

## CAN SOCIAL ENTREPRENEURS MAKE THIS A BETTER SOCIETY?

### A PROVOCATION PAPER: TRUST-BASED vs. CONTRACT SOCIETY

By Charlotte Young, Chair of School for Social Entrepreneurs

This paper aims to explore the very different effects on us all of a contract society versus a trust-based society. Firmly coming down on the side of a deliberate shift towards trust-based activity, I will argue that there is now considerable experience that might amount to a social movement. This experience, however, is fragmented, unaware of others operating in similar ways and, therefore, tends not to have the coherent impact that its size and effectiveness might imply. This paper is written to prompt discussions about how the School for Social Entrepreneurs (SSE) community, and social entrepreneurship more broadly, might use the current socio-economic situation to stimulate a greater emphasis on the trust-based elements of our economy and society.

#### THE PROBLEM:

UK is a seriously unequal society that has become more unequal over the last few decades. This inequality is linked to extensive social problems, all of which create huge costs to our society, both in economic terms and in terms of the quality of life in Britain and the well-being of its citizens. Richard Wilkinson and Kate Pickett in their recent book *"The Spirit Level"*, explored in great detail the close links between economic inequality and inequalities in significant aspects of society such as health, education, violence and criminality, and, most importantly, trust. Based on evidence from 23 rich, democratic countries, they also show that more equal societies do far better on average in these and other spheres. In other words, everybody suffers to some extent in a less equal society. The nub of this problem seems to be the issue of trust. Trust is not just a matter of comfortable or uncomfortable feelings. It is at the very heart of what makes a society tick. Where it does not exist, most aspects of social living become problematical. Children's lives are impoverished. Adults, no longer able to trust others, are put under stress and have greatly added complexities to address. The elderly may live in fear or, at the very least, surrounded by complicated and often expensive arrangements for their everyday needs.

But worse, social problems and society's responses to them become more and more of an economic burden. Wilkinson and Pickett have exhaustively explored the range of factors with strong correlations to inequality. Just consider the way the economic impact of these factors escalates as the problem becomes more prevalent:

- Increased mental illness means more family breakdown, more addiction, more involvement in criminality as well as the increased costs of treatment and rehabilitation
- Obesity not only means worse sickness rates and earlier death, but also more spend on prevention
- Lower average educational attainment means less overall capability available not only for the world of work, but also for making more general contributions to society
- Higher teenage pregnancy rates mean increased social costs as well as tending to reinforce the phenomenon of inequality
- High levels of violence cost a great deal more in surveillance and policing as well as early deaths and damaging effects on the lives of others
- Increased criminality has even greater economic impact in the costs of the criminal justice system and imprisonment

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<sup>1</sup> *"The Spirit Level: why more equal societies almost always do better"* by Richard Wilkinson & Kate Pickett (Penguin, 2009)

The comprehensive picture that Wilkinson and Pickett bring together may be a relatively new one, but governments have tended over many decades to espouse the benefits to society of social mobility and have made gestures or even genuine attempts to raise the poorest out of poverty. Despite enormous efforts by New Labour, the trends towards greater inequality have continued and it is therefore almost certain that this process is also giving rise to overall poorer health, overall lower educational performance, overall greater criminality and anti-social behaviour. In other words, there is a gradual downward cycle which politicians are unable to halt through the approaches used so far. In fact, one might suggest that politicians are not in the best position to make things better, except by directly acting on a massive redistribution of wealth. Such action, however, seems unlikely to be in any way acceptable to a majority of the population despite the upheavals since the banking crisis.

What appears to have happened incrementally over a protracted period is that our society has become very much more unequal, but at the same time, it has also begun to fall in with two quite different ways of doing things. We might call these elements in our society the Contract Society and the Trust Society. The first is very visible. It is that part of society influenced by the major players – government, big business and its acolytes, the major consultancies, local authorities, quangos and all strongly influenced by the media. The second is much less visible but nevertheless active, even vibrant, creating workable ways of tackling the everyday problems of living together on a small, quite crowded, culturally diverse island in the 21<sup>st</sup> century. It is in this part of society that most of the new thinking lies. This is where the potential for new technologies to create social benefits is being explored. This is almost certainly where the future must be decided. But for most of the population it is all but invisible. These two societies live side-by-side. The contract society has profound influence on the trust society but the reverse is not true despite the far-sighted thinking and interesting practices that exist. This is largely because the trust society has not yet achieved critical mass – the condition that combines mutual awareness with confidence and joint purpose – that is essential for significant social change.

The beginnings of a solution to the problem outlined above therefore seem to lie beyond politicians and government. But the alternative drivers of change are not yet sufficiently aligned to take up the challenge.



## **THE CONTRACT SOCIETY AND ITS ECONOMIC AND SOCIAL IMPLICATIONS**

For a great variety of reasons, practically every activity with any fundamental significance to the conduct of our society has become in some way linked to or dependent on government. It was not always that way, but it has become commonplace for people to expect a solution to every conceivable problem (or at least remedial action to alleviate the symptoms) to come from government and, if it does not, to complain mightily. In response, governments (but especially our current UK government) have tried to furnish solutions either directly (such as health and criminal justice), indirectly (through local government and quangos) or through contracts with commercial and charitable bodies. And as a result it has become taken for granted that most of life in Britain will be dominated by features of the contract society.

This relatively recent transformation of citizens into consumers has been accompanied by an emphasis on rights, so that the contractual obligations of providers are not just to the “purchaser”, i.e. government, local authority or quango, but also to the individual user/consumer. So in this very one-sided transaction, the issue of accountability has become a massive and hugely expensive burden, “choice” has fostered unnecessary replication and the citizen is unintentionally led towards behaving like an indulged child.

Because of this acceptance that all accountability ultimately rests at a central point, the perceived need to control of the very complex arrangements for delivery of services leads to layer upon layer of indirect activity. For instance, let us look at a hypothetical activity to set up a new community agency (but not far from real examples we have come across). This is likely to have involved:

- A team to specify what service is needed and to create a bidding specification
- Several organisations to commit resources to create competitive bids often, in the case of activities that will last over several years, these bids can run into hundreds, even thousands, of pages and cost tens or even hundreds of thousands of pounds to produce
- The “purchasing” team to negotiate, answer queries, re-specify details and so on, before ultimately selecting one “provider”
- The provider to set up a democratic structure with Board, committees, procedures to supervise and give legitimacy, and to demonstrate “Good Governance”
- The committee to be involved with the “purchaser” in setting up a new organisation that meets all the expectations of “good practice”, equal opportunities, financial accountability to the last penny, smooth public relations to let the public know that they are there and so on
- A building, a phone system, intranet/ website/ customer and back-office systems strong enough to give people the information they need for complete public accountability
- Sub-contracts for cleaning, food, stationery (lots and lots of paper!), maintenance
- A Human Resources department, disciplinary and grievance procedures, appraisal and career development system
- Salaries, bonuses, pension provisions, cars and allowances for indirect staff and senior managers all at competitive market rates
- And so on and so forth

A real example of this type of process can be explored in the massive and hugely ambitious experiment, “New Deal for Communities”, a £2 billion initiative involving 39 neighbourhoods over many years. You may want to find your way into the network of websites related to these programmes to get some sort of understanding of the elaboration and bureaucratisation that emerged. But for a specific statement of the problems created by attempting to deliver on a national scale, it is worth reading the comments by the evaluation team from Sheffield Hallam University about the tensions between local and national concerns on page 113 of <http://www.communities.gov.uk/documents/communities/pdf/737945.pdf>

For any initiative that has been provided nationwide in a way that is relatively impervious to press and public criticism and for it to be considered as an acceptable “choice”, all of these indirect expenses have been seen to be necessary by the central initiator i.e. ultimately the government of the day. But none of them actually provides a service to any user until you get to the front line, with its immediate support.

It is worth just reminding readers that the original justification for most central initiatives, in addition to the alleviation of aspects of deprivation, is to build “social capital”. The central thesis of social capital theory is that ‘relationships matter’. The salient idea is that ‘social networks are a valuable asset’. Interaction enables people to build communities, to commit themselves to each other, and to knit the social fabric. A sense of belonging and the concrete experience of social networks (and the relationships of trust and tolerance that can be involved) can, it is argued, bring great benefits to people. So it seems fair to consider the extent to which this enormous expenditure and protracted effort is likely to result in social capital formation and support.

In addition to the unproductive expense outlined above, there are two other features of central initiatives both of which have serious consequences and neither of which appears to help with developing social capital. Firstly, to set up an entity on this scale, the initiator will almost inevitably have to seek a range of professional employees who have both the objectivity and experience to be quickly capable and credible in a new context. These employees will tend to know a lot about their specialist field, but will know very little about the part of society into which they will be planted. Whilst the initiator may place a high value on these people being emotionally uninvolved with the users, it undoubtedly creates a particular type of relationship which has very little connection to social capital.

Furthermore, they will tend to take the salary and benefits that the professionals obtain from the agency which is probably located near to the users in an area of deprivation, and spend the proceeds in the “professional” area in which they live. Thus the citizen/ consumer for whom the service has been set up receives very closely specified types of help, but often does not benefit in a more general way through employment opportunities, financial injections to the community or chances for learning and engagement.

Secondly, virtually all initiatives set up in this way tend to generate a psychological mind-set of either passive dependency (linked often to escalating levels of demanding-ness) or to withdrawal and disillusionment. It is very hard for the professionals in this context to avoid creating an implicit relationship of superior/ subordinate. In fact I have found in research done earlier, that using a criterion of “customer satisfaction” can inadvertently lead to the professional encouraging dependent behaviour – creating more neediness and then more than satisfying the need. Whereas an approach with less emphasis on immediate measurements and more on longer-term changes can lead to a more equal sharing of responsibility, a greater emphasis on development of self-sufficiency, even if, as a result, they obtain somewhat lower ratings on “customer satisfaction”.

## **“THE CONTRACTUAL APPROACH TENDS TO CREATE LESS TRUST, MORE DEPENDENCY, AND GREATER LEVELS OF STRESS”**

In summary, the part of our society currently based on contracts contains remarkable inefficiencies. It is clear that large infrastructure projects with a need for national scale generally cannot be run directly by government and so must be based on a set of contractual relationships. In these cases, the disadvantages have to be minimised. There are two main disadvantages – firstly, this contractual approach frequently generates enormous levels of unproductive, indirect activity, which, although it admittedly produces many jobs, tends to be mainly a very large cost with relatively small benefit. Secondly, where it is applied to issues of inequality and social action, rather than getting at the root causes, it tends mainly to treat symptoms and in many cases, tends to create less trust, more dependency and greater levels of stress. These in turn produce further problems which reinforce the cycle of deprivation and the continuance of gross inequality.



## WHAT UNDERLIES CURRENT APPROACHES?

Four factors immediately come to mind;

- Public expectations – much of the UK public, egged on by the popular press, seems to believe that the way to judge a government is by its ability to make demonstrable impact on visible problems rather than to take a longer term view and to work with other parts of society to address underlying causes. The electoral system encourages short horizons and tangible problem solving, but nevertheless in response to these public pressures, there is a tendency to create undeliverable expectations.
- Professionalisation - Professionalisation and the growth of bureaucracy have gone hand in hand over decades and together tended to result in a lack of interaction of professionals and officials with the client groups that they are meant to be serving. It comes about when specialist knowledge justifies the creation of a separate training and occupation. It tends to result in the development of exclusive practices and a tendency to bolster the influence and status of the professional group in relation to others but especially the client group. If this tendency is repeated over time, then the result tends to be that the client group becomes disempowered and cut off from access to significant knowledge with the result that they eventually may become passive or upwardly dependent
- A trio of obsessions with risk avoidance, “fairness” and “accountability” – Whilst all are laudable aspirations, in many ways these ideas and the way they have been used embody the very antithesis of trust. Risk assessments, blame and compensation have become a central preoccupation not only in the public sector but in all dealings that government has with other parts of society. Fairness in this context is taken to mean universal, completely standardised and accessible to all. In a society which is so clearly unequal, “fairness” becomes a cipher for real equality. It encompasses both “equal opportunities” and the avoidance at all costs of a “two-tier service”. It involves large amounts of data collection, complex judgements about resource allocation and, as with risk avoidance, the development of deeply cautious attitudes. The obsession with “accountability” partly stems from auditing risk and “fairness” but also from public pressure to demonstrate both that even the smallest resource is not being used for “private” benefit. It also creates the mass of measurements and collated information that a government who pretends to be in complete control, needs to demonstrate its effectiveness.
- A long history in the UK, especially in the South of England where government decision making rests, of valuing the individual and her family but undervaluing collaborative action on a wider scale. Efforts by think tanks and politicians to draw attention to the benefits of social capital have tended to focus on support mechanisms for the family. They have given scant attention to the dynamics that link larger institutions and chunks of society and that can create a common will and popular energy, where the individual becomes willing to make personal sacrifices for the good of the greater society, and where a part of society will consciously and overtly take responsibility for solving some of society’s difficulties. This collaborative attitude does exist in parts of the UK, but has tended to be less evident in the more affluent parts of society from which those that set the national agenda are drawn

The overall impact of all these features is to reinforce a lack of trust throughout society.

### **WHY DOES TRUST MATTER?**

Professor Onora O'Neill suggests that we have developed a "culture of suspicion" with an emphasis on risk, on rights rather than duties and thence on information and transparency. The costs of building suspicion-based governance and control infrastructures are great; they not only create disproportionate overheads and they also stifle initiative. She points out that trust is a high order human attribute that can very successfully reduce transaction costs to a minimum. It is intrinsically more egalitarian and places far greater emphasis on responsibilities than a "contract economy" does.

Trust matters therefore because it is extremely efficient and also because it tends to create a more mutual relationship, with greater sharing of rights and responsibilities and more emotional reward. In other words, a more trusting society would be very likely to be a society with far fewer problems, that would stand up to international scrutiny better and that could take bolder actions in dealing with serious challenges like climate change.

### **WHAT MIGHT A MORE "TRUST-BASED SOCIETY" LOOK LIKE?**

A society that was actively becoming more trust-based would devolve far greater range of activity away from central control. It would be characterised by innumerable relatively small "bottom-up" initiatives. Its citizens would trust their government to provide and control certain essential central functions, elements of national infrastructure and services, where contracts are likely to be an essential mechanism. They would expect wherever possible that these contracts would minimise the sort of costs and bureaucratic burdens outlined above. But the main difference would be that its citizens would also be far more involved in all those aspects of society in which they had a strong interest such as health, education, community services and local infrastructure and which could be successfully devolved. Involvement, of course, means a lot more than being represented through governance and auditing structures, which many say has the effect of turning people away.

Trust grows out of regular interaction and through having the evidence to support continuing trust. It is a relatively common and straightforward process to develop trust between people for whom interaction is frequent, but is infinitely more difficult where there is little or no interaction. Trust takes time to grow but can be easily broken.

Trust arises from factors in the "trustor" and in the trusted. Individuals have different propensities to trust other people based on the extent to which trust has been honoured in their own individual history of social interactions. On the other side of the bargain, the individual will tend to judge the trustworthiness of the other person (or group of people) on the basis of a number of interlinked factors:

- How able or competent do they appear to be?
- How much integrity do they demonstrate? Do they appear to adhere to principles that are acceptable to the trustor, such as consistency, credibility in what they say, commitment to fairness, congruency between what they say and what they do?
- How benevolent do they appear to be? For instance, are they concerned about my/our welfare? Do they appear to be honest in words and deeds? Do they seem to have good intentions? Do they tend to include other people, to delegate and share control?



These factors take time to assess and need to be backed by evidence, but within any close neighbourhood or, for instance, a school playground, a street gang, pub or night-club regulars or a place of work, this process of assessment and evidence sharing is going on all the time.

In summary, trusting behaviour tends to come naturally to most children (though probably not to the most deprived). As adults, trust tends to be dependent upon the quality of our experiences. Where trust exists extensively in a society (provided that the bulk of that trust is not misplaced), it is fair to call that a mature and healthy society.

## **“THE BIGGER A CENTRALLY-MANAGED ORGANISATION OR CENTRALLY-DRIVEN PROGRAMME BECOMES, THE MORE DIFFICULT IT WILL BE TO MAINTAIN TRUST”**

But some of the features of modern Britain that have been described earlier – centralisation, professionalisation, risk avoidance, individualism – seem to be enemies of trust. Whilst each of these features has its merits, taken together they have created an environment where trust finds it hard to grow. But perhaps the single feature that creates the most damage to the development of trust is the obsession with scale and growth amongst politicians, commercial companies, economists and the dreadful army of consulting companies. The bigger a centrally managed commercial organisation or a centrally-driven programme of service provision becomes the more difficult it will be to maintain trust. The fiction of “economies of scale” lines up with the tyranny of standardisation to remove all the benefits that come from emotional energy, frequent interaction and psychological involvement.

A trust-based society already exists in a very large number of smaller trusting communities, habitual interactions and a range of new forms of direct transaction. An example of a relatively systematised process for growing and supporting trust is the community or sub-communities of regular eBay users. Maybe it is at a limited and superficial level, but it shows how people can use ingenuity to build the necessary conditions for trust. Frequently infant and junior schools create a community around them, starting with the regular interaction between parents in the playground, moving on to mutual visits and out-of-school activities and eventually being formalised into parent associations, whose influence can affect a whole neighbourhood. Another example based on face-to-face interactions is a close-knit network of refugees from a particular country, providing one another with mutual support, information about how to live effectively in this new country and ensuring that cultural heritage is not lost. This often tends to strengthen not only family bonds, but also gives the confidence and skills to engage more fully in British institutions. Another example again is the temporary community that develops in a music festival, or a march, or even a strike. These patterns and models show how naturally human beings, like ourselves, begin to develop and use trust in practical ways to facilitate social living. And you will recognise that this trust society does already exist all over Britain and that it mercifully remains untouched by the contract society most of the time.

My contention is that the balance between contract and trust has become seriously unbalanced to the detriment of not only our current living circumstances, but also of our futures. We may, however, be at a particular point of opportunity just now. All political parties are faced by a similar economic reality – though of course the differences lie in the speed and urgency which they believe it must be dealt with. Nevertheless, whatever happens at the next general election, there will inevitably be cuts in public spending unlike any we have experienced in recent years. Journalists are already lining up to argue that it is impossible to reconcile the apparent

contradiction between less public expenditure with providing services better or no worse than those currently provided. In their private considerations, they will no doubt be trying to work out how cuts in expenditure can avoid resulting much higher public costs in the medium term related to worse public disorder, less educational achievement, heavier public health burden and, as a result, worse international comparisons.

So it is possible that at least some politicians may now be far more open to exploring how reduction of government involvement in some activities could be accomplished. This exploration needs to be informed by the social entrepreneurship movement and needs to demonstrate the benefits of a trust-based society. But making trust more ubiquitous in today's British society theoretically requires two things to happen. Firstly, it needs any government to systematically devolve more and more responsibilities back to level of society where emotional engagement and psychological ownership can fully operate. It also needs that government to show the way and to encourage officials and professionals to avoid "infantilising" their clients. There are, for instance, observable changes in the way that good GPs now engage with patients, where one can expect genuinely adult-to-adult interactions. Ironically some of this has already happened for almost entirely economic and political reasons because of the likelihood that, whatever the outcome of the next general election, many centrally driven programmes are likely to have severely diminished funding.

Secondly, there is the enormous realm of activity that lies often below the line-of-sight of governments, the press and the public. One reaction to a squeeze on public funding and central initiatives might be to wring ones hands and cry "What will happen to us? What are "they" going to do about it?" Another is to treat it as a possibly-once-in-a-lifetime opportunity to develop an even greater sphere of valuable trust-based activity which will be much harder for central government to control or subvert.

### **WHAT COULD BE THE ROLE OF THE SOCIAL ENTREPRENEUR?**

This is where the social entrepreneur has a pivotal series of roles to play.

As initiators - Firstly, social entrepreneurs tend to be people who scan their environment and spot needs and opportunities. They tend also to be deeply familiar with the problems they want to solve. They therefore are often good at fashioning appropriate workable solutions for the particular context. Our research with successful social entrepreneurs shows that their staff see them as having far above average levels of drive and persistence, a strong sense of focus and an equally strong values base. These are all characteristics that tend to make their initiatives a success and our evaluation of SSE fellows supports this. They tend also to have an accurate understanding of themselves, to read others well, to have a strong sense of stewardship for their venture and to be able to create and sustain a vibrant working environment. These features are likely to generate higher levels of trust in the people with whom they interact.

As intermediaries – Secondly, many social entrepreneurs create intermediary roles for themselves between the community with whom they are engaged (in many cases, their own community) and the outer, formal, official world. They become spokesperson, interpreter, negotiator, gate-keeper – enabling the group of people to be heard, to express their needs, to acquire appropriate bits of resource or official help, to gain a legitimate voice in the official world. Trust is at the heart of this role. The social entrepreneur must stick their heads above the parapet, assume a self-imposed responsibility, risk being ostracised. If the trust does not exist, then they cannot act for their community. The trust must therefore be visible to the official world in order for the social



entrepreneur to be seen as legitimate through their focus on public rather than private benefit, their openness and ethical standards and their willingness to deal positively with feedback. It is this experience of trust and the success of many of these enterprises that will begin to change official attitudes and encourage them to allow power to be devolved.

As role models and people developers – Thirdly, social entrepreneurship appears to be catching like a virus. Those that come into contact with an effective social entrepreneur appear to be affected in a number of ways. There is a process of attraction for many people in coming into regular contact with a person who brings passion and meaning into what they do. They also demonstrate that more is possible, that ordinary people can achieve and that it is OK to have ambition. So they tend to generate new confidence, to create purposefulness and to delegate responsibilities and develop the skills of others. Initially this capability and commitment is put to the service of the original problem but once these capabilities have been recognised and some confidence has been acquired, then new challenges will be recognised and tackled.

All these trust-building roles of course depend upon manageable human scale and upon emotional involvement in solving a problem together.

### **WHAT ARE THE CHALLENGES?**

Most talented social entrepreneurs face a serious dilemma. Should they allow themselves to be moved more and more towards an officially recognised position, through big contracts, growing the scope of their organisation, taking up public appointments? Or should they remain close to their roots, keeping their profile low, turning away money that might require some compromise, being very choosy about partnerships and linkages?

It is obviously a very difficult choice where compromises may be inevitable. Although most successful social entrepreneurs try to find some way through this minefield that enables them to remain true to their values, I'm sure we can all recognise others who have been quite unable to find a satisfactory resolution. Rifts develop between senior employees and within Boards. Employees and supporters of the organisation take sides. The debate rambles on causing a very distracting loss of focus and fragmentation of relationships and trust. If the organisation is to remain on track, very difficult decisions have to be made and often the greatest pressure leads in the direction of bigger and more official.

### **“IT IS THE HUMAN CHARACTERISTICS THAT CREATE THE DESIRABLE EFFECT, NOT A LEGAL STRUCTURE”**

So the first challenge is this: How can we encourage and support social entrepreneurs to consciously try to rectify the imbalance described? How do we create a much clearer picture of the dynamic part that social entrepreneurs are playing and should be encouraged to play in increasingly emphasising trust in our society? Maybe one small thing we could all do is to make a distinction between social entrepreneurs and social enterprises every time the terms are used interchangeably. This would simply involve pointing out that it is the human characteristics that create the desirable effect, not a legal structure. But this is only a token. What action do we need on a bolder scale?

The second challenge is to try and engage with politicians and officials to explore with them why and how to devolve far more resources and responsibilities to a local level without the current level

of detailed control. It is likely that this would be helped by asserting the tangible value of trust (socially, economically and politically) in all our dealings with the world beyond social entrepreneurship. But what else could we do?

Finally, we have a serious and growing resource whose potentiality has hardly been touched. This is the growing body of SSE Fellows, currently well over 400, but whose numbers will now grow much more rapidly with the growing number of Schools for Social Entrepreneurs. Together with the large number of supporters, witnesses, action learning facilitators, mentors, sponsors and staff the numbers really add up. This is potentially a body of some significant potency. Together its members contain a mass of experience, ideas, networks of relationships and lines of influence. There is considerable argument for at least the Fellows to “professionalise” in order to be taken more seriously as a force in society. But at what cost? How do we capitalise on the impressive position that we have managed to obtain over the last few years to become a force for good, a strong collective voice that speaks cogently in favour of the trust society and that can demonstrate the confidence and capability that would allow politicians of any persuasion to make a positive virtue of reducing government involvement in all those spheres where bottom-up works best whilst providing enough financial support to enable a successful transition of power?

***Charlotte Young, September 2009***