

# THE ROLE OF SOCIAL ENTERPRISE IN A MIXED ECONOMY OF RURAL SERVICE PROVISION

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**Summary:** This paper considers the role of social enterprises in a mixed economy of rural service provision. Drawing on a qualitative study in the Highlands of Scotland the article challenges recent UK and Scottish public policies which seek to increased community involvement in service co-production. Based on 35 interviews with social enterprise stakeholders, the findings suggest that social enterprises play a role in improving quality of life in rural areas.

**Keywords:** social enterprise, service provision, mixed economy, rural areas.

## 1. Introduction

Change in the direction of rural policy has been internationally driven by economic and social developments, as well as the emergence of new requirements and attitudes amongst rural communities looking to improve life quality [1]. Today, rural areas are challenged by an ageing population and out-migration of young people due to poor infrastructure in the widest sense (e.g. public transport, healthcare and childcare facilities, education, job opportunities). Rural and remote areas are often characterised by a higher unemployment rate and are less developed, when it comes to accessible service provision in comparison to urban counterparts [1, 2, 3, 4, 5, 6]. Now, one way that might help rural areas to address their challenges, and by doing so become more attractive places to live and work, could be by considering models of service provision beyond the public sector. A mixed economy for service provision or 'third way' would suggest close cooperation between the public sector and a range of non governmental organisations to collaborate in co-production of services [7, 8]. In the UK, current governments believe that a mixed economy can contribute to the improved delivery of public services [9, 10, 11, 12]. The social economy or 'third sector' already makes a substantial contribution to the economy of rural, peripheral and disadvantaged communities and is perceived to be an effective player in delivering some goods and services [11, 12, 13]. According to Osborne [14], social enterprises might be especially useful in providing local services in remote areas that are 'hard to reach'. Moreover, McGregor et al [15] note that this approach can be used where the public sector is unable or unwilling to take on the full costs of service delivery. It has been suggested that social enterprises may be uniquely positioned to reach marginal groups because they are not viewed as organs of the state. They may be cost-effective, flexible and innovative compared with public services.

Using empirical data from a study of the development of social enterprises in the Scottish Highlands, this paper considers the role of social enterprise within a mixed economy of rural service provision. It considers the extent to which social enterprises might deliver services to rural communities. To arrive at a deeper understanding this paper explores questions: a) *What might be the role of social enterprise in a mixed economy of rural service provision?* b) *What is the feasibility of producing sustainable social*

*enterprises in rural areas? c) What is the enterprise dimension of rural social enterprise? Can a cultural shift in thinking towards enterprise rather than an extension of voluntary type organisations be achieved?*

The paper is structured as follows: it begins by providing information on UK and Scottish policies and trends towards social economy organisations. Discussion continues by explaining the nature of social enterprises. The methodology of the study is explained. Findings are summarised conclusions and suggestions for further investigation are given.

### **1.1. Policy about social enterprise**

In the UK social enterprise is promoted as a desired component of national development [9, 10, 12]. The primary reason for this is a shift in policy concerning the way in which many public services are designed, organised and delivered, and the belief by prevailing neo-liberal governments [16] that the welfare state in its 'pure' form is unsustainable due to preferences for lower taxation [17]. An ageing population will put heavy demand on service provision particularly in rural locations [2, 3, 6]. Consequently, new solutions for service provision are being nurtured. For instance, there has been increasing interest in non-state players delivering social services [11, 12] and the UK government exhibits a strong push towards the use of social enterprises highlighting their role in providing services to communities in partnership with the state. In Scotland, policymakers' support for social enterprises is expressed by the publication of the Social Enterprise Strategy which foresees their continuous development [12]. Areas such as primary healthcare, social services, education and utilities have been identified as potential fields for growth of social enterprise [9, 10, 12].

Common desire for societal development is now regarded as the dominant model for future service provision [7, 18]. As part of the mixed economy a social enterprise can be described as *"an organisation that operates independently of the state and is specifically concerned with investment and surplus reinvestment for social objectives"* [9]. Rather than being driven by the need to maximise profit for shareholders and owners, social enterprises are orientated to achieving public good. In other words, surpluses are reinvested for the benefit of stakeholders, not shareholders [19]. The core driver for social enterprise is perceived as the ability to address a particular social challenge through a formal organization; the common characteristics include: enterprise orientation, social aims and social ownership [20]. Social enterprises are promoted as being able to take cost-effective, flexible and innovative steps to address local challenges [19]. With business activities used purely to achieve social goals and to obtain financial self-sufficiency, social enterprises are different from the rest of those organizations associated with the social economy such as co-operatives and voluntary organizations. Social enterprises are also distinct from charities, although charities are increasingly looking at ways to maximize income from trading; and from private sector companies with policies on corporate social responsibility. From a policy perspective, they are ideally businesses that combine the entrepreneurial skills of the private sector with a strong social mission characteristic of charities [21].

Public services are particularly complex to provide in rural areas. While governments in the UK acknowledge this, they are reluctant to provide specific policy for rural services. This causes difficulties for rural service providers who must implement standardized national policies that generally do not take account of the organizational issues involved in providing rural services. For example, rural service providers cannot achieve economies of scale from concentration or specialization. Conversely, they could benefit from

interconnected working between services, but silo budgets and having to implement policies designed for urban settings discourage cross-agency working [2, 3, 5, 6].

The benefits of social enterprises for rural areas described are that, by using a bottom-up approach, services provided will more appropriately meet local needs and, by doing this, satisfy local communities [6, 10]. Working collectively is suggested to create social capital that can be applied to other community issues and working for the collective is stated to create confidence and build 'human capital' [1] that can help people go on to obtain paid employment. This issue is especially important in remote areas which are often considered as challenging when it comes to employability issues. Expansive claims are made in policy about the social, human and economic benefits produced by engaging in social enterprise, however, these are largely unsubstantiated by research evidence. The question of the feasibility of producing sustainable social enterprises in rural areas may also be pertinent and has not been addressed in policy [21, 22].

There is much about rural life that suggests local production of services by communities might be successful. They might draw upon traditional rural strengths – strong mutual knowledge, sense of community and social cohesion [23]. Moreover, social networks are denser in rural, as compared with urban, settings, with resulting outcomes of high levels of trust and active civic participation [24] – key components of the social capital associated with social enterprise development. The existence of co-dependence, reciprocity and collective activity would also imply rural areas appear to represent a perfect nurturing ground for social enterprises [23, 25]. Williams [26] notes those living in remote areas display a greater propensity to engage in social rather than commercial entrepreneurship compared with those living in urban areas. Consequently, the role of social enterprise in a mixed economy of rural service provision, as suggested by politicians, may be promising [21, 22].

Conversely, there are elements of culture, human capacity and the legal and financial context that might mitigate against the involvement of local people in service provision through social enterprises. Given their already diminished experience of service provision, they may resent the imposition of further service provision onto themselves. Clients might demand professional help provided by the state – associating (wrongly perhaps) social enterprise provision with erosion of rural services [22]. Rural inhabitants, particularly long-term locals who have worked out methods of informal reciprocal 'favour-giving' might be suspicious of receiving services from, and hesitant to contribute work to, organizations such as social enterprises which might be perceived to run formal 'entrepreneurial' activity. Instead, the support and understanding might be given to more traditional structures such as voluntary organisations. In this case, a cultural shift in thinking towards socially orientated enterprises is plausible, but can it be ever achieved? Rural places are comprised of contesting groups whose positions and conspicuousness is heightened by small populations living in proximity in isolation. Connections between community members may encourage differential experiences of support [27]. Furthermore, there may be a limited number of people in rural communities with appropriate skills and willingness to participate [6]. Rural social enterprises may experience structural difficulties. Research highlights limited access to: financial and information resources and scarce unrestricted funding [14, 21, 22].

There are thus conducive and non-conductive factors affecting the development of the role of social enterprise in a mixed economy of rural service provision. Rural locations, which might be perceived to offer the ideal location for establishing and operating social enterprise, might be simultaneously perceived as deprived of resources, harsh, adverse and

antagonistic areas presenting 'distinctive challenges' [21, 22, 28]. The likely development process and success of rural social enterprise is therefore hard to predict.

## **1.2. Methodology and research design**

Findings reported here originate from a larger project describing barriers and promoters for developing social enterprises in the Scottish Highlands. The area has a population of 373 000, covers 39 050 square kilometres and is one of the most sparsely populated areas of the European Union [29]. The topic is up to date as Scotland is a country which is currently experiencing a strong policy drive to increase the number of social enterprises and generally expand the social economy [12]. The data reported here are based on the project looking at the promoters and barriers to social enterprise and social entrepreneurship funded by Highlands and Islands Enterprise (HIE), the regional development agency for the north of Scotland. HIE are concerned with strengthening communities as well as building economic development and thus have multiple interests in study outputs.

In this study an exploratory approach and qualitative techniques were used. Face-to-face interviewing was employed to allow focus on the main research questions, whilst allowing for elaboration of themes [30]. Respondents were identified by using snowball sampling, which is especially useful when the desired population is ambiguous, multi-faceted or elusive, and when the sampling frame is not easily accessible (which was the case in this investigation) [31]. Thirty-five in-depth semi-structured interviews were conducted with a range of stakeholders involved in social enterprise activity, including: ten social entrepreneurs (SE); five employees of social enterprises (ESE), five volunteers for social enterprises (V) and five managers of social enterprises (MSE); five health and social care professionals (HCP); two councillors (C) and three politicians (P). The interviewer held free-flowing discussions, allowing interviewees to expand on topics of interest. As interviews built, it was possible to ask for the opinions of interviewees on points that had been made by previous interviewees, although clearly names and designations were not divulged. This method was appropriate for an exploratory study and particularly beneficial in that, in some cases, discussions led into areas that had not previously been identified, but which were significant for addressing the research questions.

Interviews lasted 40-60 minutes and were recorded, with consent, and subsequently they were transcribed. Field notes were also collated and observations recorded. All data were coded, categorised and analysed using the constant comparison method and analytic induction. Emerging themes formed the basis for systematic analysis of transcripts using NVivo qualitative data analysis software program.

By considering suggested benefits of social enterprise activity, the potential role of those organisations in a mixed economy of rural service provision is considered. Further, sustainability of socially orientated businesses is investigated; this by exploring existing obstacles which influence their activity. Finally, the enterprise dimension of rural social enterprises and the extent to which this fits with traditional voluntary sector organisational models is examined.

## **1.3. Benefits of social enterprise**

Respondents generally approved of the social enterprise model because of the potential for positive impact on communities. It was noticed that, in actual cases social enterprises satisfy local needs which otherwise would not be met. The bottom-up approach of social

enterprise facilitates accurate identification of the support that is required: *'social enterprises are more responsive to local needs and they do come out of local communities. Lots of good things can happen through social enterprises'* (ESE2). Moreover, several people emphasised their role in creating job opportunities: *'this kind of business is good for people who maybe had been unemployed for a long time. It gives them a worthwhile working ethic, a working place, to come. It gives them training; it helps them with skills and learning.'*(MSE3); *'the profit that we make isn't monetary, it's not financial. The profit is wider social benefit because you're helping people to keep well, you're helping people to have more confidence and self esteem. You're helping their families because if people come off benefits they feel better, they can provide for their family rather than not be well and be on welfare benefits'* (SE1). Simultaneously, the interviewees indicated that social enterprise benefits spread to the wider community and the economy: *'social enterprises get people engaged in the labour market who wouldn't normally have been engaged. All social enterprises have an impact on society and therefore the economy. So for example, I was running a child care organisation in a community. Now, by providing child care, we enabled the parents to go to college and to work. And you were also making sure that those children were getting good play and development.'*(SE5); *'the benefits of people working, it's so much more than not working and being on benefits ... being unemployed, not having any self worth makes people ill. And then that's a drain on society and on resources. And by giving people jobs, it just turns round that negativity and it makes a positive thing out of a negative thing'* (VI). So, social enterprises are recognised for their economic as well as social contributions to society: *'the local development and economic agency look on us [social enterprise] as we are a company with a social mission. But also, they see us as stimulating the local economy. They see we're building the company, we've got a factory going on, we've got shops. It's really good for the local economy. It's really good for private investment as well. It's the wider impact you have on the community'* (SE2).

Social enterprises have been appreciated for other aspects they offer. Respondents suggested that these businesses may provide education and training. Moreover, by employing and providing services, they support needy people including those who are disabled, homeless, or have addictions. Support for the ageing population was mentioned by several respondents: *'the amount of care that the population expect, and it is about expectation, is enormous ... and you're not going to be able to afford it if you look at the demography of the country; we'll all getting older.'*(P1); *'We do have an ageing population. There's no doubt about that and at the moment, the way we take tax in this country and the way we spend it means that it is not going to support that in the way that we want it to happen'* (C2). This concern repeatedly appeared in discussions with interviewees who often perceived it as a problem which cannot be easily solved. Some people were more enthusiastic in their approach: *'what we are definitely going to have to cope with are hugely increased numbers of over 75 year olds and that's a mixture, that's good news and bad news. Well, it's not bad news, it's good news, it's just the way how we're going to cope with it'* (C1). Potential to develop social enterprises in health and care service provision was identified: *'We've certainly considered whether or not we could run some services as social enterprises. We've kind of looked at things like care homes for older people, possibility of wider ranging services, community transport services running as social enterprises. I think a lot of services could be run as social enterprises and commissioned by the National Health Service.'*(HCP4); *'Those are the people who are, could be very productive and would love to be part of the team, a network, where they could become involved'*(C1). So, older people were identified as active citizens that can

participate in community development by co-creating services for themselves: *'we have to think about people looking after themselves, about self care, about access to different sorts of care that actually make you do it for yourself rather than rely on others.(P1)'* Additionally, the importance of helping older people to stay at home, rather than sending them to hospitals or elderly centres (which might be very expensive), was highlighted: *'There are a large number of people who are isolated in the community either because of distance or because of disability. They've got to have somebody who comes in, says hi, cooks them their dinner, and then walks. Those are the people that we should be targeting with social enterprise' (HCP4)*. It has been also recognized that in many cases, transport schemes allow older people keep their independence and stay at home. Thus, this could be another opportunity for developing social enterprises. When asked about accessibility to public services and the level of the satisfaction with current service provision, it was repeatedly noted: *'People recognise that there aren't enough critical services nearby people.... People need to feel safe around their health and their care services.'*(HCP2); *'We've got a different expectation of what health and care services should be like. We want them to be more personal services and we don't want them just to be done to us, any more. It's about co-production of services' (VI)*. Therefore, the respondents indicated that social enterprises could support the National Health Service (NHS) by creating a range of services, which would not require highly specialised skills and which would support a healthier and fitter society. For instance, aspects such as smoking cessation, helping people change their diet, helping people to become more physically active were identified as potential areas for developing social enterprise activity. *'Obviously critical kind of stuff has to be done at hospitals and surgery, but there's whole sort of things connected with well being, that prevent people becoming ill. If we could have more services which promoted well-being.... That seems to me, to be much better suited to a social enterprise model' (ESE4)*. There were therefore practical suggestions as to how the role of the social enterprises in a mixed economy might increase. There was little discussion of how the public sector could practically co-produce or contract with social enterprises. The important question of creating sustainable social enterprises arises.

#### **1.4. Sustaining the business**

Theoretically, social enterprises can be developed in any business sector, in urban as well as rural locations. But it is highly challenging to set up and run a social enterprise which both: improves quality of life by meeting social needs and generates sufficient income to be self-sustainable: *'running a social enterprise is much harder than running any other kind of business because you've got multi-funding, you've got multi-stakeholders, you've got multi-clients to deal with etc., so they're hugely complex organisations to run' (SE7)*. In fact, there are many aspects which need to be taken into consideration when looking at the sustainability of rural social enterprises.

Being entirely self-sustainable might be problematic for the majority of social enterprises. Interviewees indicated that lack of sufficient public funding is a barrier in developing socially orientated businesses: *'it's right that we should be seen as a business and trade as a business but we will never make enough profit to pay for the costs of running it. If we can generate 30%-40% of income ourselves I would be very happy with that. Even if we could generate 50%, but I think businesses providing that sort of support to their communities will always need help, will always need subsidy. And people who say we should be self sufficient don't know what they're talking about, to be honest, because if*

anybody could do it then you wouldn't have a problem getting people jobs' (MSE1); 'I don't know if it could stand alone commercially. I think it would be lovely, if it could, but I think you might need some funding underneath it to, as a safety net' (C1); 'You can see an example here and an example there where it really has worked but what if the money dried up completely for some reason ... you know the sustainability just ends' (ESE2). Thus, several people maintained that social enterprise needs the security of ongoing funding. At the same time, some of respondents suggested that subsidies can 'spoil' social enterprises, taking them away from being innovative: 'we have to try and help them to get away from the grant dependency part' (P3). Interestingly, a number of people indicated that continuing of the social enterprise can often be more problematic than starting up: 'one of the most difficult things for setting up social enterprises, is not actually the start up phase, the start up phase is the easy phase because there's lots of people will give you support and give you help at that stage. I think it's two, three years down when you're not new anymore and people think 'They're around, they should be okay.' And that's when it's actually more difficult' (ESE5). Therefore, there is a belief that social enterprises should be funded by public organisations for a number of years beyond start-up: 'previously it was like running a project but it's moving towards being a social enterprise, now, because we're in the commercial market a lot more and that's our aim to become, I think 50/50 split. We'll always need funding, but if we're 50/50 within ... 10 years, I think that is' (MSE1). There are many reasons why social enterprises are not entirely self-sustainable. For example, it was noted that, in many cases, community groups do not possess business skills and do not know how to run an enterprise: 'the whole process of developing the businesses is difficult for a social enterprise. People usually have lots of fantastic ideas but to make those ideas work, economically, it becomes more difficult and often there are people who are idealists or are very passionate about a particular issue but actually they don't have a very clear head when it comes to running a business' (MSE3); 'Just to have a social purpose and an aim is not enough ... you need to have all the business skills and the rest that go along with it' (P2). Consequently, lack of relevant experience and lack of knowledge lead to failure and disappointment. An alternative approach suggested involves hiring a paid professional: 'we've actually got a very skilled manager who's come from the private sector and we've learned so much from her experience and it did emphasise how little we knew. We were community workers and people who were interested in the youth project but didn't necessarily have the skills to make that happen' (V5). Although it is not the cheapest option to appoint 'an expert' it might be a method that allows social enterprises to survive and grow. Respondents reported that social enterprises operating in rural areas can encounter problems with finding somebody who possesses the right mix of business skills and community skills. Moreover, it might be difficult to find an adequate number of volunteers or staff to run a business: 'we may have enough entrepreneurs but they need other people because they don't operate individually, they operate within organisations they set up and they need sufficient numbers of people within the organisations to deliver the service. Small numbers of population often means there's not enough folk for them so often they can't get enough people to grow the service in the way they would like to' (P2). Further analysis showed that the aspect of rurality has an impact on the activity of social enterprises and their ability to become self-sustainable. As noted by respondents, in cities there is better access to training opportunities for these businesses. In addition, the market is bigger and there are more customers: 'it would be a lot easier for a social company in Glasgow or Edinburgh to actually emerge and become a really good self sufficient company than being in rural place because we haven't got the population, we haven't got the sales' (SE2).

Rural areas were also associated with a higher running cost, for instance, due to geographical conditions. One of the respondents said that the transport and travel is a considerable problem: *'getting people to work is more expensive so you have to try and give people higher wages to cover their transport costs'* (SE9). Like commercial enterprises and the public sector, rural social enterprises find they do not benefit from economies of scale. Instead, the business has to find a niche market and operate within it. As a result, enterprise remains relatively small.

When exploring a question related to the feasibility of producing sustainable social enterprises critical comments about the public sector procurement process were encountered. Specifically, social enterprises had problems due to their nature: *'there was a commercial private sector firm and a social enterprise, both of whom were providing services but it involved adults with learning difficulties coming out and working with them. So, they got money for the day placements for the adults. Now, the private sector company got paid four times the amount than social enterprise for each person they took on a daily basis'* (MSE5). Also, there may be an expectation that social enterprises will deliver for very low cost: *'we have just returned a contract to the local authority and said to them: sorry, but we can't deliver this for you any more. There's not enough money in it'* (SE9). Respondents suggested, there is a common perception that social enterprises should provide cheap services, sometimes even for free, as they want to support local communities: *'at the moment we're doing it [service provision] for nothing which means that social services aren't paying anything for placing two or three people with us'* (V4). In spite of these challenges, socially orientated businesses remain positive and enthusiastic: *'we need to find a source of sustainable income so that we don't always have to rely on applying for grants everywhere'* (MSE3); *'That's political speak: 'they'll do it for nothing'. Or: 'let's make the community responsible for its own'. Well, I don't disagree about that. But the fact is that people need to be paid to do things'* (SE3).

Although there are some obstacles for developing self-sustainable rural social enterprises, it has been noted that rural areas can offer a hospitable environment that is unique and cannot be met in urban places: *'people understand that you can't separate out your social needs and your, the economy and the services. Everything has to come together because the communities are so small. And to be more self reliant, people are willing to take on initiative whereas I think sometimes in the bigger cities like Glasgow, people expect things just to be given to them. Whereas in the Highlands & Islands, people know that they have to fend for themselves a bit more'* (V2); *'In rural areas people have got more interest in working together to solve things collectively whereas in cities someone else can always do it, because there's enough people around. But in rural communities, people have to solve more of their own problems'* (ESE1). Many interviewees claimed, that apart from having a sense of being part of the community, rural inhabitants possess strong motivations which help them in resolving many problems: *'rural areas can be very creative. If the community interest is there, I find that the barriers aren't really that huge any more'* (MSE2); *'Remote and rural practice allows us all sorts of potential innovations that would be much more difficult in an urban setting. Primarily because in rural areas there is a real need to make change because the pressures upon us are absolute and ultimate because we'll only have one or maybe two individuals providing a service and if you lose those individuals then you have no service, it's not that there's a little hole in it, there's just no service. So what I'm interested in is the sustainability of remote and rural health and social services'* (HCP2). Some respondents suggested that social enterprises are sometimes set up to address a public service that failed because of the rurality issues. They suggested that

social enterprises can arrive at innovative ways to deliver services. Also, it was noticed that in rural and remote areas there is a lack of strong competition and therefore social enterprises should have relatively easy access to the market. Consequently, some respondents suggested that there is a chance of creating self-sustainable socially orientated businesses in the rural Highlands.

### **1.5. The enterprise dimension of rural social enterprises**

As noted in previous sections rural areas present some distinctive challenges for social enterprises: *'there are some real differences in terms of how people think and how they operate and who they support and that's a big issue within a remote and rural area'* (P2). Thus, the location may influence the extent of the 'enterprise' dimension and the way how social enterprises operate. Despite the fact that OECD Rural Policy Reviews [6] positively assessed Scottish entrepreneurial behaviour, a question over the ability to create socially orientated businesses arises. To what extent does the concept of enterprise fit with the rural ethos? Perhaps, given their long tradition, voluntary sector organisations might fit better in rural settings. Consequently, in the following section, it is considered whether or not a cultural shift in thinking towards enterprise, rather than an extension of voluntary type organisations, may be achieved.

The DTI [9] states that a number of voluntary organisations and charities are hesitant to turn into social enterprises. In this investigation it was decided to explore the theme and ask respondents for their opinion. A number of interviewees confirmed this statement arguing that, in some cases, it would not be advisable for a voluntary organisation to transform into more business-like enterprises: *'so it seems that you're just trying to make a charity profitable which isn't what we're about'* (V3); *'I'm not sure that turning everything into a business is the right way to go.... You lose something doing that....the passion....the commitment. You want a lot of passionate people, but they don't need to necessarily be driven and stressed about what they're doing'* (V4).

An interesting justification was given by one of the respondents, who claimed, that the reason for being reluctant about the idea of becoming a social enterprise was rooted in the threat of losing independence: *'some voluntary organisations don't want to go down that route because they feel if they do, they'll lose their independence; they'll lose their ability to speak up, for example, against government policies. And if you take organisations for the blind or for any kind of disability, their main role, really, is to be a spokesperson or to speak on behalf of people with those kinds of disabilities and if you get locked into government contracts or local authority contracts it's much harder to be critical because you're relying on those bodies for your income'* (MSE4). The assumption that voluntary sector organisations want to and have the capacity to run social enterprises might be misleading: *'there's a lot of people who really believe in supporting a community. But I don't think enough of them think of it in terms of enterprise. I think we're really struggling to shift the mindset from sort of charitable ground based organisations of which we have thousands and thousands, to a more entrepreneurial basis which is a much more sustainable'* (SE6); *'Voluntary sector groups, as groups, aren't very good at turning into social enterprises'* (P2).

One interviewee linked resistance to change in the Highlands to the culture being risk averse: *'I think it's a whole fear of change, it's about the change in approach and that scares a lot of people. I think the Highlands and Islands in particular are very traditional.... They're always harking back to the golden days.... Things change much*

*slower up here than they do elsewhere, but it's a problem common across the country. So there's a fear of change. There's also the risk factor.... They're frightened of taking that role on because it is a whole quantum leap forward basically, it's a whole shift in approach. And I think it's been forced on organisations now because of the change in sort of grant climate and shortage of grant funding' (P3).*

Conversely, some people were excited about the concept of social enterprises and self-support: *'I hate that idea of charity. I think social enterprise is different from a traditional voluntary organisation. I mean obviously there is a place for giving, but I think that's a very old fashioned and patronising way of doing things. Money should be invested and social enterprise is about helping people to help themselves and find their own solutions. I don't like charity which is all about just giving because you feel sorry for somebody. It's patronising. It puts the other person down.'*

It was emphasised that social enterprises are 'real' businesses. If they want to survive they have to be profitable, they have to be competitive and have to deliver a good quality service/product: *'they are businesses because they have to tender for contracts' (ESE3); 'although you're a social enterprise, you're no different from any other business. You've got to really make sure that although you've got a social mission, the bottom line counts' (ESE2).* Also, as previously suggested, social enterprises are able to deliver some services in a more efficient way. For instance, one interviewee indicated that day care for people with disabilities provided by their social enterprise is a lot cheaper than that provided by the local authority. This would indicate that socially orientated businesses are entrepreneurial in their approach. Simultaneously, it was noted that social enterprises act differently in some ways compared to their commercial counterparts. Specifically, rural social enterprises perceive an ethical constraint: *'they can't fully behave as enterprises in the way that the formal enterprise sector would take for granted' (V2).* For example, rural social enterprises do not want to create a business that already exists in the village/town: *'so, my thinking was, well let's set up something specifically for people and set up our own business and if we can find a business that doesn't encroach on any body else's business, because everybody's got to make a living, and there's lots and lots of small businesses with just one or two or three employees, so people are trying very hard to make a living. So I didn't want to upset that and I didn't want to displace other businesses' (SE10).* This conservative approach is characteristic for small places where people know each other and live together.

## **2. Conclusion**

The findings suggest that: a) social enterprises may play a growing role in a mixed economy of rural service provision by co-producing a number of services. Potential for rural social enterprises was identified in primary health and care services; b) only a few rural social enterprises seem to be entirely self-sustainable. Due to challenges and diverse obstacles existing in remote places, rural social enterprises may continue to require external support; c) social enterprises are enterprising; they are businesses with social objectives and the enterprise dimension is used to become less dependent on external funding and subsidies. Thus, they differ from voluntary organisations as well as commercial enterprises. Although social enterprise is highly promoted by policy, it is still an emergent area with a limited understanding of how this form of business operates. The role of social enterprise in a mixed economy of rural service provision has barely been explored. Its future is hard to predict, but as rural locations place increasing demand on services (especially that associated with the ageing population), it is an interesting area worthy of further

investigation. Politicians debate about how to improve quality of life in remote and rural places and, at the same time, seek to manage the cost of public services. Although these two aspects seem antagonistic to each other, development of social enterprises may provide a solution.

Growing social enterprise requires a realistic and positive approach from local people as well as policymakers. Given the political climate, rural people might need to embrace social enterprise as co-production of services might become the most likely way to achieve decent service provision. Conversely, politicians should understand that informal help which is evident in rural locations cannot be easily formalised and should not seek to take advantage of rural conditions. Despite the fact that social enterprise may be perceived as a new type of enterprise, it differs from its commercial counterpart. Social enterprises are often constrained by their profile and cannot be as profitable as commercial enterprises. Consequently, it might be argued that they rely and will always (to some extent) rely on external support. In spite of that, their entrepreneurial dimension should not be underestimated. Further investigation exploring similarities and differences between rural and urban social enterprises and their contribution to the mixed economy would be valuable. An international comparative study on the role of social enterprises in a mixed economy of rural service provision would be useful in identifying best practices. This, however, might be problematic as the standard definitions, methodologies and practices within this theme have not been developed yet.

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