for-profit lawyers and others for their services, and their employees are also strictly speaking for-profit entities, liable to income taxation (whether collected on their behalf under PAYE or paid directly in the case of self-employed people).

Given that accounting as such does not recognise the for-profit/not-for-profit divide – which is a tax construct – this study is about revisiting existing arrangements. In this sense, as an incipient or quasi-present social innovation, entrepreneur capital amounts to a nuancing and redescription of current practices. Its effect is to challenge current thinking and practices, in particular the role of taxation as surplus value allocator, and the idea that the locus of awareness, responsibility and decision-making rests with the provider rather than the user of capital.

### 2.3.1 Interview with Mike Ditchfield

As a case in point, on 7 May 2015, A2T’s Mike Ditchfield was film-interviewed by Christopher Houghton Budd and Justus Lodemann from the CRESSI project. The main points are replicated below, the full interview can be found at *Appendix 3: Interview with Mike Ditchfield.*

*What is your motivation?*

The main reason we are doing what we do is obvious we believe in it. There are a lot of easier ways of living. This is a 24-hour struggle. It’s constant stress. But the young people are not the stress. It’s all the nonsense around it. Borrowing money dealing with banks, dealing with the local authority.

*I understand you work with young kids, trying to give them chances in life and so on. Why do you do that?*

Why? Basically I've always worked with young people. I think everyone should have the same chance.

*I understand you do quite a lot by way of providing skills, construction skills and so on, for young people, but are you also involved in helping them run a business, doing cash flow, and so on?*

Yep, they do what's called functional skills, maths and English, but very much part of the financial skills is the section on money management, budgeting, mathematics for every day life, if you like. That sort of stuff is included in that. The lady who teaches that is brilliant at it. Not specifically, it's part of what they do, there are sections within it related to that.

*In terms of what you're doing do you have trouble getting capital for what you want to do?*

Yeah. We get paid to have young people in training courses. One of the problems is that it's yearly contracts. So we will contract with a big college but we can only ever get a year. So our contracts now are up for renewal. And the big colleges we are working with have had their budgets squeezed. So it's quite possible that in a month we'll have nothing. It isn't good. That money comes from the Skills Funding Agency, some European Social Fund money. It's money that the colleges get. They get it at the start of the year and people can subcontract from them. To be a prime contractor, you've got to be a big college, million or above. Small companies like ours subcontract off them, and the problem is that they are yearly contracts so you can't make any plans.

*What kind of entity are you?*

A Community Interest Company, a not-for-profit, we do not make any profit. So everything we get in goes out. Everything.

*So from a property investment point of view you have taken the speculative element out of the buildings you are involved in.*

Yes. We're not making any dough. We're providing for people who have nowhere to live basically. And we are not making money out of it because we are a non-profit making organisation because that's what our philosophy is. And that's why private builders aren't the slightest bit interested.

*But in your Community Interest Company model are you able to create a capital base?*

Not really because we're not-for-profit and you couldn't build up assets. Well you could, but you could never have a reservoir of spare capital ever. We can have assets in properties but they are not properties you can sell for five years.

*You still don't have a pool of cash in your business that you can play with.*

No we have not got working capital.

*Is that a problem? I am trying to figure out if there is a new kind of working capital for a project such as this. It's as if you are allowed to go and buy sweets and bring the change back, but not to innovate.*

That's it. We have no working capital. If our funding did not come from the training because the rents will only cover the mortgage. So we are standing still.

## 2.4 Rules, norms, and policies

As already outlined (see *1.5 Entrepreneur capital and the social grid*) and as illustrated in the above interview, the main substance of this case study concerns the relationship of entrepreneur capital to today's realities, in particular to today's prevailing rules, norms and policies. In Beckettian terms: cognitive frames, institutions and social networks.

Building on but rethinking prevailing rules, norms and policies, insofar as it is a redescription of existing financial media, and in that sense an impliedly present social innovation rather than a wholly new concept, entrepreneur capital betokens systemic change from conception through to practice. To the degree that it is recognised and becomes practicable, it directly remedies credit-marginalisation, provided there are social entrepreneurs and young people willing to become the locus of change. That is to say, they need to be the pioneers of change.

As already noted, the main hindrances to the take-up are the rules, norms and policies that, in their essence, favour two things: the prescription of terms by the providers of credit, and the underlying assumption this entails of preserving capital rather than allowing it to circulate between entrepreneurs. Related to this is the more far-reaching problem that governments and/or markets are seen as the allocators of capital by way of credit provision, rather than allocation being effected by socially responsible entrepreneurs and young people through their intended use of the capital they receive.

The existing rules, norms and policies derive from a nexus of conventions and laws concerning profit, capital and credit. New or revised conventions and laws may therefore be needed, concerning which, and as essayed here, the primary task is to revisit the assumptions about current conventions and laws. For example, the convention that commercial companies should maximise profits in favour of shareholders, or the 'right' of a shareholder to the residual value of a company. Neither has a ground in economic logic; both derive from the power or interest of capital owners, and the reiteration of risk-reward arguments.

In a world that places the ownership and preservation of capital before all else, it is natural to devise laws and even economic theories that reflect such interests. But that does not make those claims or the associated rules, norms and policies valid from an economic or social point of view.

For example, lenders expect a return on capital because their image of capital is that it belongs to them and so is emitted by and should return to them. The notion of circulating capital would never give rise to such ideas, or their associated policies and practices. On the contrary, capital would 'die' into an enterprise to be replaced by its internally generated capital, out of which the initial obligation is met. But this is not the same capital, nor did the original capital 'grow'. Capital is generated, and then dies (as do all economic values). This is a fact to which the technique of pure accounting bears witness in that the capital in a business is immediately used to finance the means of production (liabilities finance assets). At this point the flow and

use of money need to be seen separately from the relationships in which they occur. This requires making a distinction between pecuniary and voting rights for the fact that a business has obligations does not mean it can meet them.

#### ***2.4.1 The accounting meaning of entrepreneur capital***

Nowadays, the context of social entrepreneurship has to be linked to the question: In what way does it lead to an understanding of finance other than the kind that was called into question by the global financial crisis? Views differ as to the causes of that event and the kind of finance that could be taught instead. Quantitative easing has given a (possibly false) reprieve to the efficient markets hypothesis described in *Prospect Magazine* (Sep. 2009) at the time by Lord Adair, the then head of the now defunct Financial Services Authority in London, as a “train wreck”. Even so, the ‘standard’ view remains essentially market driven. On the other hand, there has been an opening towards monetary reformism, witness the New Economics Foundation’s *Where does money come from?* (Ryan-Collins and Greenham, 2014), with a foreword by Charles Goodhart, a world expert on central banking. Despite its variants, however, this is an essentially statist concept of money, seeing it as something created by and the responsibility of the state. There has also been an increase in the literature on ‘social’ finance and ‘social’ enterprise, much of it, however, overlooking, even pejorative as regards the role of accounting as the key element in rethinking financial literacy.

In contrast to these three approaches, the argument is made here that to be effective any rethink of financial literacy needs to be grounded on ‘the accounting process’ (from single entry to double entry through closing entries to trial balance) and on a perception of the essentially social and objective nature of that process (Houghton Budd, 2015b). This, rather than on the use of accounting to further ideological aims, thereby giving succour to the conceptually false, albeit politically understandable, divide between for-profits and not-for-profits, commercial and charitable undertakings, and private and public sectors.

It is not accounting that gives rise to (or even recognises) this divide, however. It is a function of the tax system, derived in turn from misconceptions of profit and capital and the perennial ideological tussle over whether the beneficiaries of economic activity should be the workers or the capitalists (even if in recent times the nomenclature may have become disguised).

Understood as a social metric, however, profit belongs to no one. A function, rather than the purpose of economic activity, profit merely demonstrates the validity, including social validity, of an activity. To be sure, it is added to the ‘own capital’ of an enterprise, on which by (dubious theoretical or merely assertive) convention shareholders have first ‘dibs’. They do not in fact own the enterprise, however, but are its ultimate creditor. Shareholders own shares, not the entity they have bought shares in. Seen from a strictly economic point of view, the entity or activity belongs to those whose capacities enable the enterprise to achieve its goals. In this sense, ‘own capital’ belongs to the entrepreneur.

#### ***2.4.2 Overcoming the For-profit / Not-for-profit divide***

Another way of using accounting to recognise entrepreneur capital is to contrast grant funding in the not-for-profit world to the way for-profit activities are capitalised. In today’s mindset and tax regime a distinction is made between activities that provide ‘private’ benefit and those that provide ‘public’ benefit, based on the assumption that profit is the way to identify and measure both. In fact, as already noted, profit becomes own capital and the real phenomenon

to observe is the use of own capital. Here again the conventional assumption is that own capital will either be distributed to shareholders (hence ‘private’, ‘for-profit’) or it will be retained for the ideal of the activity (‘public’, ‘not-for-profit’).

This is a flimsy argument, however, because both for-profits and not-for-profits distinguish between the ‘profits–cum–own-capital’ used to capitalise internally the activity and those that are, in effect, surplus to its needs and thus put to reserves (meaning in fact lent to other activities via the financial system). Whether reserves are then distributed, and to whom, is a further step. All this, however, can only be assessed and followed precisely via accounting (forensic accounting if need be). For-profit/not-for-profit status is, therefore, by the way. One simply needs to follow the money trail. In the simplest example, the trustee of a charity can submit a 1<sup>st</sup> class ticket but only claim the 2<sup>nd</sup> class portion of the fare – and should only be paid that amount.

More crucially, the for-profit/not-for-profit divide has another, more problematic, dimension in that it assumes the rewarding of entrepreneurial initiative in the case of a for-profit but not in the case of a not-for-profit. And yet entrepreneurial initiative is the key to successful economic activity in *both* cases. Otherwise those responsible for not-for-profits will be (are) regarded as mere spenders, agents of someone else – typically the grant providers.

The challenge is to transcend the for-profit / not-for-profit divide to enable entrepreneurial initiative to be harnessed to the creation of so-called ‘public benefit’ *without* the conditionality of grant funding, by freely capitalising the entrepreneur instead.

## 2.5 Resources in terms of accounting

Obviously, entrepreneurs, social or otherwise, cannot achieve their goals without resources. Chief among these is the much-overlooked but crucial resource of accounting, the essence of which is:

(1) Own Capital on the liabilities side matched by Cash on the assets side.

(2) At the end of the trading period all profit, understood as surplus of income over expense, is subsumed onto the balance sheet as own capital. It is in this sense that there is little point in asking from where the profit has come or to whom it belongs.

Looked at in more detail, a balance sheet conventionally comprises debt and equity, borrowings and own capital. Strictly speaking, neither debt nor equity belongs to the business. Loans obviously belong to their lenders and are above the line, repayable with interest whether the borrower is profitable and liquid or not. Own capital (typically in the form of shares) belongs to the shareholders, but is not repayable except on liquidation. Also dividends are not payable if the cash flow consequences would be adverse for the business.

Debt (loans) does not have any right to the increased value of the company, but (by convention) equity does. Typically the entire residual value belongs to the original providers of capital, but this masks the fact that the increase is due to the initiative, skill and nous of the entrepreneur on whom, therefore, capital growth depends. If, in a similar way to loans, the initial capital were conditioned so that not all of it accrued to the original providers, then one could create a new category, entrepreneur capital, which would belong to entrepreneurs to use when they saw the possibility of taking a new initiative, the kind that might otherwise die if



they had to go to the markets or negotiate with banks at that instant. This kind of capital would typically be needed when hiring new staff, financing R&D, and exploiting new opportunities. In other words, when taking new initiatives.

In this sense entrepreneur capital means capital that belongs to the person running a business (the entrepreneur) rather than to general shareholders or loan providers. The idea is that mere ownership of capital does not make it grow; capital only ‘grows’ if taken hold of by an entrepreneur and put to use (through the financing of equipment, stock, etc.) in order to create new values. In accounting terms, these new values are tracked as the excess of income over expenditure, shown as profit, which is transferred to the own capital account on the balance sheet. Normally, this capital is an addition to the original equity capital, but entrepreneur capital is a special category. Economically real, but not usually juridically expressed, its sits between shareholder capital and loans.

### ***2.5.1 A2T’s accounts (conventional and recast)***

Because grants eclipse the part played by an entrepreneur’s initiative, both initially and on-goingly, this study recasts A2T’s accounts in order to show that its grants are, in effect, an increase in own capital, transferred to cash and then either changed into a different asset (e.g. equipment) or spent (e.g. increased remuneration). Because grants are not owed back, they can readily be or become entrepreneur capital.

In the case of A2T the recasting re-categorises both its revenue and capital grants as own capital, the one then treated as income, the other as asset financing (but without ‘asset locks’). Such recasting is necessary in order to revisit the role of social enterprises in terms of social *and* financial results, not social *rather than* financial – and so that accounting can measure both.<sup>8</sup>

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<sup>8</sup> As discussed later under *2.7 Social impact measurement*, while many ‘social’ businesses bear the cost of what they do, the benefits appear on other parties’ balance sheets. The wider social impact of such businesses therefore also requires reference to those other parties’ balance sheets. For example, (i) improved circumstances of young people in terms of increased income or own wealth creation instead of social security dependency; (ii) improved trading (general footfall) when an area ‘comes back’; and (iii) increased property values (both of those directly owned and used by the social enterprise and those of other people).

**Access to Training and Employment CIC**

Year ended 31 March 2013

**Profit and Loss Account**

<i>Sales</i>	
Sales	412,744
<i>Cost of sales</i>	
Purchases	53,795
Gross Profit	<b>358,949</b>
<i>Administrative Expenses</i>	
Employee costs:	
Wages and salaries	51,750
Staff training and welfare	15,604
Travel and subsistence	89
Motor expenses	16,450
	<b>83,893</b>
<i>Premises Costs</i>	
Rent	20,795
Light and heat	4,455
Cleaning	1,108
	<b>26,358</b>
<i>General Administrative Expenses</i>	
Telephone and fax	4,071
Stationery and printing	2,798
Bank charges	2,464
Insurance	7,978
Repairs and maintenance	313,638
Depreciation	930
Sundry expenses	0
	<b>331,879</b>
<i>Legal and Professional Costs</i>	
Accountancy fees	2,880
Consultancy fees	18,031
	<b>20,911</b>
Total Expenses	<b>463,041</b>
<i>Other Operating Income</i>	
Other operating income	(1) 106,091
Operating Profit	<b>1,999</b>
Corporation Tax	450
Profit after tax	<b>1,549</b>

**Balance Sheet**

	<b>Conventional</b>	<b>Recast</b>
<i>Fixed Assets</i>		
Land, Buildings	79,492	79,492
Motor Vehicles	3,720	3,720
Depreciation	-930	-930
	<b>82,282</b>	<b>82,282</b>
<i>Current Assets</i>		
Cash	(2) 58,073	58,073
	<b>58,073</b>	<b>58,073</b>
<i>Current Liabilities</i>		
Bank	45,500	0
Trade Creditors	(3) 71,850	71,850
Corporation Tax	450	450
Other taxes, etc	13,016	13,016
Other creditors	(4) 8,000	0
	<b>138,816</b>	<b>85,316</b>
<i>Net Current A/L</i>	<b>-80,743</b>	<b>-27,243</b>
<b>Net Assets</b>	<b>1,539</b>	<b>55,039</b>
<i>Capital and Reserves</i>		
Own capital	(5) 0	53,500
P&L b/f	-10	-10
P&L this period	1,549	1,549
	<b>1,539</b>	<b>55,039</b>

Table 1: Accounts of Access to Training and Employment CIC – conventional and recast



The adjacent table compares A2T's accounts for the year ended 31 March 2013 as conventionally reported and with its balance sheet recast on the basis of entrepreneur capital. The notes in the accounts refer to the following questions, as answered by A2T's accountant:

Q1. What does 'Other Operating Income' of 106,091 comprise?

This was a grant from Tribal Education (administrator) on behalf of the government's Empty Home Renewal Program, a fund to assist organisations bring derelict property back into social usage. I separated sales income from grant income so as to gauge "sustainable" income from contingent income; sales activity being a service to equip long term unemployed, socially excluded and individuals with social issues with a useful skill: construction, administrative, shop worker, etc.

Q2. Why are they holding so much cash at bank? 58,073.

The company received £205K in March from sales, grants and a bank loan.

Q3. Break down of 'Trade Creditors' of 71,850, which seems high, since there are no 'Trade Debtors'.

The money received from Tribal is used to fund the cost of the repairs project (building suppliers) in reality the grant is paid retrospectively to A2T after the money is spent out by A2T, the grant final payment was in March 2013 for this part of the project.

Q4. 'Other Creditors' of 8,000. Who? Why?

Director loan account, to cover cashflow before grant funds arrived, £8K being the balance remaining (original loan £14K).

Q5. The accountant added the following commentary:

"The grant could only be spent on revenue items, which means the purchase of the property has to be funded from elsewhere (bank loan). In reality the repairs and renewals to the property (*not* enhancements or structural alterations) has an effect of increasing the capital value of the occupied property.

Is this not the creation of 'own capital'? The work done on the properties can be demonstrated to be of a repair nature (revenue) and recorded through the P & L. The fact that the grant stipulates that capital expenditure is prohibited and a bank loan has been used to buy the property in the first place further supports the view that any notional (and realised if sold) increase in the value of the asset is as a result of the efforts made by the Community Interest Company (which is limited by guarantee)?"

In other words, the increase in value is due to the entrepreneur, who is denied the working capital of which he is the originator. How can that not be a disincentive?

The difference between the two sets of accounts appears not to be that great. It amounts to a consolidation of bank and other creditors into Own Capital ( $45,550 + 8,000 = 53,500$ ). That is, in the recast accounts capital has been invested in the business such that it does not need to be financed by bank borrowings or trade creditors. In other words, it has provided working

capital that matches the initiatives being undertaken by the entrepreneur (social or otherwise) and the risks he runs. This is ‘entrepreneur capital’.

The difference is not only a matter of numbers. In the interview with Mike Ditchfield (see 2.3.1) many topics are touched on which describe the inefficiency of grant funding, the lack of working capital, the profit opportunities given to banks at no risk, the long hours spent for small reward by the entrepreneur, without whom none of the other benefits would be possible – jobs for staff, opportunities for young people, profitable deals for banks, and so on.

It is beyond the scope of this study to do so, but all of this is measurable in accounting terms, albeit it reversedly (see 2.7.1 *An epistemological reflection*).

### 2.5.2 A2T’s Resources

As well as the resource of accounting as such, the items represented on the balance sheet are also resources – the assets or means of production (without which no economic activity can be undertaken, and the liabilities or financing of the means of production, without which assets cannot be acquired. This view is strengthened when accounting is understood as money, meaning in turn that money is not a value in itself but a reflector of values, meaning not a commodity but an instrument of perception. The resources of A2T are therefore to be identified by analysis of its accounts – see 2.5.1 *A2T’s Accounts (Conventional and Recast)*.

<b>Assets (used to provide service)</b>	<b>Liabilities (provided by whom?)</b>	
Land and buildings	Bank loan	} The community generally
Motor vehicles	‘Friendly’ loans	} Specific people
Working capital	Investors	} Risk carriers

## 2.6 Social and technological innovation

In terms of social and technological innovation, entrepreneur capital has three main aspects:

1) By revisiting the nature, role and structure of accounting as such, it argues that *accounting is inherently social*. The problem is its distortion for tax avoidance, profiteering and other ‘anti-social’ purposes. When not so used, it becomes an instrument for perceiving what one is trying to achieve and whether or not one is managing to do so.

2) Insofar as it ‘walks the talk’ of pure accounting, entrepreneur capital is not only a social innovation; it is also *a technological innovation* (technological in the sense of financial ‘engineering’). In this respect it is directly fostered and facilitated by ICT in that individuals generally can develop, sustain and take further the financial literacy that entrepreneur capital presupposes through the medium of managing their own financial affairs by using accounting software packages.

As outlined in the writer’s ‘Training Material on Accounting’ (2015b), Deliverable D3.2 of the FP-7 Project: CrESSI (613261), the ground for all finance is the accounting process. It is this that all accounting codes and practices derive from, even if they become skewed in favour of tax avoidance and mere profit-making. It is on this, too, that all accounting

programmes are built, even if they are automated in their functioning. Now available in any number of software versions from the simplest lay to the most complex professional, they are, moreover, fully accessible to anyone with a laptop computer. Individuals need only to understand the accounting process and then apply it to their own affairs, and what was once the province of experts becomes a field in which every citizen can become the locus of expertise.

Accounting then goes from being an instrument of perception to a tool for guidance for implementing one's intentions and for doing so with precision and efficiency as regards their outcomes, intended or otherwise.

3) The fact and use of ICT has a further, very important, dimension. In principle, it enables the locus of societal responsibility to pass from centralised 'authorities' to the citizens generally.

However, the term 'the authorities' is something of an anomaly in times when individuals are for the first time in history able to take full charge of their social responsibilities. It suggests they would prefer to transfer this authorship to external agencies, be they of the state or of the market, agencies that not only govern practical monetary affairs, but also assume the legitimacy of certain values, which their policies instil and protect. For example, the idea of price stability (low inflation) is seen as a virtue and therefore as something that should be universally inculcated and applied.

Without discussing the merits of price stability and whether it can be achieved, the point is that financial literacy of the kind implied by entrepreneur capital, combined with ICT, enables the citizens to collectively accomplish economic goals without depending on external stimuli or regulation of a fiscal or financial kind.

As regards embracing the ever-latest gadgetry and the fastest broadband, it goes without saying that one needs to keep abreast of ICT, but one also has to be aware that technology can move ahead of our ability to give it ethical boundaries. And yet, just because something can be done is not reason enough to do it. Is the fact that one can day-trade from one's mobile phone meritorious in itself, for example? A recent (18.01.14) panel discussion by experts on BBC Radio 4 chaired by Mariella Frostrup concerning financial literacy in schools, stressed the danger of teaching technique without ethics, "mechanics without enlightenment". It also warned against treating money as a source of value rather than as a means of exchange.

The 'hard' technology of finance has obviously changed and evolved with the times, becoming very refined – so that now one 'moves' gold stocks in Fort Knox by adjusting values in a digital column, rather than moving the gold on pallets, as used to be the case, let alone having it shipped back to one's country as de Gaulle famously did in 1964. One should not think, however, that changes in hard technology affect the 'soft', enduring nature of bookkeeping and accounting. This is unaffected by changes in technology. As explored by Görmez and Houghton Budd (2013), to be 'smart' is not to be wired up, equipped with the latest gadgetry and constantly updated as to market news; to be smart is to understand the why and how of accounting as such, to contextualise and condition its use and technology with understanding and ethics. (For other meanings of 'smart', see 4.2 *Social impact policy*.)

## 2.7 Social impact measurement

### 2.7.1 *An epistemological reflection*

The measurement of social impacts entails a critical question of epistemology and method. Does one measure in terms directly born of the thing being measured or by proxy, meaning importing or replicating the methodology of the physical sciences? Is the social realm physical or of another order? Meaning is it sense-perceptible or to be apprehended by thinking directly? Do we apprehend social phenomena in terms of causation or effect? Directly or reversedly? Quantitatively or qualitatively?

For example, if a teacher or an education system generally fails to hold the students' attention so that they lose interest, play truancy or engage in anti-social behaviour, that requires police on campus, how is this to be measured? By some metric of dissatisfaction, or by the simple expedient of adding the cost of the police to the education budget – the addition being the measure of failure? Conversely, it is well known in the highly successful 'mature student' schemes in the UK that engaged, committed students maximise their own and their universities' resources.

In the end the qualitative can (and ought to) be expressed in quantitative terms, but indirectly. The obverse of this argument is that social phenomena need not (and therefore should not) be manipulated, neither conceptually nor institutionally, so as to be a match for proxy physical measurement. Rather, the challenge is to think in terms of the thing being measured. The English have an unfortunate habit, when in other peoples' lands, of shouting in English rather than speaking the language of their hosts. The idea is that by shouting one achieves some kind of translation! In like manner, what purpose does it serve to shout the methodology of the physical sciences at phenomena that are social. Instead one needs to speak in their own language; in fact, to listen.

That comes down to apt thinking and in this study the assumption is made that, as concerns entrepreneur capital, social enterprise and social finance, the most apt thinking is that required, and indeed facilitated, by accounting. In other words, the very structure of accounting with all its nuances and conceptual and terminological specificity, reflects and entails a certain ability to think in accordance with what accounting itself already measures.

### 2.7.2 *Measuring social impact via accounting*

As regards this study, the two chief metrics are profit and entrepreneur capital. Understood as the difference between income and expenditure, and assuming the prices received (income) and the prices paid (expenditure) conform to ethical and environmental concerns, profit can be regarded as a measure of the social *and* financial validity of an enterprise.

As already noted, since in accounting terms the profit is transferred to the own capital account on the balance sheet, there can be no question of debating who owns it. The question is to what use is it put? In this study the distinction is made between allowing all profit to accrue entirely and in perpetuity to shareholders and allocating some of that profit to the entrepreneur in order to create his or her own economic space in which to innovate and take initiatives. In this sense, the amount and use made of entrepreneur capital can be seen as a metric for the efficacy of the (social) entrepreneur.

In the same vein, all other accounting categories – stock levels, speed of turnover, liquidity ratios, etc. – are metrics on some facet of an enterprise. And not of the enterprise unto itself, but in relation to its environment, both social (e.g. customers and suppliers) and physical (e.g. use of finite resources). By this token, the social innovation of entrepreneur capital can be expressed in terms of the accounts of those who benefit from entrepreneur capital in lieu of grant funding.

To give a crude example, the time taken to apply for grants can be tracked then multiplied by a remuneration factor to establish how much of the grant has already been spent applying for it. This can be compared to the immediacy of being able to access entrepreneur capital when an opportunity or an initiative arises.

More complex, but also measurable, is the saving to a building company, for example, if a young person joins it ready trained up, this being the purpose and effect of A2T's programmes. In this case, an important fact needs noting, namely, the costs of the training appear in the accounts of A2T, but the benefits arise in the building company (leave alone on the balance sheet of the young people now able to earn a living rather than languish on benefits, which in themselves are expenses without gain).

*Note:* It is not the aim of this study to prove these statements, only to assert them. The proof would require a detailed analysis of the accounts of those using entrepreneur capital (instead of grant funding) and those benefitting from it; however, to conduct such research is outside the scope of this study.

### ***2.7.3 Impact of entrepreneur capital***

In the case of A2T, the impacts of its work are many. First of which is a more accurate, less politicised understanding of economic life.

Secondly, there are the obvious impacts of town regeneration, property restoration, stabilisation of real estate values. But also the (measurable) number of young people who are able to migrate from benefit-funded existence to (self)employment.

Thirdly, there are the subtler impacts and improvements in terms of self-confidence, social recognition, financial independence, having one's own 'space', and so on.

Lastly, one can look at the immediate benefits in terms of a locality and its citizens, but also the more distant ones of better and more effective use of national resources, streamlined financing, and the depoliticising of economic regeneration (bearing in mind that entrepreneur capital in effect 'hybridises' capitalism and socialism).

All such information can of course be gathered at local or national levels.

### ***2.7.4 Subsidiary measurements***

One can also, of course, measure the number of customers, level of repeat sales and, but more of a stretch, the degree of customer satisfaction and other psychological variables. Since, however, they ultimately translate into prices and profits, etc., they are regarded here as secondary or subsidiary.

One can also count the number of young people therefore no longer needing benefits, and so on. But does one need such information to substantiate an argument? Even if one young person ceases to be on the dole, the point has merit. If one asks how much expense such social change requires, then one has to be careful not to put a price on change, let alone on the human beings whose lives have thereby improved. Who is to calculate the economics of a life spent on benefits, receiving money but not generating value, compared to a life spent creating value while also being remunerated? One has to be careful not to cross the line between ethics and finance – at best conflating the two, at worst trumping ethics with finance.

## **2.8 Further drivers and obstacles for the diffusion of entrepreneur capital**

It should be clear by now that entrepreneur capital requires a particular category of investment instead of the two things it would replace – revenue and capital grants. In terms of a for-profit balance sheet this would be a form of investment sitting between debt and equity, so on rather than above or below the line, see sketch at 2.1. Again, in a for-profit company this could be a special class of share, a nuancing of the existing range of investment categories – with the nuance being that it is available uncollateralised to the entrepreneur, to whom it also belongs.

This is not the same thing as a manager being paid in conventional shares, because, as already seen, the very instituting of entrepreneur capital entails a review of the role of profit and equity.

Two main areas are thereby called into question and require to be changed if entrepreneur capital is to gain explicit (as distinct from implied) existence:

1) The nuancing of the capital structure of for-profits so that they can have the effect that is otherwise sought through not-for-profits – a socially responsible outcome born of the individual free use of capital. Such a nuancing would render moot the need for such forms as cooperatives and Community Interest Companies.

2) A revisiting of policy so that (i) clear, detailed, transparent and self-audited accounting replaced the often blunt and political instrument of taxation as an allocator of capital, and (ii) P2P lending in a context of clearly defined ‘people, planet, profit’ criteria would displace the government as the main source of capital, with ‘capital transfer’ replacing ‘grant’ as the nomenclature and instrumentality.

### **3. Social innovation development and impact**

#### **3.1 Development of entrepreneur capital**

As this study makes clear, the development of entrepreneur capital is not explicit. It is impliedly present as the need for clearer, more effective forms of capital transfer. Its history is as long, therefore, as that need has existed; as long, that is, as grant-funding has required social entrepreneurs to waste time, money and energy jumping through the hoops of grant supplication or be constrained in their operating by 'asset locks' and the like (see 2.3.1 *Interview with Mike Ditchfield*).

As a social innovation it does not require revolution or great upheaval to come to the fore. As illustrated in 2.5.1. *A2T's accounts (conventional and recast)*, the way to do this would be to recast the balance sheet of existing social enterprises so that the funds received to date as revenue and capital grants were converted into entrepreneur capital, implying also the undoing of asset locks and other externally imposed constraints



## 4. Discussion and key lessons

### 4.1 Discussion and questions

Given the comments made thus far, there is not a lot left to discuss. The implications for social innovators, policy makers, investors and funders have all been spelt out (or at least outlined) and summarised under *4.3 Summary of changes entailed by entrepreneur capital*. The main issue is the absence of the kind of thinking and doing on which this study is predicated. This will remain the case unless and until such social enterprises as A2T can issue shares, and thus have the benefit of entrepreneur capital.

While neither Builder Capital nor A2T may have an explicit concept of entrepreneur capital as detailed in this study, both can be seen as specific instances of its *implied* existence. The main hindrance to its *explicit* existence – that is, a more precise way of transferring capital for entrepreneurial use – is acceptance of the prevailing tax regime, whereby profits made in the so-called commercial or business sector are transferred via the state and expended by the civil or third sector.

In principle (and perhaps in the future) none of this needs the agency of the state other than in establishing and upholding the rights whereby such transfers can take place in a more conscious and responsible way. In effect, it is a case of creating an awake version of what already happens sleepily when a business that adopts the costs of a ‘non business’ is allowed to reduce its incidence of income taxation on the grounds, seen economically, that it provides funds that the state would otherwise have to generate through tax revenues.

The aim of this case study, therefore, has been to show that entrepreneur capital impliedly exists in the case of A2T, and that Builder Capital is a forerunner or notion-in-the-wings of a social innovation targeted on credit-marginalised young people.

### 4.2 Social impact and policy

Concerning the role of public policy instruments in developing finance structures and wider eco-systems to support the development and growth of social innovation, in the context of the EU’s 2020 concepts concerning ‘smart, sustainable and inclusive growth’, the social innovation of entrepreneur capital has three main aspects: To encourage young people especially to learn and update their skills, to create new economic growth, and to embrace the digital media of ICT. The last has been addressed in *2.6 Social and technological innovation*.

‘Smart growth’ is addressed by looking at both ethical and technical aspects of entrepreneur capital without allowing the one to be instead of the other. (There is, of course, another management meaning of SMART: *Specific* – target a specific area for improvement; *Measurable* – quantify or at least suggest an indicator of progress; *Achievable* – specify goals that are reachable; *Realistic* – state what results can realistically be achieved, given available resources; *Time-related* – specify when the result(s) can be achieved. None of these are foreign or in contradiction to the notion of entrepreneur capital.)

‘Inclusive growth’ is achieved by capitalising the initiatives of marginalised young people (because this acts as a multiplier). Whether the new growth comprises jobs or products, if these are to be created by social innovators, the latter need to be financially literate at the very



practical level of knowing how to achieve adequate profitability, appropriate capitalism and positive cash flow in the fulfilment of their economic activities.

‘Sustainable development’ amounts to ensuring that ‘social’ enterprises are capitalised or financed in ways that (a) ensure longevity and (b) take into account multiple stakeholder interest. Again, this is largely a question of ensuring social entrepreneurs have the amount and type of capital that allows them to innovate.

Finally, the effectiveness of entrepreneur capital in terms of its diffusion and speed of take-up depends on the reliability of social innovation. In the case of entrepreneur capital, the main structural or institutional changes it entails amount to a ‘tweaking’ of existing legislation. The readiness and motivation of social entrepreneurs is not at issue; the problem is the impediments to and constraints on their willingness to act on behalf of others.

### 4.3 Summary of changes entailed by entrepreneur capital

This chart details the various changes entailed by entrepreneur capital. It endeavours to match then to the Beckertian and Mann framework as best as seems appropriate. It should be noted, however, that in following the logic of the Heidelberg template, the research undertaken in this case study does not match directly the Beckertian propositions, while of Mann’s ‘powers’, only three seem relevant.

Category of Change	Existing	Proposed
<i>Rethinking conceptions and conventions. Beckert: Cognitive frames. Mann: Ideological.</i>		
Purpose of capital	Self-interested	Initiative supporting
Nature of capital	Return to / growth of	Consumes / dies
Attitude to capital	Preservation	Circulation
Intellectual framework	Efficient market hypothesis	Accounting process
Profit	Shareholder gain / Maximise	Social metric / Share
Money	Value / Commodity	Reflector / Instrument of perception
Transfer of excess capital	Taxation	Self-audited accounting
<i>Modify legislation re share and corporate forms. Beckert: Institutions. Mann: Political.</i>		
Capital allocators	State / markets	Entrepreneurs
Residual value	All to shareholders	Shared with entrepreneur
Nature of capital transfer	Grant	Working capital
Terms set by	Lenders	Borrowers
<i>New instruments / new types of investor. Beckert: Social networks. Mann: Economic.</i>		
Funding source	Taxation via government	P2P, crowd funding, etc.
Lending	With collateral	Without collateral
Corporate form	For-profit/Not-for-profit divide	Universal limited company
Share construct	Combined pecuniary / voting rights	Separate pecuniary / voting rights

Table 2: The various changes entailed by entrepreneur capital

## Appendix

### List of Figures

Figure 1: Entrepreneur capital between debt and equity .....	7
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### List of Tables

Table 1: Accounts of Access to Training and Employment CIC – conventional and recast...	18
Table 2: The various changes entailed by entrepreneur capital .....	27

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## Appendix 1

### *10 Capabilities per Martha Nussbaum<sup>9</sup>*

1. *Life*. Being able to live to the end of a human life of normal length; not dying prematurely, or before one's life is so reduced as to be not worth living.
2. *Bodily Health*. Being able to have good health, including reproductive health; to be adequately nourished; to have adequate shelter.
3. *Bodily Integrity*. Being able to move freely from place to place; to be secure against violent assault, including sexual assault and domestic violence; having opportunities for sexual satisfaction and for choice in matters of reproduction.
4. *Senses, Imagination, and Thought*. Being able to use the senses, to imagine, think, and reason—and to do these things in a “truly human” way, a way informed and cultivated by an adequate education, including, but by no means limited to, literacy and basic mathematical and scientific training. Being able to use imagination and thought in connection with experiencing and producing works and events of one's own choice, religious, literary, musical, and so forth. Being able to use one's mind in ways protected by guarantees of freedom of expression with respect to both political and artistic speech, and freedom of religious exercise. Being able to have pleasurable experiences and to avoid non-beneficial pain.
5. *Emotions*. Being able to have attachments to things and people outside ourselves; to love those who love and care for us, to grieve at their absence; in general, to love, to grieve, to experience longing, gratitude, and justified anger. Not having one's emotional development blighted by fear and anxiety. (Supporting this capability means supporting forms of human association that can be shown to be crucial in their development.)
6. *Practical Reason*. Being able to form a conception of the good and to engage in critical reflection about the planning of one's life. (This entails protection for the liberty of conscience and religious observance.)
7. *Affiliation*
  1. Being able to live with and toward others, to recognize and show concern for other humans, to engage in various forms of social interaction; to be able to imagine the situation of another. (Protecting this capability means protecting institutions that constitute and nourish such forms of affiliation, and also protecting the freedom of assembly and political speech.)
  2. Having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others. This entails provisions of non-discrimination on the basis of race, sex, sexual orientation, ethnicity, caste, religion, national origin and species.

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<sup>9</sup> Nussbaum (2011)

8. *Other Species*. Being able to live with concern for and in relation to animals, plants, and the world of nature.
9. *Play*. Being able to laugh, to play, to enjoy recreational activities.
10. *Control over one's Environment*
  1. *Political*. Being able to participate effectively in political choices that govern one's life; having the right of political participation, protections of free speech and association.
  2. *Material*. Being able to hold property (both land and movable goods), and having property rights on an equal basis with others; having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human, exercising practical reason and entering into meaningful relationships of mutual recognition with other workers.

## Appendix 2

### ***Access 2 Training & Employment Regeneration of Whitby Road, Ellesmere Port – Self Help Housing & Local Authority Partnership***

*Report by Jochem Hollestelle, Ellesmere Port Town Centre Improvement Manager  
Cheshire West and Chester Council.*

Whitby Road in Ellesmere Port is a tertiary shopping street in the town centre, built 100 years ago, when the town was booming because of growing industry. A lot has changed, with a new 60' modern town centre, the out of town Cheshire Oaks outlet village, super markets offering free parking, competition from Chester, Liverpool and Manchester, and the internet revolution. It's a similar story as elsewhere in the country, giving Whitby Road a 24% vacancy rate April 2012.

#### *Empty Shop Refurbishment Scheme*

Over the last 20 months we have started with an 'empty shop refurbishment scheme' to tackle the problem of vacancy. The scheme offers a refurbishment grant in return for a 2 year peppercorn rent of the empty shop. The logic being, that we do not want to put money in refurbishing a shop and still have it empty. The Council then nominates an organisation offering community benefit to get the 2 year peppercorn rent.

The 2-year peppercorn rent (£1 per month) period is chosen as the refurbishment grant the Council pays the landlord (sourced from the local authority's Section 106 levies) is roughly equivalent to the rent free period the landlord offers the new leaseholder. Rents are roughly £100 per week on average, so 2 year rent loss is £10k. The grant could be up to £15k, with additional benefit to the landlord that the business rates liability is not with the landlord but with the leaseholder. I encourage 5-year leases, so the CIC's can grow and enable paying rent in year 3, 4, and 5.

*5 Whitby Road is now the Paperboat Gallery. (<http://www.paperboatgallery.org.uk/>)*

It used to be a newsagent for 20 years, until it closed as the local Bangladeshi owners did not want to branch out into selling alcohol and lottery tickets. It was empty since July 2007 before the art gallery was established May 2013. A competition was held to 'manage your own art gallery'. This was won by a local resident, German ceramist, Sonja Moss-Dolega.

*55 Whitby Road is now a training centre (<http://www.access2employment.co.uk/>)*

It was empty since Jan 2008, with a Nottingham landlord. An open competition was held to re-use the shop, which was won by CIC Access2Training & Employment. The landlord has now also refurbished the 2 empty flats above, encouraged by the shop refurbishment, and will take people from the Council's waiting list.

*37-39 Whitby Road has been refurbished as a community café.*

The former carpet clearance corner shop became empty when that shop relocated to the former McDonalds restaurant. The premises is very suitable for a cafe because of the size,

layout internally, and street corner position, therefore the landlord was invited in a pre-emptive strike to join the scheme, when it was known the shop would close. A competition was held to 'manage your own non-alcohol cafe'. This was won by Access2Training&Employment, who manage the cafe with training opportunities for young people, healthy eating, and drinking (dry bar) and live music performances. The Cafe is called 'Montague', after Jewish immigrant entrepreneur Montague Burton, as the property was originally built in 1936 as a Burton shop, in art deco style.

*13 Whitby Road will be West Cheshire Credit Union, is being refurbished (<http://www.wccu.co.uk/wccunew/>) and 15 Whitby Road is planned for a community laundrette.*

CIC Access2Training has bought 13-15 Whitby Road recently from landlord residing in Pakistan. The property was empty since April 2006 and had fire damage. The shop 13 is being refurbished for the local credit union, to enable them high street presence in competing against other money lenders and loan sharks. The 6 flats above are being refurbished, and will be taken by people from the Council's waiting list. Some shop space down stairs will be lost to create a high street entrance for the flats above. In this case, Access2T as landlord is giving away the 2-year peppercorn rent of the shop.

*23-25 Whitby Road will become a business incubator.*

The property has been empty since May 2009, with some people living in the flats without any rental agreement, flats suffering from theft and vandalism, property neglected by landlord, using a loop in not having the business rates liability, which could only be closed last year. The shop has recently been sold at auction (former absentee landlord in administration) and now plans are progressing. Shops will become business incubator to be managed by a charity. Refurbishment will be starting soon.

All grant funded refurbishment works have been competitively tendered.

An added bonus is that Access2Training&Employment works with local young people difficult to engage with by offering a route into construction. They have been successful in the competitive tendering process, winning some contracts, and have therefore delivered some refurbishments of empty shops. They are also in receipt of Empty Homes Community Grants Programme Funding from DCLG which has financed renovation of accommodation above some of the shops.





### Appendix 3

#### *Interview with Mike Ditchfield*

*Filmed interview by Christopher Houghton Budd and Justus Lodemann with A2T's Mike Ditchfield, Ellesmere Port, England, 7 May 2015.*

*What is your motivation?*

The main reason we are doing what we do is obvious we believe in it. There are a lot of easier ways of living. This is a 24-hour struggle. It's constant stress. But the young people are not the stress. It's all the nonsense around it. Borrowing money dealing with banks, dealing with the local authority. For instance, for a building like this we are fighting to get a business rate reduction. The Local Authority wanted a £10,000 deposit. We are working in partnership with the council, renovating buildings, we've done I don't know how many over three years. We are a not-for-profit. Why do you want £10,000 off us? We haven't got it.

That sort of stuff is constant. No one does us any favours. Part of your motivation is working with young people. I've been a social worker and a teacher. We are trying to give people a better start. I grew up very working class, no money. We just about survived. So it is to try and give these kids a lift up the ladder. We've got a great staff team around us. All dragged up rough, who can pass on their vast experience to these kids. And all of us believe it in it. You've got to. It would be so much easier to make £30,000 and go home at five o'clock without thinking about it.

We've done seven days on the building this week. We basically cover the mortgage. We pay our staff much more than we get. It is a fact of life for us. But we are hoping to get to a stage when we can take a living wage.

*Maybe you will get a gong when you retire!*

Well we deserve it. Everyone is wanting to take, take, take. This place here this café, we hire it out for nothing, but I have to say to them, we are supporting young people by giving them jobs in here. Come in and support the café, help us help them. Some don't even come in to buy a coffee. They go to Costa at £3, rather than spend £1.20 here. So many people are take, take, take. Not people without. The council meets here but the councillors do not come here.

So that's why we do it. The best part of the job is the young people. We have some cracking kids here. It's great to see them help them get on.

*I understand you work with young kids, trying to give them chances in life and so on. Why do you do that?*

Why? Basically I've always worked with young people. I think everyone should have the same chance. In this country, especially over the last few years and during the Thatcher era, everyone did not have the same chance. I very much grew up through that era. It's not that I wanted to change things, but I knew a lot of people that I grew up with, left school at the same time as me, have gone down the wrong path. If they had been guided maybe at 14, 15, which is when we get them, possibly excluded from school. From 14 to 18 you can do a hell of a lot of good. You can mould them at that time; teach them to be good human beings,

basically. Try to put them on the right path. So that's it. I've done it for a long time. I like working with young people. I like the enthusiasm. I used to be a youth justice officer, working with kids ...

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That's a building we've bought just up the road, renovated it. We have to have it bought by the 15<sup>th</sup>. We've done all the renovations... but if it's not bought with all the paper work in place, they can take it back and you lose everything.

As I said, it's one of those things where we were working on the building but I was actually owning it. So we had like a lease to purchase and when the work's completed the bank comes in and says, "Right, well we'll buy it now." Because it's valued at 160,000, but is up for sale for 100,000, so basically they can't lose. So there's no risk in it for them, so then they step in and buy it for us, if you know what I mean. But that's the way they do it to make sure there is no risk for the bank whatsoever. As per usual.

*I understand you do quite a lot by way of providing skills, construction skills and so on, for young people, but are you also involved in helping them run a business, doing cash flow, and so on?*

Yep, they do what's called functional skills, maths and English, but very much part of the financial skills is the section on money management, budgeting, mathematics for every day life, if you like. That sort of stuff is included in that. The lady who teaches that is brilliant at it. Not specifically, it's part of what they do, there are sections within it related to that.

*Do they get credits for that?*

It's part of it. They do a Level 1, or Stage 3. It's part of that; there is no separate qualification for it. But it's part of it.

*I ask because if young people can learn cash flow and so on, it sets them for life.*

Absolutely. I used to work in a kids' home in 1986-87, and all those years ago we devised for the kids in the home, our own programme showing them how to do that. Because these kids would move on to their own place and they were doing that all those years ago. So it's nothing new.

*In terms of what you're doing do you have trouble getting capital for what you want to do?*

Yeah. We get paid to have young people in training courses. One of the problems is that it's yearly contracts. So we will contract with a big college but we can only ever get a year. So our contracts now are up for renewal. And the big colleges we are working with have had their budgets squeezed. So it's quite possible that in a month we'll have nothing. It isn't good. That money comes from the Skills Funding Agency, some European Social Fund money. It's money that the colleges get. They get it at the start of the year and people can subcontract from them. To be a prime contractor, you've got to be a big college, million or above. Small companies like ours subcontract off them, and the problem is that they are yearly contracts so you can't make any plans.

*Is the form that of being given grants?*



No, its training money. Not a grant as such. It's money that the central government has given to train young people. You hear David Cameron banging on about how much money they have put into youth training; it's a load of rubbish. The budgets are squeezed until the pips squeak. Like now we deal with two massive colleges and both of them have had their budgets squeezed. It's fantasy, forget it. If their budgets are squeezed, for argument's sake, Mid-Cheshire may have got £12 million; this year it might be £8 million.

*The money that comes to you, is that like a salary?*

You run your business out of all the money you get. You get so much per pupil, to train them to pass a qualification. You get so much to do the training and so much if they pass. If they don't pass, you don't get the end payment.

*You have to make sure you train them well?*

Well, presumably. But the worst bit is the college keeps the money anyway. Now if you can work out the logic of that... I can't. So if we trained all those kids and out of a hundred, fifty of them don't pass, instead of paying us for their achievement the college would pocket it for themselves. It doesn't go back to the government.

That's the training money. The money to do the affordable housing which we do, which our trainees work on, that comes from central government. The local authority here has a regeneration budget and that's what we use to regenerate all the properties down here. What they do is they give you half of the refurbishment costs. So they pay half and we pay half, but the building belongs to us and we receive the rents.

*What kind of entity are you?*

A Community Interest Company, a not-for-profit, we do not make any profit. So everything we get in goes out. Everything.

*How is that capitalised? If you buy a building, in accounting terms you'll have the asset and you have the money you borrowed. Is that all on loan to be paid back?*

Yup. You pay it back over 15 or 20 years like you do with a normal mortgage.

*And that comes from the central government?*

The money for the refurbishment comes from the central government via the local government here. But to buy the property you need a commercial bank like Lloyds Bank so we actually borrow the money from Lloyds Bank. That's what government policy is supposed to be doing.

*So when you buy a building you have a mortgage from Lloyds. They take security?*

They take charges on the building.

*So when you have refurbished the building, do you sell them on?*

No they don't sell. They stay as they are and the rents pay for the mortgage.

*Do the buildings belong to the Community Interest Company?*

They belong to us but there are clauses with the regeneration money. For instance, you can't sell it for five years. We've also had money for the Empty Homes Community Grant, which is separate from the regeneration funds. That's the one thing. You can have the money for regeneration but you can't sell it and you have to offer the properties to people on the housing waiting list. And it's got to be affordable. For instance, in Wallasey we've got ten flats in a pub we renovated, but the rents there are only £60 a week. So most private contractors aren't in the slightest bit interested because they can't make money doing that.

*So long term the Community Interest Company will be the main landlord in this street?*

The Community Interest Company. We own in this street at the moment 13, 15, two shops and six flats; 17-21, ten flats and three shops; 52, one shop and two flats. We've also renovated but don't own the art gallery at the end of the road. Right next to Seed, we renovated all that. We renovated 55 and this café. So we don't own everything we renovate.

*Right so this is rented.*

We have a five-year lease.

*So from a property investment point of view you have taken the speculative element out of the buildings you are involved in.*

Yes. We're not making any dough. We're providing for people who have nowhere to live basically. And we are not making money out of it because we are a non-profit making organisation because that's what our philosophy is. And that's why private builders aren't the slightest bit interested.

*So if I look at how you capitalise a building, you borrow from Lloyds. Do you have a need for capital in your own business? If you see an opportunity can you go out and act?*

We have an income from training, so what we would do. If we can buy a building. For example, that one there, we did not buy it to begin with. We didn't have the money. We got it on a lease to purchase. We paid the people who owned it rent, lease money while we did the building up. So we did the building up with grant money of £250,000. We just finished it and it was valued a month ago at £500,000. Lloyds Bank then gave us £250,000 to buy a building worth £500,000. So there's no risk in it for them whatsoever.

*But you've done up someone else's asset?*

No, it's a lease to purchase. We have a lease for a certain amount of time. During that time the building will be completed. Come completion of the works, Lloyds Bank will send their valuer out, and say right this building is worth £500,000 so we'll lend you £250,000. And hope you default on it because we'll take it off you! It's hard for Lloyds isn't it? They've done that for all the buildings we've bought.

*Quite a good business model!*

For Lloyds, yes. Trying to get money out of banks is a complete and utter waste of time. Waste of time! All the banks are the same. Completely useless.

*But in your Community Interest Company model are you able to create a capital base?*

Not really because we're not-for-profit and you couldn't build up assets. Well you could, but you could never have a reservoir of spare capital ever. We can have assets in properties but they are not properties you can sell for five years.

*You still don't have a pool of cash in your business that you can play with.*

No we have not got working capital.

*Is that a problem? I am trying to figure out if there is a new kind of working capital for a project such as this. It's as if you are allowed to go and buy sweets and bring the change back, but not to innovate.*

That's it. We have no working capital. If our funding did not come from the training because the rents will only cover the mortgage. So we are standing still. The training money helps you go forward a little bit, but the banks don't want to know. They only lend 70% loan to value. So when you do a renovation they lend you 70%. But the bottom line is the bank lending is very poor, and they don't lend anything unless they get double back.

*Do you get a decent rate of interest?*

We get standard rate. We don't get a favourable rate.

*No social enterprise rate?*

No. Funnily enough, there are charity banks, but they are worse than the Big Four. They are absolutely useless. Hopeless.

*They are not commercial? Risk averse?*

Correct. They are supposed to be set up to lend specifically, e.g. the Big Lottery Bank. Try and get money out of them? Absolutely no chance. You know what we do. If we don't fit their criteria, then no one does and we cannot get money out of them. There is a few we went to, and they are all equally useless.

We got money from Key Fund, and they actually gave us money, because they have money for these kind of projects. They not give it but lent it over 8 years. But when we borrowed from them it was £70,000, they charged £2,500 arrangement fee without getting out of bed. And we are paying something like 6.8%. I kid you not. A mortgage is 4%. None of these companies do you any favours whatsoever. It's all a myth. When we first heard of it we thought it was great, we met all the criteria.

*But they are lending collateralised. They have your deeds.*

Yes, they take charge on the building.

*And at 6.8%. Nice.*

Yes, plus £2,500 arrangement fee, plus this, plus that, plus the other. It's a joke. They are supposed to be lending to social enterprises but it's a load of rubbish. It's not happening. Take it from me, it does not happen. We have not got an overdraft with Lloyds Bank. We had one, but they wanted us to reduce it. The manager said we don't like overdrafts; he did not like lending money. So I said he shouldn't be in banking.

We had a substantial overdraft of £80,000, which was great. They wanted us to capitalise then loans on the buildings to knock the overdraft off, so our loans on the buildings is high but we have no overdraft. To suit Lloyds. Again, if you can figure that out, you're better man than I am. This is the myth of what is supposed to be going in this country. It's a load of rubbish. Trying to get money anywhere is nigh on impossible.

# Template development (Task 2.1)

## WP 2: Integrated Case Studies (Qualitative)

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CSI, Heidelberg University, October 2014

### Content

<b>METHODOLOGICAL REMARKS AND INSTRUCTIONS</b> .....	41
<b>Purpose of case studies: Empirical data provision for analysis and theory building</b> .....	41
<b>Units of analysis</b> .....	41
<b>Data collection</b> .....	42
<b>Suggestion for length</b> .....	43
<b>References</b> .....	43
<b>I. TEMPLATE Comprehensive case studies</b> .....	44
<b>CCS - PART 1) Social problem addressed</b> .....	44
1.1 Field(s) of problem .....	44
1.2 Targeted beneficiary group(s) .....	44
1.3 Problem background .....	44
<b>CCS - PART 2) Social innovation solution, development and impact</b> .....	45
2.1 Antecedents and invention of the SI solution approach .....	45
2.2 Phases of development of the SI .....	45
2.3 Streams of development of the SI .....	45
2.4 Status quo of the SI .....	45
2.5 Impact of the SI .....	45
<b>CCS - PART 3) Influences and relevant context factors</b> .....	46
3.1 Social problem .....	46
3.2 Solution approach .....	47
3.3 Actors and networks .....	47
3.4 Narratives and discourses .....	48
3.5 Rules, norms, and policies .....	49
3.6 Resources .....	50
3.7 Social and technological innovation .....	50
3.8 Social impact measurement .....	51
3.9 Further obstacles and drivers of the diffusion of the SI .....	51

<b>CCS - PART 4) Discussion and key lessons</b> .....	52
<b>CCS – ILLUSTRATIVE EXAMPLES [subunits of analysis]</b> .....	52
<b>II. TEMPLATE Individual case studies</b> .....	53
<b>ICS - PART 1) Social problem addressed</b> .....	53
1.1 Problem area.....	53
1.2 Targeted beneficiary group(s).....	53
1.3 Problem background.....	53
<b>ICS - PART 2) Solution, influences and relevant context factors</b> .....	54
2.1 Solution approach .....	54
2.2 Actors and networks .....	54
2.3 Narratives and discourses.....	55
2.4 Rules, norms, and policies.....	56
2.5 Resources .....	57
2.6 Social and technological innovation .....	57
2.7 Social impact measurement.....	58
2.8 Further drivers and obstacles for the diffusion of the SI .....	58
<b>ICS - PART 3) Social innovation development and impact</b> .....	59
3.1 Development of the SI .....	59
3.2 Impact of the SI .....	59
<b>ICS - PART 4) Discussion and key lessons</b> .....	59

## METHODOLOGICAL REMARKS AND INSTRUCTIONS

### Purpose of case studies: Empirical data provision for analysis and theory building

WP2 serves as a case collection and database for the other WPs in the project, especially work packages 3 (measurement), 4 (social vs. technological analysis), 5 (life cycles) and 6 (policy analysis). It also allows for the testing of the theoretical framework developed in WP 1. Accordingly, the purpose of the case studies is to collect empirical data that can be analysed through the different theory lenses of the project in the different work packages. Therefore the basic versions of the case studies (particularly comprehensive cases) will be rather descriptive and “analytically neutral” and provide the ground for pluralistic theoretical analysis within the different work packages.

### Units of analysis

The idea of the *comprehensive case study* is to take a long term perspective on “basic” social innovations such as social housing or fresh water supply that have become mainstream in most parts of Europe over time. It follows the logic of an embedded single case study, which means that it focuses on a single phenomenon, yet attention is also given to different subunits (Yin, 2003:39ff). This means it does not examine, for example, social housing in a certain town, nor the activities of one specific organisation or social movement. It rather aims to understand the neuralgic points and crucial components in the diffusion process of the social innovation, at least since the 19<sup>th</sup> century, including the variety in adaptations across different contexts and backgrounds such as different welfare regimes or economic and political crises. Nevertheless, the most important and illustrative implementations of the social innovation will be analysed in more detail as subunits of analysis according to the categories of the template. This logic is illustrated in a simplified way in Fig.1.

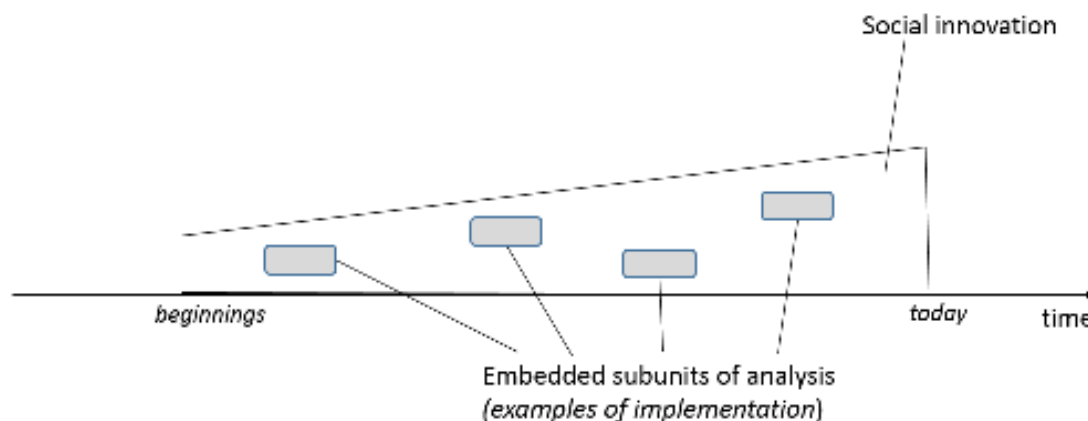


Figure 1: Scope of analysis in comprehensive case studies

Accordingly, the comprehensive cases will describe the historical development of the social innovation and focus specifically not only on the invention, but also largely on the *diffusion process* (Fagerberg, 2003; Westley et al., 2007). For illustration, we added a case study on the social context of bicycles as a technological innovation from the long-established research field of sociological technology studies (Bijker, 1995). Although it follows a slightly different

template and contains some theoretical perspectives, its scope is comparable to a comprehensive case study as aspirated for in our context. Moreover, it shows that technological and social innovation have been jointly analysed before. The other example we included is a conference paper on the life cycle of the intelligence test (McGowan/Westley, 2013). It illustrates what a life cycle analysis in WP 5 could look like.

The *individual case studies* on the other hand will focus on one specific organisation, movement or initiative, such as, a micro credit initiative for Roma population in Hungary (“Way out” programme). It takes the approach of a holistic single case study that largely builds on a single unit of analysis (Yin 2003: 40). Moreover, they mostly focus on the present and examine innovations that are beyond invention, yet still in a diffusion process. Different aspects of this one specific case are examined, while the macro perspective plays a subordinate role here.

There are little **differences in the template designs** to account for these different approaches in the units of analysis. Both templates depart from the social problem that is addressed by the social innovation. Since the template for the comprehensive cases puts a strong emphasis on the development process, different streams, and changes over time (CCS – Part 2), this part comes next here. This perspective is less prominent in the individual case studies (ICS – Part 3), since the scope and observation period is substantially narrower. Influences and context factors are important in both case types and contain more or less the same questions. Both templates close with discussions and key lessons.

*Table 1: Structures of comprehensive and individual case studies*

Comprehensive Case Study	Individual Case Study
I. Social problem	I. Social problem
II. Solution, development, and impact	II. Solution, influences, and context factors
III. Influences and context factors	III. Development and impact
VI. Discussion and key lessons	VI. Discussion and key lessons

## Data collection

WP 2 tells the story of different social innovations. Its task is to collect sources, data and other material as a basis for the future WPs. Both case studies should build on different types of sources for data triangulation.

The **comprehensive case studies** provide a historical perspective of a certain social innovation from a macro level. The results will especially be of interest for the life cycle analysis in WP 5. The partners should do *desktop research*, if necessary also *archival research*, looking for historical, political, economic, legal, etc. secondary sources or data and figures (also quantitative) which help to clear the history of the social innovation. If actors involved in the development or distribution of the social innovation can be accessed (housing companies, cooperatives, etc.) an *interview* could be considered with a representative to get his/her interpretation of the development.

→ *Country perspectives in comprehensive cases:* The partners who are not directly responsible for the cases will be asked to add their national perspective later in the process. More specific instructions will follow here.



The **individual case studies** concentrate more on the organisational level. They offer more possibilities *for primary data collection, particularly interviews*, but also for other data sources for triangulation. The historical perspective is not as important here as for the comprehensive case studies. But if partners run into evidence, which seems to be relevant for the life cycle analysis in WP 5, it would be a nice bonus.

### Suggestion for length

- Comprehensive case studies: about 80 – 100 pages (including country perspectives)
- Individual case studies: about 30 – 40 pages

Given the comprehensiveness of the template and the fact that data might not be available to the same amount for all different parts, it is obvious that some sections of the template can be filled in in less detail than others. However, regardless of whether the case is comprehensive or individual, the collected data may be of interest for the partners in other WPs during the research process, so information for all questions in the template should be provided if possible.

### References

- Bijker, Wiebe E. (1995). King of the Road: The Social Construction of the Safety Bicycle. In W. E. Bijker (Ed.), *Of bicycles, bakelites, and bulbs: toward a theory of sociotechnical change* (pp. 19–100). Cambridge, Mass. and London: The MIT Press.
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## I. *TEMPLATE Comprehensive case studies*

### CCS - PART 1) Social problem addressed

#### 1.1 Field(s) of problem

In which field(s) of activity did the targeted social problem originally arise (e.g., health, care, economic development, work integration)? Are there also any interrelated effects in other fields?

#### 1.2 Targeted beneficiary group(s)

Who were/are the targeted beneficiaries? What specific characteristics did/do they have that might be relevant for or a symptom of their marginalisation (e.g., economic vulnerability, physical handicaps, migration status, lack of access to the education system, etc.)?

#### 1.3 Problem background

Please describe the context conditions that were/are relevant for the emergence of the social problem or the marginalisation of the target group. This could be the general economic situation, political situation, welfare policy, a poor education system, religious constellations, demographical or technological development, etc. and/or more specific problems such as market power abuse, discrimination, corruption, etc.

WP	Possible questions of analysis (addressed within work packages) <sup>1</sup>
WP 1	Which individual (or collective) capabilities of marginalised people were deprived? Which functioning could not be achieved?
	How were conversion rates affected by the context conditions and how did they contribute to marginalisation?
	Can specific networks (actor constellations), cognitive frames or institutions be identified that were relevant for the problem situation?
	Can power structures, according to Mann's adapted framework, be identified that were relevant for the problem situation?
	Is there a specific field (Fligstein) where the social innovation occurs?
WP 3	Is there a clear beneficiary that is being targeted?
	Was the social problem addressed individual-specific or group-specific or context-specific?
	How did contextual conditions that were/are relevant relate to each other? (e.g. complementarities, co-evolution, etc..)
WP 4	Did technological innovation cause marginalisation or make existing marginalisation worse?
	Did technological innovation pave the way for social innovation?
WP 5	Did social problems addressed by social innovation emerge in certain context conditions?
WP 6	Which policies/political constellations did contribute to the social problem?

<sup>1</sup> All questions in the boxes do not have to be explicitly addressed within the case study, but the collected data should allow the analysis of these questions within the work packages.

## CCS - PART 2) Social innovation solution, development and impact

### 2.1 Antecedents and invention of the SI solution approach

When can the first activities of the social innovation be detected? How did they address the social problem, and how did these activities relate to previous solution approaches (if any) for the problems constellation?

How did they provide novelty in terms of goods, services or processes (including new forms of organisations, resources, or communication)?

### 2.2 Phases of development of the SI

How did the social innovation develop over time and across different contexts? Can different phases or crucial incidents be identified in the development of the social innovation towards a broadly adapted standard? What were the relevant societal levels of action?

### 2.3 Streams of development of the SI

Were there also different “streams” of the social innovation, i.e., different forms and adaptations in the implementation of the basic idea? Did these streams converge or diverge over time?

### 2.4 Status quo of the SI

How is/was the social innovation established today? Please describe who (e.g., public authorities, private companies, associations and cooperatives, public-private-partnership, etc.) provides which services, products, activities, etc. to whom and under which conditions?

### 2.5 Impact of the SI

In a long-term perspective, how did the social innovation unfold its impact in its initial field of activity and beyond (e.g., did the improved sanitation and health situation also improve the situation of the target group on the labour market)?

How can the positive impact of the social innovation be described (e.g., improved access to resources, learning options, self-confidence, etc.)? At which structural levels of society did the social innovation achieve impact?

Have there also been any negative impacts in the targeted field of activity and beyond?

WP	Possible questions of analysis (addressed within work packages)
WP 1	To what extent has the social innovation been incremental (adaptive change in practice, e.g. with a focus on products or services that addressed identified market failures effectively), institutional (changes in the Social Grid practice, e.g. reconfiguring existing market structures to create social value), or disruptive (radical change in practice, e.g. with a focus on politics and social movements, changing the cognitive frames around markets and social systems/structures) across its diffusion process?
WP 3	Evaluative Space: which was/is the initial goal of the SI process? Did it change over time? Who has been/is being empowered by the SI process?

WP 4	Which kind of technological artefacts and infrastructures were required for the development of the SI? Which kind of novel technological artefacts (TA) <sup>2</sup> and / or new infrastructures were involved in the development of the SI?
	Which kind of key techniques (TC) <sup>3</sup> are required for the SI? Was it necessary to acquire new techniques (TC) in order to implement the SI?
WP 5	Can specific reoccurring developmental stages be identified for SI?
	Can their development be described as linear, cyclical, etc.? Are there path dependencies in SI?
	What drivers or obstacles fostered and hindered the social innovation?
	Which cognitive frames, networks and institutions did change along the lifecycle of the SI? How did the dynamics between these elements change?
	Did the reduction of one form of marginalisation cause another?
WP 6	...

## CCS - PART 3) Influences and relevant context factors

### 3.1 Social problem

Have there been any changes, extensions, etc. in the addressed social problems or marginalised target groups, from a long-term perspective? Can different reasons be identified over time that were responsible for the rise and persistence of the social problem? Are there reoccurring patterns that repeatedly caused a need/fostered the adaptation and distribution of the social innovation?

WP	Possible questions of analysis (addressed within work packages)
WP 1	Did reasons for marginalisation change over time?
WP 3	How did empowerment in one dimension cross-fertilize empowerment in other dimensions? Which complementarities among context- and actor-characteristics were crucial?
WP 4	Did the lack of access to new technological artefacts (TA) and infrastructures (TI) have an impact on the marginalisation? Did the lack of access to training to acquire relevant techniques (TC) have an impact on the marginalisation?
WP 5	Did the social innovation solve or mitigate social problems? Did the social innovation (usually) meet the needs of different target groups?
WP 6	...

<sup>2</sup> Technological artefacts (TA) including “hardware” (TA<sub>h</sub>), i.e. any kind of material artefacts, and “software/Apps” (TA<sub>a</sub>), i.e. any kind of software apps, protocols, services, blueprints...

<sup>3</sup> This can include: **TC<sub>s</sub>** – Somatic techniques (e.g. swimming, singing ...), **TC<sub>e</sub>** – Exosomatic techniques (e.g. making fire, writing, haircutting, riding a bike or car, ...), **TC<sub>p</sub>** – Primary production techniques (meaning human appropriation of net primary production in agriculture and exploitation of the lithosphere), **TC<sub>i</sub>** – Industrial techniques, **TC<sub>c</sub>** – Communication techniques, etc.

### 3.2 Solution approach

Did the concrete activities of how the social innovation approached the social problem change and renew over time (including new forms of organisations, resources, or communication)? Describe the most relevant activities to prevent, mitigate or solve the marginalisation (e.g., service provision, lobbying, advocacy, etc.)?

WP	Possible questions of analysis (addressed within work packages)
WP 1	Which cognitive frames, networks and institutions did change during the course of the lifecycle of the SI?
	To what extent has the social innovation been incremental (with a focus on products or services that addressed identified market failures effectively), institutional (reconfiguring existing market structures to create social value), or disruptive (with a focus on politics and social movements, changing the cognitive frames around markets and social systems/structures) across its diffusion process?
WP 3	How stable were the social innovation solution approaches? How dependent were the solution approaches to contingencies (individual characteristics of promoter/inventor, contextual circumstances)?
WP 4	How did education/training contribute to the diffusion of the social innovation? Did the solution involve support in acquiring the relevant technological artefacts (TA)? Did the solution involve support in access to the relevant infrastructure (TI)?
WP 5	Can the development of cognitive frames, networks and institutions be described as linear, cyclical, etc.? Are there path dependencies in SI?
WP 6	...

### 3.3 Actors and networks

Can specific networks or individual actors be identified as key players in the idea generation, invention phase, the innovation phase and the diffusion phase of the social innovation?

Are there also typical “adapters” that did not necessarily develop the social innovation (incremental innovation), but adapted it to their context and accordingly contributed to the diffusion of the social innovation? Can they be located in a specific societal sector (civil society, market, public)? Did networks play a role in the adaptation process?

Were relevant actors or members of networks personally affected by the social problem addressed? Was or is the target group involved in the value creation process? Did the target group members take any collective action?

Which networks or other actors were important as catalysers, multipliers, or adapters? (e.g., sponsors, public authorities, politicians pushing for beneficial changes in legal frameworks, celebrities that increased public attention, etc.)? Where those actors particularly powerful? Why?

Did those actors and networks influence legislation, education curricula, or other institutions?

Which influence did these actors and networks exert on narratives and public discourses regarding the social problem/social innovation?

Please indicate if typical networks or other actors were present when a social innovation was invented or adapted. If so, did these different network and actor constellations change across different phases of the social innovation? Were these constellations influenced by the general framework conditions (e.g., the political welfare regime)?

WP	Possible questions of analysis (addressed within work packages)
WP 1	How did networks contribute to the social innovation over time? How did networks relate to institutions and cognitive frames? Which dynamics of change did occur?
WP 3	Distributive aspect: which actors had access to the SI process? Which barriers can be identified at different levels (e.g. geographical distance, knowledge gaps, etc.)?
WP 4	Which scientific networks (e.g. disciplines) contributed to the success of the SI? Which industrial actors contributed to the success of the SI?
WP 5	What actor constellations were present during important developmental stages of the SI? Did different societal spheres (e.g., civil society incl. philanthropy, private markets, and public authorities) contribute at different points of dissemination to the SI?
WP 6	How were policies driven by actors and network constellations?

### 3.4 Narratives and discourses

Please, indicate which narratives or discourses accompanied / were relevant for the addressed social problem and the social innovation. How did these change over time? Did they inhibit or foster social innovations?

In which social domains can these discourses and narratives be located (media, parliament/city council, civil society/community)? What were the instruments of the discourse (reports, petitions, opinion leaders, media campaigns, letters to the editor etc.)?

Who was involved in these discourses (e.g., the beneficiaries)? Can any parties be identified that dominated these discourses or narratives? Why could they do so (e.g., power, knowledge)?

Did those narratives influence the perception and acceptance of legislation, education curricula, or other institutions?

Did they affect the perception and acceptance of any social networks?

WP	Possible questions of analysis (addressed within work packages)
WP 1	What was the role of cognitive frames in social innovations? How did they relate to institutions and social networks?
WP 3	How can cognitive frames possibly be measured? What is the evaluative space here?
WP 4	Which technological visions and scientific advances were used in the discourse?

WP 5	Did changes in cognitive frames represent specific phases in social innovation lifecycles?
WP 6	How were policies driven by cognitive frames?

### 3.5 Rules, norms, and policies

Were there any policies (in the thematic field or generally) that contributed to the social problem? Were there any legal / constitutional triggers or framework conditions that contributed to the social problem? Were there any other rules or norms that contributed to the social problem?

Were there any policies (within the relevant thematic field or elsewhere) that fostered or inhibited the social innovation, e.g. by altering its capacity and function to tackle marginalisation? Were there any legal / constitutional triggers or framework conditions that fostered or inhibited the social innovation? Were there any other rules or norms that fostered or inhibited the social innovation?

To what extent have rules, norms and policies contributed towards systemic change through social innovation in this field of study?

Is ‘tackling marginalisation’ (either via poverty reduction, social inclusion, etc.) a central, explicit objective or outcome of policies or other rules and norms? Why/Why not?

Did the social innovation build on or recombine existing policies, norms and rules?

Were relevant policies located on a regional, national or international (EU) level? Can different influences of different policies be detected across different regions?

At what stage of the development process did supporting policies become most relevant?

What are the diffuse and unintended effects of policies and/or other rules and norms in this field of study?

Did existing policies change as a consequence of the social innovation? Did other rules and norms change as a consequence of the social innovation? How was this achieved, and by whom? Were those particularly powerful?

How did policies or other rules and norms relate to social networks relevant for the social innovation?

How did policies or other rules and norms represent or relate to public discourses and narratives? How was policy making influenced by them? Vice versa, how did policies and other rules and norms influence public discourse?

WP	Possible questions of analysis (addressed within work packages)
WP 1	What was the role of institutions in social innovations? How did they relate to cognitive frames and networks?
WP 3	Which networks/links were shared by social innovators and policy makers? Were there complementary policies that made a difference? On which basis did their complementarity rest (e.g., same beneficiaries, same social problem addressed, complementary social problem addressed, etc.)?
WP 4	What was the role of research, technology and innovation policy during social



	innovation process?
	What was the role of education (and life-long learning) policy during social innovation process?
	Did technological norms and standards play a role?
WP 5	What was the role of policy makers during the social innovation process?
WP 6	Which (social) innovation policies have been successful in the past? In which contexts?
	Which role did policies play in ecosystems fostering social innovation in the past?
	How do policies relate to cognitive frames and social networks?

### 3.6 Resources

Please describe and compare different forms of funding that were used to finance the social innovation (e.g., own assets of target group, donations, membership fees, grants, social investments, regular loans, public funds, etc.)? For what purposes were these resources deployed (e.g., machinery, commodities, advisory, etc.)?

Were other forms of resources (voluntary work, social networks, natural resources, etc.) relevant for the social innovation? Please describe their role.

Did those resources change during different phases of the diffusion process or different background conditions?

WP	Possible questions of analysis (addressed within work packages)
WP 1	How did power structures affect the resource endowments of the marginalised over time?
WP 3	How relevant was the combination of different resources (complementarities vs. substitutes)?
	How did eventual complementarities come about?
	Who had/has access to the crucial resources and on what did/does accessibility depend upon?
WP 4	Did the nationalization / privatization of relevant infrastructures impact on the access to social innovations?
WP 5	Are there recurring dynamic patterns during the course of the diffusion of a SI?
	Do different forms of financing contribute to the same diffusion results?
	Can the role of capital forms (social, cultural, ecological, etc.) for social innovations be specified?
WP 6	...

### 3.7 Social and technological innovation

Was the social innovation fostered by or related to technological innovations like

- a new general purpose technology (e.g., information and communication technologies) and/or by scientific advances?
- a new artefact (e.g. mobile phone)?

Was the social innovation fostered by or related to a new infrastructure (e.g. Internet)? Was the social innovation fostered by the emergence of new techniques?



How did technological innovation contribute to the social innovation, or vice versa? Did technological innovation help to distribute the social innovation or even improve it?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	Can patterns of sequencing be observed?
WP 4	Can recurring patterns on the interplay of social and technological innovation be specified?
	To which step in the social innovation and diffusion process do technological innovations contribute? (idea generation, invention, innovation, diffusion process incl. adaptation, etc.)
WP 5	...
WP 6	...

### 3.8 Social impact measurement

Have there been any attempts to measure the impact of the social innovation (on the level of a specific intervention, a national level by public authorities, etc.)? Did these measurements influence the development of the social innovation?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	What dimensions and approaches for impact measurement have previously been used? How did they contribute to the development of the SI?
	Were there any discussions about the impact of the SI, its measurement or the meaning of measured results?
	Which actors/groups/beneficiaries were considered in previous impact measurement attempts?
WP 4	...
WP 5	...
WP 6	Where there any evidence-based policies during the SI lifecycle?

### 3.9 Further obstacles and drivers of the diffusion of the SI

What further contextual factors can be identified that fostered or inhibited the diffusion of the SI over time (e. g., legal framework conditions, economic/political situation or crisis, dominant welfare regime, ecological situation, power structures, cognitive frames, religious constellations, demographic developments, etc.)

What further factors can be identified on the level of the innovative agents that fostered or inhibited the diffusion (e.g., organisational capacity of the inventor, resources, resistance of employees, value set or skills of the leaders)?

Can different patterns of drivers and obstacles be identified, like for bottom-up vs. top-down adaptations of the innovations or related to different context conditions?

If the innovations were adapted across different regions or national borders, were there specific obstacles?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	Which contexts did matter? In particular, which definition/level of context did matter? (e.g., geographical surrounding, political/economic situation at the macro or global level, belonging to professional groups, etc.)
WP 4	...
WP 5	How do different influential factors in the diffusion process of SI interrelate? What are the different obstacles for different kinds of SI (e.g., bottom-up vs. top-down)?
WP 6	...

### CCS - PART 4) Discussion and key lessons

Based on the findings throughout the template, what are the key lessons for ...

- Policy makers?
- Investors (resource structure)?
- Inventors / investees?

### CCS – ILLUSTRATIVE EXAMPLES [subunits of analysis]

*The descriptions in the comprehensive case studies, particularly in parts 2 and 3, should be illustrated with a small range of examples, i.e., subunits of analysis. In addition to the information relevant for illustrating a specific argument, please also provide the following data specifically for these examples (cf. also ICS part 2):*

- **Solution approach:** main activities and novelty in context
- **Actor constellations:** inventors, adaptors, other relevant actors, involvement of target group
- **Resources:** financial and others
- **Social vs. technological innovation:** interrelations
- **Social (innovation) policy:** support through a certain policy, impact of SI on legislation
- **Social impact measurement:** application and relevance
- **Further drivers and barriers for the diffusion of the SI:** economic/political situation or crisis, dominant welfare regime, ecological situation, religious constellations, demographic developments, etc.)
- **Impact:** positive and potentially negative

## II. *TEMPLATE Individual case studies*

### ICS - PART 1) Social problem addressed

#### 1.1 Problem area

In which field(s) of activity does the targeted social problem arise (e.g., health, care, economic development, work integration)? Are there also any interrelated effects in other fields?

#### 1.2 Targeted beneficiary group(s)

Who are the targeted beneficiaries? What specific characteristics do they have that might be relevant for or a symptom of their marginalisation (e.g., economic vulnerability, physical handicaps, migration status, lack of access to the education system, etc.)?

#### 1.3 Problem background

Please describe the context conditions that are relevant for the emergence of the social problem or the marginalisation of the target group. This could be the general economic situation, political situation, welfare policy, a poor education system, religious constellations, demographical development, technological development, etc. and/or more specific problems such as market power abuse, discrimination, corruption, etc.

WP	Possible questions of analysis (addressed within work packages)
WP 1	Which individual (or collective) capabilities of marginalised people are deprived? Which functioning could not be achieved?
	How are conversion rates affected by the context conditions and how do they contribute to marginalisation?
	Can power structures be identified according to Mann's adapted framework that are relevant for the problem situation?
WP 3	Is there a clear beneficiary that is being targeted?
	Is the social problem addressed individual-specific or group-specific or context-specific?
	How do contextual conditions that were/are relevant relate to each other? (e.g., complementarities, co-evolution, etc.)
WP 4	Did technological innovation cause marginalisation or make existing marginalisation worse?
	Did technological innovation pave the way for social innovation?
WP 5	Can specific networks (actor constellations), cognitive frames or institutions be identified that are relevant for the problem situation?
	Do social problems addressed by SI emerge in certain context conditions?
WP 6	Which policies/political constellations did/do contribute to the social problem?

**ICS - PART 2) Solution, influences and relevant context factors**

**2.1 Solution approach**

How does the social innovation approach address the social problem? Describe the most relevant activities to prevent, mitigate or solve marginalisation (e.g., services provision, lobbying, advocacy, etc.)?

What is the novelty in terms of goods, services or processes (including new forms of organisations, resources, or communication)?

WP	Possible questions of analysis (addressed within work packages)
WP 1	Which cognitive frames, networks and institutions are addressed by the SI?  To what extent has the social innovation been incremental (adaptive change in practice, e.g. with a focus on products or services that address(ed) identified market failures effectively), institutional (changes in the Social Grid practice, e.g. reconfiguring existing market structures to create social value), or disruptive (radical change in practice, e.g. with a focus on politics and social movements, changing the cognitive frames around markets and social systems/structures) across its diffusion process?
WP 3	How stable are social innovation solution approaches? How dependent are solution approaches to contingencies (individual characteristics of promoter/inventor, contextual circumstances)?
WP 4	Which kind of technological artefacts and infrastructures are required for the development of the SI? Which kind of novel technological artefacts (TA) <sup>4</sup> and / or new infrastructures are involved in the development of the SI?  Which kind of key techniques (TC) <sup>5</sup> are required for the SI? Is it necessary to acquire new techniques (TC) in order to implement the SI?  How does education/training contribute to diffusion of the social innovation? Does the solution involve support in acquiring the relevant technological artefacts (TA)? Does the solution involve support in access to the relevant infrastructure (TI)?
WP 5	...
WP 6	...

**2.2 Actors and networks**

Can specific networks or individual actors be identified as key players in the idea generation, invention phase, the innovation phase and the diffusion phase of the social innovation? Are relevant actors or members of networks personally affected by the social problem addressed? Is the target group involved in the value creation process? Do members of the target group take any collective action?

<sup>4</sup> Technological artefacts (TA) including “hardware” (TA<sub>h</sub>), i.e. any kind of material artefacts, and “software/Apps” (TA<sub>a</sub>), i.e. any kind of software apps, protocols, services, blueprints ....

<sup>5</sup> This can include: TC<sub>s</sub> – Somatic techniques (e.g. swimming, singing ...), TC<sub>e</sub> – Exosomatic techniques (e.g. making fire, writing, haircutting, riding a bike or car ...), TC<sub>p</sub> – Primary production techniques (meaning human appropriation of net primary production in agriculture and exploitation of the lithosphere), TC<sub>i</sub> – Industrial techniques, TC<sub>c</sub> – Communication techniques, etc.

Which networks or other actors were/are important as catalysers, multipliers, or adapters (e.g., sponsors, public authorities, politicians pushing for beneficial changes in legal frameworks, celebrities that increased public attention, etc.)? Where those actors particularly powerful? Why?

Did/do those actors and networks influence legislation, education curricula, or other institutions?

Which influence did/do these actors and networks exert on narratives and public discourses regarding the social problem/social innovation?

Are there also typical “adapters” that did not necessarily develop the social innovation (incremental innovation), but adapted it to their context and accordingly contribute(d) to the diffusion of the social innovation? Can they be located in a specific societal sector (civil society, market, public)? Did/do networks play a role in the adaptation process?

WP	Possible questions of analysis (addressed within work packages)
WP 1	How did/do networks relate to institutions and cognitive frames? Which dynamics of change did/do occur?
WP 3	Which complementary actors needed to be involved contemporarily? Distributive aspect: which actors have access to the SI process? Which barriers can be identified at different levels (e.g., geographical distance, knowledge gaps, etc.)?
WP 4	Which scientific networks (e.g. disciplines) contribute(d) to the success of the SI? Which industrial actors contribute(d) to the success of the SI?
WP 5	How do different societal spheres (e.g., civil society incl. philanthropy, private markets, public authorities, etc.) contribute at different points of dissemination of the SI? How do they interact? How do marginalised groups contribute to different forms of social innovation?
WP 6	...

## 2.3 Narratives and discourses

Please, indicate which narratives or discourses accompany / are relevant for the addressed social problem and the social innovation. Do they inhibit or foster social innovations? Can already any changes be detected?

In which social domains can these discourses and narratives be located (media, parliament/city council, civil society/community)? What are the instruments of the discourse (reports, petitions, opinion leaders, media campaigns, letters to the editor etc.)?

Who is involved in these discourses (e.g. the beneficiaries)? Can any parties be identified that dominate these discourses or narratives? Why can they do so (e.g., power, knowledge)?

Do those narratives influence the perception and acceptance of legislation, education curricula, or other institutions?

Do they affect the perception and acceptance of any networks?

WP	Possible questions of analysis (addressed within work packages)
WP 1	What is the role of cognitive frames in social innovations? How do they relate to institutions and social networks?
WP 3	How can cognitive frames possibly be measured? What is the evaluative space here?
WP 4	Which technological visions and scientific advances were used in the discourse?
WP 5	Do changes in cognitive frames represent specific phases in social innovation lifecycles?
WP 6	How are policies driven by cognitive frames?

## 2.4 Rules, norms, and policies

Were/are there any policies (in the thematic field or generally) that contribute(d) to the social problem addressed? Were/are there any legal / constitutional triggers or framework conditions that contributed to the social problem? Were/are there any other rules or norms that contribute(d) to the social problem?

Are there any policies (within the relevant thematic field or elsewhere) that foster or inhibit the social innovation, e.g. by altering its capacity and function to tackle marginalisation? Are there any legal / constitutional triggers or framework conditions that fostered or inhibited the social innovation? Are there any other rules or norms that fostered or inhibited the social innovation?

To what extent do rules, norms and policies contribute towards systemic change through social innovation in this field of study?

Is ‘tackling marginalisation’ (either via poverty reduction, social inclusion, etc.) a central, explicit objective or outcome of policies or other rules and norms? Why/Why not?

Does the social innovation build on or recombine existing policies, norms and rules?

Do relevant policies exist on a regional, national or international (EU) level? Can different influences of different policies be detected across different regions?

At what stage of the development process did/do supporting policies become most relevant?

Have existing policies been changed as a consequence of the social innovation? Did other rules and norms change as a consequence of the social innovation? How was/is this achieved, and by whom? Are those actors particularly powerful?

How do policies or other rules and norms relate to social networks relevant for the social innovation?

How do policies or other rules and norms represent or relate to public discourses and narratives? How is policy making influenced by them? Vice versa, how do policies and other rules and norms influence public discourses?

WP	Possible questions of analysis (addressed within work packages)
WP 1	What is the role of institutions in social innovations? How do they relate to cognitive frames and networks?
WP 3	Which networks/links were shared by social innovators and policy makers?

	Which policies are able to change distribution and accessibility to resources/inputs for the SI process?
	Were there complementary policies that made a difference? On which basis did their complementarity rest (e.g., same beneficiaries, same social problem addressed, complementary social problem addressed, etc.)?
WP 4	What is the role of research, technology and innovation policy during social innovation process?
	What is the role of education (and life-long learning) policy during social innovation process?
	Do technological norms and standards play a role?
WP 5	What is the role of policy makers during the social innovation process?
WP 6	Which (social) innovation policies are currently successful / have been successful in the past? In which contexts?
	Which role do policies play in ecosystems fostering social innovation?

## 2.5 Resources

What type of financial resources are used to finance relevant activities of the social innovation (e.g., own assets of target group, donations, membership fees, grants, social investments, regular loans, public funds, etc.), and for what purposes are these resources deployed (e.g., machinery, commodities, advisory, etc.)?

What other types of resources (voluntary work, social networks, natural resources, etc.) were/are relevant for the social innovation? Please describe the role of the different resources.

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	How is the distribution and accessibility to these resources?
WP 4	Does the nationalization / privatization of relevant infrastructures impact on the access to social innovations?
WP 5	What role do financial resources play for SI (invention, diffusion, etc.)? Can the role of the type of capital (social, cultural, ecological, etc.) for social innovations be specified?
WP 6	...

## 2.6 Social and technological innovation

Is the social innovation fostered by or related to technological innovations like

- a new general purpose technology (e.g., information and communication technologies) and/or by scientific advances?
- a new artefact (e.g. mobile phone)?

Is the social innovation fostered by or related to a new infrastructure (e.g. Internet)? Is the social innovation fostered by the emergence of new techniques?

How did/do technological innovation contribute to the social innovation, or vice versa?

Did/does technological innovation help in the diffusion of the social innovation or even improve it?



WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	How is the distribution and accessibility to technology and its use? Whose perception on the use of the technology matters / is being promoted/diffused?
WP 4	To which step in the social innovation and diffusion process do technological innovations contribute? (idea generation, invention, innovation, diffusion process incl. adaptation, etc.)
WP 5	Which patterns do emerge in the interplay of social and technological innovations?
WP 6	...

## 2.7 Social impact measurement

Have there been any attempts to measure the impact of the social innovation (on the level of a specific intervention or organisation or a national level, etc.)?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	What dimensions and approaches for impact measurement are currently used? (How) do they contribute to the development of the SI? What is the chosen evaluative space?
WP 4	...
WP 5	...
WP 6	...

## 2.8 Further drivers and obstacles for the diffusion of the SI

What further contextual factors can be identified that fostere(d) or inhibite(d) the diffusion of the social innovation (e. g., legal framework conditions, economic/political situation or crisis, dominant welfare regime, ecological situation, power structures, cognitive frames, religious constellations, demographic developments, etc.)?

What further factors can be identified on the level of the innovative agents that fostered or inhibited the diffusion (e.g., organisational capacity of the inventor, resources, resistance of employees, value set or skills of the leaders)?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	How can actors be 'nested' into contexts? Do different networks overlap? If yes, how do they overlap? Which actors are taking part in more than one network?
WP 4	...
WP 5	How do different influential factors in the diffusion process of SI interrelate? What are different barriers for different kinds of SI (e.g. bottom-up vs. top-down)?
WP 6	...



## ICS - PART 3) Social innovation development and impact

### 3.1 Development of the SI

Can different phases and crucial events in the development of the SI be identified today? Are there perhaps different “streams” within the social innovation?

WP	Possible questions of analysis (addressed within work packages)
WP 1	How does the development of SI relate to changes in relevant cognitive frames, institutions and social networks?
	How can the innovation be located in Mann’s framework of power sources/fields of innovation?
	To what extent has the social innovation been incremental (with a focus on products or services that address(ed) identified market failures effectively), institutional (reconfiguring existing market structures to create social value), or disruptive (with a focus on politics and social movements, changing the cognitive frames around markets and social systems/structures) across its diffusion process?
WP 3	Do any new actors/relevant groups get involved? (especially marginalised groups with previously little voice)
WP 4	...
WP 5	Can specific recurring developmental stages be identified for SI?
	What actor constellations were present during important developmental stages of the SI?
WP 6	...

### 3.2 Impact of the SI

What kind of impact can be attached to the social innovation today (e.g., improved access to resources, learning options, self-confidence, etc.)? Does the social innovation also unfold its impact beyond the initial field of activity (e.g. effects on the labour market)?

How can the positive impact of the social innovation be described? Are there also potentially negative impacts in the targeted field of activity and beyond?

WP	Possible questions of analysis (addressed within work packages)
WP 1	...
WP 3	What was/is the evaluative space for assessing that the impact of the SI process is positive or negative?
WP 4	...
WP 5	...
WP 6	...

## ICS - PART 4) Discussion and key lessons

Based on the findings throughout the template, what are the key lessons for ...

- Social innovators?
- Policy makers?
- Investors and funders (resource structure)?