

HOW?

Social Enterprise

Trading for a social purpose - the term Social Enterprise or Community Enterprise can describe a type of activity or an organisation:

- A voluntary or community organisation may undertake 'social enterprise' trading activity as part of its income generation.
- Where a separate trading arm is set up as a viable business, with mainly social goals in which all the profits are reinvested, it may be described as a Social Enterprise.

A Social Enterprise generally seeks to be inclusive and has social and democratic ownership structures that aim to involve the users, employees and local community.

In an age of diminishing grant availability and a changing public sector, Social Enterprises have an increasingly significant role to play in the communities they serve. They are a means of delivering goods, services and opportunities beyond the limits of the state, profit-led business or pure charity.

In the voluntary and community sector the initial approach to social enterprise is likely to be from the perspective of seeking new funding sources. However, as the voluntary and community sector is already largely engaged in providing services and opportunities beyond the market's margin and state's reach, it is beneficial to take a broader consideration of social aims.

The social element of the enterprise may be in the **Product** or service itself (eg a nursery or food co-op), in the **Process** of the business (eg fair trade or training) or in the use of the **Profits** (eg charity shop) - or any combination.

The types of community benefits achieved by Social Enterprises are wide-ranging:

- provide a means for individuals and communities to improve their local neighbourhoods
- develop the skills and talents of local people

- bring excluded groups into the labour market
- deliver value-for-money services
- promote active citizenship
- catalyse innovative solutions to local needs
- protect or enhance the environment

Engaging in Social Enterprise

Voluntary and community organisations need not become 'a Social Enterprise' in order to engage in and exploit the opportunities of social enterprise activity as part of their income diversification. However, here we will look at social enterprise from the aspect of starting a new trading business.

Like any new business, starting a Social Enterprise involves a great deal of planning. The socially-directed nature of the business introduces special considerations for the ethos, structure and management. The main aspects of the planning process are:

- Business Idea
- Research
- Business Plan
- Local Support
- Finance
- Risk Management
- Organisational Structure

Business Idea - the starting point for all good businesses is a good idea. For a Social Enterprise this should embody an achievable social objective as well as a commercially viable business.

Be very careful about selecting what you will do, as the harsh reality is that most new business ideas fail in implementation. Products or services can be categorised as based on:

- core work
- serving a new geographic area or customer base
- using staff skills
- intellectual property
- property assets
- unrelated business - most risky, consider using a partner



HOW? Guides are written by High Peak CVS, for use by voluntary and community groups across the High Peak.

© High Peak CVS 2004. Not to be reproduced without permission

The best ideas are consistent with mission, use existing strengths and assets, meet a definite customer need, have a competitive advantage, can be piloted small scale with room to grow, and engender enthusiasm.

Research - a feasibility study of the business idea will put it in the context of the market where it will operate:

- current availability of services and competition
- size of the relevant market and opportunities for growth
- identify customers and their needs - surveys & focus groups
- resources needed - people, skills, premises and equipment
- money requirements and sources
- risk assessment and limitation

Regional and local funding may be available to undertake such studies - SEEM (seem.uk.net), DCF (derbyshirecommunityfoundation.co.uk). Consultants can be found that specialise in social enterprise (sepgb.co.uk/members/memberlist/query.php).

Business Plan - this will develop from the research and enable you to test the quality of your idea against the reality of the market identified. It will outline how the idea will be executed successfully.

Though a good deal of work is involved in the plan, it is worth it, as the foundation of the enterprise. Funders will also require a sound professional business plan. It should be assessed by a range of experts. Also write a short executive summary of the plan, which is simple and compelling.

Many good business-plan templates can be found on the web - additional considerations for a Social Enterprise are the social objectives and how these will be achieved, and the democratic structure of the organisation.

Support - get as much business advice as you can. A variety of organisations can assist you, many for free:

- Business Link provide advisors to work with and guide you (businesslinkderbyshire.com).
- Derbyshire Rural Community Council have support and training (derbyshirercc.org.uk/rb_support_training.htm).

- Social Enterprise East Midlands provide support (seem.uk.net).
- Your local authority may assist - speak to its economic development unit.
- Search the National Register of Business Support to the Social Enterprise Sector for commercial help (sepgb.co.uk).
- Business Community Connections is a charity dedicated to helping other charities obtain more support from business and has a database of brokers to access free professional skills (bcconnections.org.uk).
- The NFEA (nfea.com) and BVM (bvm.org.uk) also broker free mentoring to start-up businesses.
- Contact High Peak CVS for information on Pro-Help advisors - professionals who volunteer free assistance.

Finance - there are a variety of potential sources of grant and loan support - community finance initiatives; member investment and member loans; local authority grants; banks - Triodos, Unity Trust Bank, Charity Bank; charitable trusts; European funds; Lottery funds; Government grants; Social Enterprise East Midlands (SEEM); Industrial Common Ownership Finance; Local Investment Fund; CIS Community Grant.

Risk Management - risk may be a necessary part of any social enterprise, but steps can be taken to reduce and control it. Identify vulnerabilities and worst-case scenarios. Develop a contingency plan of how to deal with each possible negative outcome. Have an exit strategy with evaluation points to trigger closure of the business. Use clear written contracts, even for internal agreements, and obtain legal advice where ever appropriate. Whenever possible test your idea on a small pilot scale and grow it from there.

Organisational Structure - this could be a co-operative (co-opunion.coop), an employee-owned business (employee-ownership.org.uk), a social firm (socialfirms.co.uk), a partnership, or be community-based focusing on local markets or services.

There are three main ways to set up as a limited company:

- 1) A company limited by guarantee is the most common type of set up for organisations intending to trade in the 'not-for-profit' sector.
- 2) An industrial or provident society trades for the benefit of the members and the wider community,

by ploughing surplus profits back into the organisation.

3) A company limited by shares is the most conventional method of setting up a business and its purpose is to trade and make profit.

A new trading form - the Community Interest Company is due to be introduced in 2005, this will provide social enterprises with the flexibility of the company form.

Setting up a for-profit subsidiary will shield a charity from business risk and achieve transparency and simplicity. The management can have business-focused skills, avoiding distraction from management of the parent organisation and its social aims. A clean break is best, with each working to its own business plan - the transition process is best facilitated by an outsider.

Continued negotiations between the two entities should be transparent, fully documented and at arms length. Any sharing of resources should be formal, with written contracts to clarify roles, expectations, costs, payment and ownership.

Glossopdale Furniture Project is a local organisation exemplifying many of the characteristics of a Social Enterprise.

The social purposes of the project involve collecting discarded furniture and selling it at prices affordable by people on low income.

Materials from unusable furniture are reused to make useful objects, which are sold to generate further income.

Furniture refurbishment and reuse creates employment and training opportunities, which are directed toward social inclusion.

The aim is to reinvest profits for the purposes of the business and the community served.

The project is sustainable, socially inclusive and environmental, with social ownership and community accountability.

Social Enterprise Web Resources:

Social Enterprise Coalition

promoting the sector and sharing knowledge
socialenterprise.org.uk

Social Enterprise Web Resources:

Social Enterprise East Midlands

promoting social enterprise in the region
seem.uk.net

Social Entrepreneurial Organisations

information for and by social entrepreneurs
seo-online.org.uk

Social Enterprise London

London knowledge-base applicable generally
sel.org.uk

SEL-Clusters

sector specific information - cluster.sel.org.uk

Social Enterprise Partnership

development, capacity building & research
sepgb.co.uk

Social Enterprise Magazine

comprehensive news and practical help
socialenterprisemag.co.uk

ACRE - Action with Communities in Rural England

support sustainable rural community development - acre.org.uk

Business Link

businesslink.gov.uk

Business Link Derbyshire

businesslinkderbyshire.com

DTI impartial advice and information service to help companies start, grow and succeed

Community Action Network

national network of social entrepreneurs
can-online.org.uk

Development Trusts Association

renewal through community enterprise
dta.org.uk

DTI Small Business Service

Small Business Service - Social Enterprise Unit
sbs.gov.uk/default.php?page=/socialenterprise

Employee Ownership Options

information on benefits of employee ownership
employee-ownership.org.uk

National Federation of Enterprise Agencies -

Local Enterprise Agencies network - nfea.com

Pepin Associates

creative solutions to revenue diversification
pepin-associates.com

The Cat's Pyjamas

training organisation for social enterprises
the-cats-pyjamas.com

The UK Government definition of a Social Enterprise:

A Social Enterprise 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 enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy. By using business solutions to achieve public good, the Government believes that social enterprises have a distinct and valuable role to play in a helping create a strong, sustainable and socially inclusive economy

Social enterprises are diverse. They include local community enterprises, social firms, mutual organizations such as co-operatives and large scale organizations operating nationally or internationally. There is no single legal model for social enterprise. They include companies limited by guarantee, industrial and provident societies and companies limited by shares; some organisations are unincorporated and others are registered charities.

(‘Social Enterprise - a strategy for success’, DTI, 2004)

See also the **Sustainable Funding How? Guide** for related information.

Much useful information on income generation for voluntary and community groups can be found in the **Sustainable Funding Project** web pages on the NCVO site (ncvo-sfp.org.uk).



Through the SUSTAIN project High Peak CVS aims to help voluntary and community groups diversify their funding and develop social enterprise approaches to income generation.

We offer information, advice and training to assist with the sustainable development of your group. This may range from brief help on a specific matter, to in-depth protracted development work.

Information

We can direct you to sources of information about all aspects of organisational planning, grant-funding and earning income to achieve sustainability.

Advice

High Peak CVS development workers can help with detailed one-to-one support toward your sustainability or give simple advice over the phone or by email.

An example would be using your building as an income generating asset, where we could advise on purchase and development funding, business plans, managing, professional help, environmental and access issues, etc.

Training

Several courses will be run under the SUSTAIN project. If you have specific training needs please contact us.



Who are we?

High Peak CVS works to ensure that local voluntary and community groups can access as much support, advice and information as possible. We help groups in many different areas, such as funding, charity registration, practical services including printing, training and links to training and with legal issues. We have resources, including a meeting room, computers and OHP for use by groups.

To find out how we can help you, please contact us on 01663 735 350 or email hello@highpeakcvs.org.uk