

Social Enterprise Essay: Social Impact

While some authors (notably, MacDonald and Howorth, 2018) argue that social enterprise has been around since the 17th century and perhaps even earlier¹, there is consensus that the UK social enterprise sector has grown rapidly since the start of the new millennium, which brought Blair's Third Way agenda and, later, Cameron's Big Society. For Poone (2011), things really started to accelerate after the 2007-09 financial crisis, which "shone the spotlight on the problems of pure profit-maximization" and suggested social enterprise as the answer. (Poone, 2011, p.5)

In this report, we shall define social enterprise (SE), briefly explore why they have been growing, and then look at a case study, Belu Water.

What is a social enterprise?

A dictionary definition is "an organization that aims to make money in order to serve a useful social purpose"².

A fuller definition, from the Blair-endorsed *Social Enterprise: A strategy for success*³ document, published in 2002, says it is:

A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profits for shareholders and owners.

As good as these definitions are, they are rather UK-centric. A paper discussing SE in China says they should be defined as "social innovations addressing bottom of the pyramid issues, specifically, issues pertaining to basic development such as poverty, sanitation, and electricity" (Poon, 2011, p.6). This brings in the idea of innovation, as well as the notion that SEs can help meet people's basic needs, such as food and shelter, as defined by Maslow's hierarchy of needs⁴.

Poone goes on to identify five distinct realms which are found to influence the SE sector: political, legal, cultural, social, and institutional. He argues, for example, that in China, the SE sector hasn't developed because of the strong influence of central government, leaving little room for civic society or innovation, whereas in India, SEs have thrived in part because of a government which is decentralized and often inadequate, alongside citizens who are strongly entrepreneurial.

We might add a sixth realm to Poone's list – economic. It has been argued by Kay et al. (2006) that in the UK, SEs have grown in the last two decades primarily as a response to the reduction in services provided by the state to save money; George Osborne aimed to reduce the UK public sector from 46% to 36% of GDP over a decade. SEs have stepped up to fill the void, for example in the provision of running local services such as sports centres. For Huckfield (2022), Tony Blair between 1998 and 2002 was the main instigator of promoting social enterprise as a vehicle for

¹ See for example <https://www.supplychange.co.uk/post/discovering-700-year-old-roots-of-social-enterprise>

² From the Cambridge Dictionary online <https://dictionary.cambridge.org/dictionary/english/social-enterprise>

³ Available at <http://www.cwsocialenterprise.co.uk/wp-content/uploads/2011/03/Strategy-for-Success.pdf>

⁴ See <https://www.simplypsychology.org/maslow.html> for more details

“market-oriented public service delivery”, largely at the expense of the co-operative movement (Huckfield, 2022).

Kay *et al.* go on to argue that SEs can be seen as “radical” or “reformist”, but in both, there is a desire for *change* of some sort. Radical SEs are interested in “changing the fabric of the current economic, political or cultural environment”, whereas reformist SEs prefer to focus on “improving people’s lot and solving problems within the current climate as a route to change”. (Kay *et al.*, 2016, p.5)

However, one outcome of the pressure to provide for the public while turning a profit, they say, has been for SEs to move from radical to reformist, and even lose their desire or ability to push for change (Kay *et al.*, p.7). SEs become blunted in their ambitions to make the world a better place, and end up simply delivering services.

Others⁵ have looked at the way SEs operate and identified three broad approaches:

1. **Opportunity:** this model employs people who would otherwise have significant barriers to traditional employment; eg: homeless individuals.
2. **Donate back:** Businesses give back to a good cause with every order, or donates a percentage of profits.
3. **Innovation:** These businesses address a social need with a product that positively impacts people and planet, eg: wind-up torch bringing light to areas without electricity.

As we shall see, Belu Water falls into the “donate back” model.

Belu Water

Belu Water is a sustainable enterprise, established in 2002. Founded initially as an “environmentally friendly” bottled water company, it became a social enterprise when it entered into a formal agreement with the international NGO WaterAid in 2011⁶. Since 2011, they have given WaterAid 100% of net profits. Belu’s support for WaterAid is helping people in other countries meet the most basic of human needs – clean water and safe sanitation – so fulfilling Poone’s more international definition of an SE.

We shall now analyse Belu using the social impact measurement approach developed by the Social Audit Network (SAN)⁷. This approach can be summarised as:

1. **Prove:** Account fully for and report on your organisation’s social, environmental and economic performance and impact.
2. **Improve:** Provide the information essential for planning future actions and improving performance.
3. **Account:** Be accountable to all those you work with and work for.

⁵ For example, <https://www.thegoodtrade.com/features/what-is-a-social-enterprise> based on work done by the Social Enterprise Alliance.

⁶ History taken from Belu’s Wikipedia page [https://en.wikipedia.org/wiki/Belu_\(company\)](https://en.wikipedia.org/wiki/Belu_(company)) and various Impact reports <https://belu.org/latest/impact-reports/>

⁷ See <https://www.socialauditnetwork.org.uk/what-is-social-accounting> for details

1. Prove

Belu initially appear strong here, although a closer look suggests some challenges. Since 2011, Belu state they have given £5.2m to WaterAid, “transforming the lives of more than 330,000 people around the world.”⁸ This is based on an approximate figure, from 2018, that £15 can bring a person clean water.⁹ Being able to claim you’ve transformed 330,000 lives is powerful, but can it really be proven? As John Pearce writes in the Preface to *Prove! Improve! Account! The New Guide to Social Accounting and Audit (2011)*, “Not everything that can be counted counts, and not everything that counts can be counted.”¹⁰

Some impacts of WaterAid’s work, such as improved wellbeing, better educational outcomes for children, etc, are much harder to measure than a simple “lives transformed” metric. They are sometimes described by the charity as the “ripple effects” from people gaining access to clean water, sanitation and hygiene.

Belu should be commended for giving unrestricted income to WaterAid, but, with no specific projects or ‘beneficiaries’ to count, it means they are limited in what they can say, so tend to stick with *£x million in profit donated to WaterAid = x number of lives transformed*. However, it appears that by 2019 a discrepancy had emerged, with Belu still using the £15 per person figure, and WaterAid, since 2019, saying it now costs £24.¹¹ Clearly, the charity and the business need to get their numbers straight.

Aside from the money given to WaterAid and the number of lives transformed, Belu’s Impact report also talks a lot about their environmental impact, especially regarding use of raw materials and CO2 emissions. For example, it says it has reduced the “carbon intensity” of its overall business by 69% since 2010¹².

2. Improve

It is clear from the Impact reports that Belu are certainly innovative and always looking to improve. For example, they are investing a lot of research and development into “lifecycle analysis” of different types of glass and plastic bottles to reduce carbon emissions and use of raw materials. They have won the Queens Award for Innovation and a Social Enterprise UK Award for International Impact.

There is also clear ambition to go further. For example, they are working towards becoming a zero-carbon business (rather than just ‘net zero’) and say they will “work towards meaningfully reporting against all 17 of the UN Sustainable Development Goals”.¹³

⁸ From WaterAid’s website <https://www.wateraid.org/uk/get-involved/corporate-partnerships/belu>

⁹ See for example <https://www.wateraid.org/uk/media/victoria-villasanas-uplifting-images-bring-to-life-the-power-of-the-water-effect>

¹⁰ See https://www.socialauditnetwork.org.uk/files/ugd/076a83_15fd95474c324c008886d0c19e500bbc.pdf

¹¹ See for example <https://www.wateraid.org/uk/media/belu-generates-ps1-million-in-one-year-for-wateraid-to-bring-clean-water-around-the-world>

¹² Belu Impact Report 2021: <https://belu.org/impact-report/>

¹³ Impact Report 2021, p.18

For 2022's report, they plan to include more information on staff (wellbeing, learning and development, etc) and, for the first time, their water footprint. This represents progress although, as a 'water' business, perhaps should have happened sooner.

3. Account

Here, Belu are particularly strong. Their Impact reports are bold, and there is an emphasis on transparency and accountability throughout. For example, they openly discuss how they went for *Bcorp* Certification but eventually decided against it.¹⁴

In a 2018 blog,¹⁵ then CEO Karen Lynch wrote about the importance of reporting and measuring impact:

"I believe good use of impact measurement presents great opportunity for social enterprises to build trading success. Through measuring and reporting our impact correctly and robustly, we have to be advantaged from a credibility and trust perspective..."

Certainly, the 2021 Impact report suggests they take these things seriously. "Everything from our accounts to our carbon footprint is transparent", they claim.¹⁶

They also have a new theory of change, which is so concise it has been put on a t-shirt: Purpose, People, Products and Profit. Their purpose has recently been re-defined and expanded beyond just supporting WaterAid:

Profit is our outcome and we invest it in pursuit of our purpose – to change the way the world sees water. Our 10-year purpose aligns to our ongoing WaterAid impact partnership, activities focused on water stewardship, nature-based solutions to carbon reduction and removal, circular economy innovation, and support to help other businesses do business 'better'.¹⁷

Discussion

Overall, then, using the "Prove, Improve, Account" lens, Belu appear to be a good example of a social enterprise doing the right things to demonstrate their impact and measure success. In a crowded and competitive marketplace, by buying Belu, customers can confidently support a business that really is making a difference to people's lives.

But where did this drive to "do business better" come from? The 2013 Impact report notes how, in 2011, they changed the Belu business model, re-launched the Belu brand and entered into a formal partnership with WaterAid. By their own admission, this new model was "transformational" - their revenue grew 40% between 2010 and 2012¹⁸. A cynical view might be that in 2010, despite the good intentions, their business was in the doldrums, so when new MD Karen Lynch joined, her first move

¹⁴ Impact Report 2021, p.4

¹⁵ Available at <https://tfn.scot/opinion/using-impact-data-to-build-brand-credibility-and-sustainable-growth>

¹⁶ Impact Report 2021, p.2

¹⁷ Impact Report 2021, p.5

¹⁸ Belu Impact Report 2013, available at <https://belu.org/latest/impact-reports/>

to turn things around was to declare the business a social enterprise and make a formal commitment to supporting WaterAid with 100% of net profits.

In a hugely competitive market dominated by global mega-brands like Evian and mega-corporations like Nestle and Danone, perhaps being the only “ethical” bottled water company, one that gives away all its profits, was a clever and necessary way of creating a unique selling point (USP) in an ultra-competitive market where the product, *water*, is hard to market or differentiate purely through taste. It could be considered a smart move that has helped the company not just to survive but thrive.

This is not to question their good intentions. As they point out, staff are not shareholders, they do not personally profit, and, as a company, they are asset locked, meaning that the “profits or sale of our business can only go towards helping those in water poverty.”¹⁹

On the environmental question, the issue is perhaps less clear cut. Bottled water is a product that is difficult to equate with sustainability in a nation where tap water is clean, safe and readily available. Moreover, nowadays there’s rarely a good excuse *not* to be carrying a reusable water bottle.

Their FAQ’s state “there will be occasions where plastic packaged product is still required... We encourage people to buy less water, but when you do, choose Belu.”²⁰ Clearly, encouraging customers to “buy less water” suggests Belu recognises this as an issue, and has moved to make its bottled water as low-impact as possible, while attempting to diversify into the filtration and refill market. However, this is easier said than done and, as of 2021, they were still heavily reliant on selling bottled mineral water:

REVENUE SPLIT BY PRODUCT

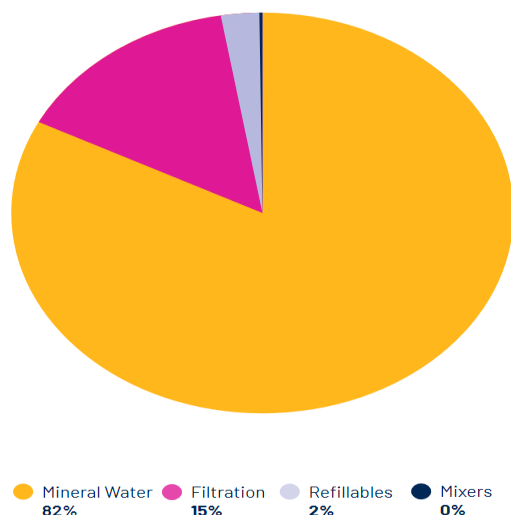


Fig 1: Belu’s Revenue, split by product.
Source: Belu Impact report 2021, p.14

¹⁹ Belu FAQs, available at <https://belu.org/get-in-touch/faqs/>

²⁰ Belu FAQs, available at <https://belu.org/get-in-touch/faqs/>

Conclusion

In conclusion, Belu conforms to Poone's idea that in SE's "profit-making and the achievement of the social goal are both increasingly achieved in tandem the more the activity is carried out." (Poon, 2011, p. 6) The more profit Belu makes, the more they can give to WaterAid to further their social goals.

Where Belu have perhaps struggled is in demonstrating that increased profits can *also* mean environmental goals are achieved. Going forward, it will be important for them to increase the lower-impact water filtration and refills side of the business, while at the same time pushing their competitors, and other businesses, to go much further in reducing their environmental impact. It's a big ask.

Thinking back to Kay *et al*'s distinction between radical and reformist SEs, Belu, with their focus on improving people's lives, have tended to fall more into the reformist category. However, going forward, their revised Purpose suggests they do have broader and more radical ambitions. If they can successfully influence the direction of other SEs and big businesses in their sector towards zero carbon and other environmental goals, as well as continuing to support WaterAid, they can perhaps achieve them.

References

Website references have been given as footnotes in the main text.

Academic references are as follows:

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