

An exploration of the position and perception of social enterprises in the global fashion industry with a Polanyian lens.

Conference proceedings

REBELLION, RIOTS AND REVOLUTION. IS FASHION IN TURMOIL?

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Fiona Armstrong-Gibbs

Abstract

Presented as a work-in-progress, this paper delves into the position and perception of social enterprises within the global fashion industry, employing Polanyian concepts as a conceptual lens. It explores the diverse landscape of social entrepreneurship, considering varying definitions and perspectives while questioning their role in the capitalist fashion system. With a focus on understanding how social enterprises establish, scale, and sustainably thrive amidst the backdrop of globalization and de-localization, the paper examines the unique challenges and opportunities they face. Additionally, it investigates the potential for social entrepreneurs to enact meaningful change despite lacking significant power within the existing economic paradigm. Drawing on desk-based research and case studies from multiple countries, this paper aims to offer insights into the intricate dynamics of social enterprise engagement in the fashion supply chain, contributing to ongoing discourse on alternative economic models and sustainable business practices.

Introduction

Given there is no single path to becoming a social entrepreneur or even a single approach to creating and running a social enterprise, popular narratives from brands such as Toms shoes persist about their ability to offer solutions to engrained 'wicked' problems in the fashion industry (Mycoskie, 2011). The rich variety of approaches reflect the national, political, social and historical developments which have shaped and influenced each social organisation and the people who have established them.

This paper offers a conceptual lens through which to view and evaluate different types of activity in the social enterprise sphere. The starting point is desk-based research on several countries identified by open access British Council reports through the 2010s. Through a process of identifying the local context, current structures and support for social enterprises that situate themselves in the global fashion / apparel supply chain.

Notions and forms of social enterprises

Global definitions and perspectives of social entrepreneurship and social enterprise from scholars vary (Defourny and Nyssens, 2010, 2017; Teasdale, 2012; Spear *et al.*, 2017; Bull and Ridley-Duff, 2018). There is potential for confusion as we often use these words interchangeably 'social enterprise' as a

verb i.e. to engage in social entrepreneurship and 'social enterprise' as a noun i.e. to manage a social enterprise. Social entrepreneurship largely focusses on the notion of social innovation and emphasises people who create social innovations to improve community well-being. Identifying a social mission (purpose and impact) that emphasises the values and missions behind business activity. Another key element could include ownership and control with an emphasis on shared ownership, democratic decision-making and collective action. A 'Social Enterprise' is a business model or commercial process that can deliver the social and financial value through a hybrid activity. As the DTI (2002) definition states 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 profit for shareholders and owners.

Social enterprise and entrepreneurship definitions are broad and can be defined in so many different ways. There is limited research into their complexity in the field of fashion studies. Some organisations may wish to be measured by their multiple "bottom lines" or be described as hybrid forms offering different types of exchange to increase social impact. Or defined by solidarity between producers, consumers and supporters in the supply chain but the one thing all have in common is that each perspective frames the relationship between social enterprise and wider society differently. There is limited application of social entrepreneurship theory to the fashion industry.

Neo liberalism and free trade

The neoliberal context of free trade and global integration of markets has created a system where fashion production has for the most part become entirely for market exchange and profit, with many of the transactional costs and prices recorded and controlled by large global corporations. "Neoliberalism refers to an economic model championed by Margaret Thatcher and Ronald Reagan in the 1980s, and Bill Clinton and Tony Blair in the 1990s. It emphasises the liberalisation of trade, the global integration of markets, the deregulation of state power and the privatisation of public services...." Tansy Hoskins. Given the context that supply chain is over reliant on financial transactions that drive the lowest cost and the power balance of human versus financial capital has shifted to hugely disproportionate levels. Addressing how we balance out the wealth and relationships to include stakeholders for mutual benefit is essential.

The dominant paradigm is a neo classical economic view, maximising resources for capital gain has taken the lead for over 50 years "economists are trained to think of the capitalist economy as a 'market economy' and look to markets to effect the allocation of resources that can result in superior economic performance, measured in terms of stable and equitable economic growth" (Jacobs and Mazzucato, 2016). However classical political economists were well aware of the social embeddedness

of markets. Understanding that markets shape both individuals and societies as much as individuals and societies shape markets. For example, classical political economists already saw that the way the labour market is organized in a society will have an impact on the structure of public life in that society and shape workers' capacities and preferences (Deane 1978).

In recent years scholars such as the EMES research group, (Bull and Ridley-Duff, 2018; Thompson, 2019; Thompson *et al.*, 2020; Thompson, Southern and Heap, 2022) have considered work by economic historian Karl Polanyi from the 1940s to explain the emergence of a new economic paradigm in the context of social enterprises and the growing interest of a 'social and solidarity' economy. Polanyi's work spanned an era that we now consider to be one of the most fractious in modern history. One of his most notable works - *The Great Transformation* was published in 1944 while in exile, in the London during WW2 and later establishing himself in the USA and is the starting point for this paper. Interest in his work has also steadily grown since the economic crisis of 2008/09.

Polanyi and The Great Transformation

Polanyi's book is fundamentally about the great transformation of preindustrial Europe to mid-20th century global market. He offers deep and complex arguments, challenges and insights but largely presents a thesis that self-regulating markets do not work and ultimately the majority of poor, disempowered people will continue to be worse off. Trickle-down economics is not effective and the free market ideology, where everything and anything has an economic value is useful to a few self-serving industrialists. Who use their position and interest in the free market ideology selectively, having no hesitation in calling upon government intervention when needed to pursue their own gain. This working paper presents two aspects for discussion from the book; the Evolution of the 'European' Market which has implications for global fashion industry and social enterprise activity, and the notion of Fictitious Commodities of Labour, Land, and Money leading to the substantivist view of economics. Which has implications for those who produce fashion goods.

The Evolution of the Market

Polanyi starts with a historic review of three evolutions of the market since pre medieval times in the context of the continent of Europe. The origins and oldest type of market lie in the notion of Reciprocity – described as a 'Third System' which is rooted in civil society. Goods produced were to be used by the people who made them and exchanged if there was a surplus to requirements. Production was for family and community needs and this inter-community trading resulting in little need for written records. Mutual support from family and community members was a core element.

The emerging activity then developed in a process of Redistribution which is described as 'Second System' rooted in public policy as nations began to open up geographically. Consider the emergent

Merchants class such as the traders from the East India Company and the formalisation of trade routes such as the Silk Road from east to west. The notable change came as governments became involved through central taxation. As society became more developed activities such as philanthropic giving and spending according to political priorities emerges and record keeping on tax and spending is established.

Polanyi describes the final stage of the market that looks increasingly familiar to our modern day. The Market Exchange – now considered the ‘First System’ based on markets which has emerged since the Industrial revolution. Where any means of production at scale is entirely for market exchange and profit and all transactional costs and market prices are recorded for decision-making and control. In 1944, he described this as the now dominant or default economic approach.

Real and fictitious goods

Polanyi further distinguished between ‘real’ and ‘fictitious’ goods. Fictitious goods are considered to be land, money and people (i.e. labour) and real goods are tangible goods, products and services (i.e. the products of human activity) that are exchanged through a trading relationship. When writing in 1944 he prophetically suggested that trading these ‘fictitious’ goods will destroy economic, social, human and natural capital.

Polanyi (1944) substantivist view suggests that there are two positions to consider the economy. First - the neo classic view which is to maximise resources to create capital and in 2021 we see this enacted through neo liberal free market ideologies. Polanyi’s alternative stance was to view the economy as a means to creating, provisioning, meets society’s needs. He opposed the ‘First System’ - the neo classical view of economics and considered that the financial system should create and provide for its society at large. It should meet the needs of its people, rather than a systematic use of the assets and the means of production (labour) to create economic value for the few. The current and continued process of de-localisation, where local activities, relationships and means of production have been displaced from their local origins, particularly prevalent in the global supply chain for fashion, highlights this point.

Methodology

Social enterprises as business forms are complex, multi-layered and unique to every situation, finding a definition that explains what social enterprises are, what they do and their potential is challenging. Much time has been spent trying to define these models and forms, but there is an urgency in

capturing the rich diverse data on the activities and impacts that these organisations have within the fashion supply chain.

The following discussion started in early 2020 while working with a group of master's students from ECBM in Germany. We analysed eight British Council reports on Social Enterprises, focussing on the social, political, economic and cultural background to each country - Burma, Morocco, Pakistan, Philippines, Vietnam, Bangladesh, Ghana and India. Written between 2012 and 2019 the reports examined how regional social enterprises were structured, the support networks and cultural understandings and meaning in each context. The following discussion is considered alongside Polanyi's thesis of the substantive economy and the overarching challenges of the neoliberal, free market agenda that has dominated global trade for many decades. The discussion offers some insightful and though provoking points but is by no means an exhaustive discussion. The British Council reports are secondary research, with their own inherent bias, we have used the method of content analysis a starting point to explore a rich and extensive global landscape. All the reports offer data and a narrative which was compiled over several years before the global pandemic in 2020. The following discussion is a starting point in a post pandemic globalised world.

Discussion

The following discussion delves into the multifaceted dynamics surrounding natural resources, corruption, supply chains, and education within the context of social enterprise engagement in the global fashion industry. Highlighting the intricate interplay between economic exploitation, community empowerment, and environmental sustainability. It navigates through the complexities of fostering ethical practices and social impact amidst systemic challenges. Through nuanced analysis and case studies from diverse regions, the examination underscores the pivotal role of governance, education, and collective action in reshaping paradigms of wealth creation and fostering inclusive economic development.

Natural resources

The use or abuse of natural resources as a fictitious goods – serving the few in the free-market economy and disempowering the majority.

Agriculture and farming are one of the key entry points for social enterprises and communities in rural environments. Natural resources are the origin of the garment supply chain. The desire to control nature and capitalise on it for financial gain through farming remains a core foundation of the fashion industry. It is a hugely nuanced chain that relies on the natural elements and human's ability to harness grow and harvest for financial gain. However, cotton harvests and massive industrial activity has taken a profound toll on the natural capital which has not been maintained or reinvested in.

Drought, fire and flooding has a devastating effect on people, their homes and their livelihoods. There is also a difference between urban and rural challenges who rely on agriculture and seasonal / cyclical processes.

Network, support systems and corruption

The local market structure itself becomes self-serving to a few select enterprises in the emerging economies which becomes increasingly impossible for social enterprises to trade legitimately.

As countries develop their industrial infrastructure through political and economic capital this approach can exacerbate and foster corruption. Taking a neo liberal approach, could be conceived as Eurocentric learned behaviour, from the practices of the global north, that is persistent and ingrained. It manifests an unfair, unlevel playing field without the means to join in if one is not corrupt, thus losing out to the dominant style of wealth creation.

It is insidious and opaque and the lack of transparency around how things work becomes a practice of protectionism of a system that benefits the few. For some, corruption can cut through bureaucracy sometimes, but it is not a long-term solution. On the other hand, lack of trust in a corrupt system means people are wary of help from NGOs or local government schemes. Without this help, it becomes difficult to scale up an enterprise.

How much corruption and limited freedom of speech play a role needs further investigation. The role of NGOs and how they support social enterprises is also critical and different in each context. Definitions of social enterprises maybe left intentionally vague due to misunderstanding and fear of change. Infrastructure for organizations to trade and potentially developing local hubs are an option for those that understand how a social enterprise can be of benefit. For profit organisations can see social enterprises as unwelcome competition, in the beginning receiving capital and revenue support to start and sometimes continued support to scale. This can be perceived as unfair competition as the same financial risk is not incurred. They are not a charity in receipt of donations. And for an SE it is easy to become reliant on that approach, becoming dependent and financially unviable, when funding stops, so does the good work it does – this is not the purpose of aim of a social enterprise.

Supply chains and power

A truly free market does not exist, and governments have been called on to intervene when needed in trade deals, quotas and legislation.

Emerging economies are supporting micro entrepreneurs to access micro finance and encouraging local enterprises to grow. However, these are not well enough equipped, or mobilised to feed into global supply chains. Collectivism and organisation is needed to be a viable alternative to the large

mass production driven by profit alone. Over the last 20 years, the fair trade movement has shown this to be possible but struggles to be the dominant way of managing a supply chain. Empowered people are organised. Alliances and associations offer help, but government policy may need to be in place to stop the domination of the supply chains. Putting the focus back on to the production of real, tangible goods, products and services (i.e. the products of human activity) that are exchanged through a trading relationship rather than abuse of fictitious goods. Rebalancing the economy as a means to creating, provisioning, meets society's needs.

What is valuable and worthy of investment is also context dependent. Local wealth creation from local assets creates wealth exchanges not wealth extraction. Devolved ownership of production to a local level – empowers people. In Ghana, the Christian Church plays a crucial role in guidance and investment. Whereas Islamic financial management offers a different approach. Social finance, cultural and religious attitudes to financial investing in social enterprises is critical and can better address its society's needs.

Local finance through micro loans is empowering and the lack of access to start up loans hinders women profoundly. Particularly as women are more likely to collectively lift people and communities and families out of poverty when they have influence and independence. In developing countries with their cultural norms this lack of empowerment of women can often exacerbate the environmental situation. Where women could prosper and thrive but cannot particularly in patriarchal societies. Grameen bank in Bangladesh established by academic economist Mohammed Yunis.

Each community will create a business form that generates value and is viable and acceptable in its own culture. A social enterprise can understand and accept a dual mission for their business. In reality, trust, collaboration and mentors are essential for any businesses to grow. India has a relatively sophisticated support ecosystem.

Education and skills

The great transformation to a new economic approach will need great leaders and advocates.

All of the reports acknowledge a skills gap and social entrepreneurial education is lacking in places. However, the knowledge on how to scale up an organization sustainably and responsibly is not just something that education can solve. Space to learn, test, trail and fail are essential, and the reflexive practice of entrepreneurship is need – highlighting a need for reciprocal, mutual spaces for learning and development will allow for this type of growth.

Furthermore, the right infrastructure for operations, legal compliance and logistics are all needed. Government support and trust in government operations and support systems is absolutely critical to

growing social enterprises, just as Polanyi described the 2nd phase of marketization which was highly controlled by government and policy regulation to benefit a majority. Many of the countries surveyed rejected their governments interest in overseeing the social enterprise activity. Or on the other hand, some countries completely neglected the concept of social enterprises. Structures for social enterprise growth in India and Vietnam for example have professional intermediaries that are supported by organisations such as NGOs. The Diaspora play a key role in the global supply chain. In the Philippines 10% of GDP is from people working abroad and sending it home. In Ghana there is evidence to show educated Ghanaians are returning home to start social enterprises and this is also being seen in Morocco. The next generation, educated overseas might be able to apply a dual business model more effectively, examples in Pakistan and Morocco when people return to establish these businesses. However clear regulation and long term support at a national and global level to advocate for social value is needed to maintain this. Not a select few industrial lobbyists driven by self-interest.

Conclusions

Several themes are forming around Polanyi's substantive view of the economy. The use or abuse of natural resources – the use of fictitious goods to create economic gain alone will end in natural and human disaster – COP26 and climate change. Networks and support systems have systematically shown to be lacking in trust for emerging social entrepreneurs. Many local activities, relationships and means of production have been displaced from their local origins. To challenge this - local financial systems should create an economy that can provide for its society at large rather than the few self-interested industrialists. Education, skills and returning diaspora are emerging and support, advocacy and protection from leaders is essential as is investment in real goods that are the tangible products of human activity, exchanged through a trading relationship. However, the questions still remain - is there a role in the fashion system for social enterprises that don't morph to follow the dominant systems? Social enterprises are unique to the people and landscape they are created in, given the dominant globalisation / de-localisation process how do they establish themselves, scale and thrive sustainably and create value? Given this rich and growing tapestry of social enterprise approaches – how can we understand their role in the capitalist fashion system? A social entrepreneur may seek to create change beyond a single corporation or their own organisation, how can they create change when they have no significant power?

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