

Creating & Developing a Social Enterprise



This paper is produced as part of the EU funded LLP partnership project: CASES.

The partnership has consisted of 15 separate countries working on activities associated, broadly, with New Economics & with an emphasis on Social Enterprise and collaborative economic activity

One of the aims of the project was to produce a simple guide which may be of use to those wishing to develop a Social Enterprise

The paper has been prepared by the UK partner, itself a 'social enterprise', Pathways: Inspirational Development CIC.

Behind this very brief investigation into 'starting a social enterprise' is a belief that 'to make a thing real one must make it local'

Therefore as with the other valuable aspects of the partnership the paper uses 'lived' real experience as a means of presenting its ideas.

This approach therefore relies on a limited view of the subject material but it provides a series of links to other valuable resource material.

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Social enterprise is primarily concerned with developing socially beneficial actions rather than personal or company economic success.

The European Union has a definition & available support processes:

Social enterprises are positioned between the traditional private and public sectors.

Although there is no universally accepted definition of a social enterprise, their key distinguishing characteristics are the social and societal purpose combined with an entrepreneurial spirit of the private sector.

Social enterprises devote their activities and reinvest their surpluses to achieving a wider social or community objective either in their members' or a wider interest.

Economic and entrepreneurial nature of initiatives

- Continuous activity of producing **goods** and/or selling **services**
- High degree of **autonomy**
- Significant level of **economic risk**
- **Minimum amount of paid work**

Social dimension of the initiatives

- An initiative launched by a **group of citizens**
- A decision-making **power not based on capital** ownership
- A **participatory nature**, which involves the persons affected by the activity
- **Limited profit distribution**
- An explicit aim to **benefit the community**

Social enterprises exist in all Member States. However, there is no single legal model for these enterprises. Many social enterprises are registered as private companies, others are in the form of social co-operatives, associations, voluntary organisations, charities or mutuals, and some organisations are unincorporated.

Despite their diversity, social enterprises operate mainly in the following three fields:

- **Work integration** (training and integration of unemployed persons);
- **Personal services** (e.g. childcare services, services for elderly people, 'proximity' services, aid for disadvantaged people) and
- **Local development of disadvantaged areas** (e.g. social enterprises in remote rural areas, neighbourhood development/rehabilitations schemes in urban areas).

[Declaration 38](#) attached to the **Treaty of Amsterdam** recognises the major contribution made by voluntary associations, and affirms the need to encourage such associations at European level.

The European Commission carried out a Study on "[Practices and Policies in the Social Enterprise Sector in Europe](#)"  [483 KB] , which was published in June 2007. It describes the key features of the social

enterprise sector and identifies relevant support measures for social enterprises in 31 European countries, among which a group of good practices in the promotion of social enterprises was selected.

http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/social-enterprises/index_en.htm

As the above information states, the technical requirements for organisations will vary depending on the context & size of desired action - some places have legal and other structures making social enterprise development easier than in other more restricted contexts. The more authoritarian a society, the less easy it is to develop any form of entrepreneurial action (social, economic, political).

To quote from the above study:

There is a vague or non-existent general knowledge in societies of social enterprises as a form of enterprise, of their goals and of their ways of action. Social enterprises as well as social entrepreneurs face several external and internal barriers. External barriers consist of e.g. legal and taxation issues and political position towards social enterprises impeding their activities.

["Practices and Policies in the Social Enterprise Sector in Europe"](#) (page 48 para 3)

The word 'enterprise' developed from the Old French 'entreprendre' meaning to 'undertake', 'take in hand'. It developed in Early Modern Europe and the term 'entrepreneurship' did not become used in its modern sense until the C18th.

The history of the word thus illustrates that such activity requires particular social conditions - a degree of freedom for individuals to take action without control or direction from authorities. These freedoms - 'creative freedoms' - did not exist until comparatively recent times (mid-late C17th in Northern Europe) & and were completely suppressed in parts of Europe during periods of authoritarian rule.

Thus the development of social enterprises with their usually high level of volunteer engagement, may be viewed as one of the markers (and essentials) of a democratic society.

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It is comparatively easy to produce a list of actions required to start a social enterprise but such an approach simply remains 'theoretical'.

The key factor in any form of entrepreneurial action is personal desire.

For anyone, or any group of people, who wish to develop social entrepreneurship the formal definitions & technical support issues are, initially, secondary matters.

- ◆ Individuals make things happen; not formal agencies or structures & especially 'committees'!
- ◆ Entrepreneurship is a creative activity & as with many deeply creative actions often has considerable personal costs (in time, money, health, happiness).

There are individuals who simply cannot help but be people who 'make things happen' They are usually people who cannot 'sit around' gently managing an existing situation.

They will be

- opportunistic,
- highly reflexive
- instinctive dynamic risk takers.
- The risks they take will vary
 - they are not necessarily 'dare-devils' given to riding fast motorbikes or participating in dangerous sports
 - but they may seem to be constantly using their time and energy in actions that are uncertain and which contain longer-term goals. 'Rome was not built in a day' is a saying used in the UK - entrepreneurs of all types know this to be true, yet they still wish to build the city.

There are many examples of such action, both in the commercial, social and political worlds.

Here is one from commerce:

<http://www.bbc.co.uk/news/uk-england-devon-27371000>

And the following is an example of social enterprise - of how an individual's drive can begin a process leading to creation of a major national organisation

<http://www.macintyrecharity.org/MacIntyre-Learning-Disabilities-UK-Charity/>

This example also demonstrates the proof of the saying 'great oaks from little acorns grow'.

Many individuals who start enterprises do so for very personal reasons and with no intention of creating large organisations - but with initial success they accept that they may (as in the case of the MacIntyre example) have discovered a 'gap in the market' & thus encourage their initial small & intensely personal effort to become something much greater.

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Having established that entrepreneurial action is likely to arise from the desire of one or several individual 'drivers' the formalities required to develop a 'social enterprise' can be summarised as

1. Identifying a need.
 - to a person of 'entrepreneurial spirit' the needs and opportunities will just be 'obvious' –
They will not
 - spend time trying to find a 'need' into which they can put their time and energy.
They will probably
 - be able to 'see' a whole range of 'needs' & opportunities
2. Planning action - this can precede or follow point 3
3. Finding appropriate support that will produce the required result
4. Checking the social and legal requirements (maybe part of number 2 - but not necessarily)
5. Marketing the idea
6. Taking the action necessary to relieve the need identified in point 1
7. Reviewing the action & developing the process (which could include abandoning the whole process and choosing to do something else)

Many socially enterprising actions are very small-scale and very 'local' & never need to be anything else.

A Living Example of Social Enterprise

A story that outlines some of the issues faced whenever people feel a need, for good social reasons, to try and make changes to existing formal structures

The following is such an example: a small scale community development that began during 2013/14 & which is likely to continue in 2015 - and possibly beyond.

The context

- Small rural farming based community (300 people) scattered over hills and along a valley approximately 7 kms in length
- A Community building, legally established (the 'resource') being used by very few people
- Desire to see the 'resource' being better used & its activities relating more to community interest and needs
- Awareness, amongst a few people, of:
 - management structure that prevented development & created disengagement
 - desire by some to have greater community engagement than presently existed

Action

This began almost instinctively because

- the principle 'driver' believed that the 'resource' should be being used in a more imaginative and community related manner
- knew (internally) what action was required
- operated opportunistically & flexibility: never in a formal or written style

The following developments then occurred

- a key supporter became secretary of the 'resource' management committee
 - secretaries, as every authoritarian regime knows, are very significant & powerful positions as they have access to all members, are responsible for communication & are also required to 'write the history'
- An informal dialogue ('recruiting') was led by the secretary & with specific people in the village known to desire change (& who were, broadly, friends of the 'driver') - those spoken to all agreed (reluctantly) to join the management committee
- The names of the new volunteers were placed before the management committee

At this point the initiative was blocked:

- It was prevented by Chair of Committee quoting legal requirement to limit committee numbers (i.e. 'Defending her position')
 - At a later stage other committee members expressed surprise at this action as everyone had, for some time, desired that there were more volunteers to be on the committee

- Immediate response (literally: immediately' & in response to the 'blocking' of action) to the action was to suggest that losing volunteers was a serious issue
- This produced the suggestion by the same Chair-person (in a further defensive reaction) of creation of a separate external (thus 'powerless') group to be called 'Friends' (of 'The Resource'). The committee agreed and it was formally approved and minuted by the secretary

The Friends

(total of 12 people) then met, hosted by 3 of the group, and at a very lively meeting fuelled by annoyance, a sense of excitement and generous supplies of good French wine (a Mâconnais): they

- Agreed that their purpose was to develop actions that supported the work of 'the resource' & through social and other activities make the resource more relevant to the community
- produced a plan for a series of activities that would hopefully engage the community.

The 'Friends'

- refuse to have any formal structure or membership requirement
 - meet approximately once a month (or less) & for a maximum of 1 and half hours in the early evening.
 - do not require everyone to attend (the last meeting had only 4 people present) - but phone calls & emails ensure that everyone is fully consulted & informed.
- An attempt to help improve the condition of the building was blocked by another senior member of the main committee who felt threatened by others, outside her control taking action
 - A by-product of this failure was to have significant impact on the the Chair of the main committee who now realized, fearfully, that her initial resistance had created an influential organisation that was
 - completely independent & outside her control
 - capable of taking rapid action to address identifiable needs (in this case, minor repair of the building)
 - larger than the main committee – and thus likely to be more significant within the local community
 - "The Friends" thus became viewed as a threat to those who controlled the main committee
 - Neither the Chair nor the senior member of the main committee live in the village but consider, for various reasons, that their formal 'positions' provide justification for their attitudes and actions (actions that were broadly considered 'anti-social')
 - Two highly successful village events occurred in January and May 2014.
 - The first event (a community meal, planned, cooked and served by the 'Friends') raised £300 for 'The Resource'

- The second was a 'day excursion' arising from the interests of one of the members who, in the process, for the first time in his life, took the lead in organizing an event. Both activities involved people who would not normally associate with 'the resource'.
- More events for 2015 are being planned
- The difficulties with the main committee and its key members will continue & The Friends are having to devise strategies that will mitigate attempts by the Chair of the committee to limit the development of The Friends

Review

Is there benefit, of any kind, to the community?

- At the two activities held thus far (and at another created by one of the group members but supported by the others) 70 separate individuals (of a population of 300) have participated - approximately 20% of the local population.

The main committee has now shrunk in size & there are serious questions as to its survival.

- This is serious as the main committee remains the legal body responsible for the building. The 'Friends' (having been formally rejected) are no longer inclined to become members of the main committee

This small action may have a very limited life-span as it depends on the enthusiasm of very few people in an area where there are few potential supporters willing to assist with planning and development of activities.

The above example is provided to demonstrate that the key aspect for any development is to have a 'driver' and for that 'driver' to be able to share the process with others (and not necessarily 'control' - the 'driver' in the example is often controlled by the others in the group). The process can be entirely informal.

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Small initiatives may remain small but may develop into larger initiatives requiring more formal structures & processes.

There are many available documents on the web that provide advice and support. A Google search using the term 'creating a social enterprise' produced a long list (this was in the UK where social enterprise is well established - other countries may have different results).

Below are some of those links:

[Setting up a **social enterprise** - GOV.UK](https://www.gov.uk/set-up-a-social-enterprise)
<https://www.gov.uk/set-up-a-social-enterprise>

[FAQs - **Social Enterprise** UK](http://www.socialenterprise.org.uk/about/about-social-enterprise/FAQs)
www.socialenterprise.org.uk/about/about-social-enterprise/FAQs

[Creating a **social enterprise** at 18: startup success and ...](http://www.theguardian.com/Professional/SocialEnterpriseNetwork)
[www.theguardian.com › Professional › Social Enterprise Network](http://www.theguardian.com/Professional/SocialEnterpriseNetwork)

[Social enterprise - Wikipedia, the free encyclopedia](http://en.wikipedia.org/wiki/Social_enterprise)
en.wikipedia.org/wiki/Social_enterprise

[Creating **Social Enterprises** - PraxisUnico](http://www.praxisunico.org.uk/uploads/Creating%20Social%20Enterprise.pdf)
www.praxisunico.org.uk/uploads/Creating%20Social%20Enterprise.pdf

[How to set up a **social enterprise** - The Ecologist](http://www.theecologist.org/.../how_to_set_up_a_social_enterprise.html)
www.theecologist.org/.../how_to_set_up_a_social_enterprise.html

[Building the **social enterprise** | McKinsey & Company](http://www.mckinsey.com/insights/organization/building_the_social_enterprise)
www.mckinsey.com/insights/organization/building_the_social_enterprise

[Creating a **social enterprise** - Rotary](http://www.ribi.org/creating-a-social-enterprise/)
www.ribi.org/creating-a-social-enterprise/

[Free **Social entrepreneurship** toolkit and advice from UnLtd ...](http://unltd.org.uk/socialentrepreneurshiptoolkit/)
unltd.org.uk/socialentrepreneurshiptoolkit/

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The following very detailed example is taken from the Local Authority of Wrexham in North East Wales.

To access please use this link:

https://www.wrexham.gov.uk/english/business/social_economy/se_toolkit.htm

The link leads to a series of other links (to fully access use the link above and then select)

The [Manual for Developing Social Enterprises is available to download.](#) This manual is intended as a guide for those wishing to set up or develop social enterprises and can be used independently or with the assistance of a Community Development Officer or Business Counsellor. The different sections can be used independently of the manual for those looking for guidance on a specific issue.

- [Introduction](#)
 - [Module 1- The Idea](#)
 - [Module 2 - The Steering Group](#)
 - [Module 3 - Market Research](#)
 - [Module 4 - The Business Plan](#)
 - [Module 5 - Funding](#)
 - [Module 6 - Costs and Costing](#)
 - [Module 7 - Management Structure](#)
 - [Module 8 - Running the Enterprise](#)
 - [Appendix and Resources](#)
- [Further Information](#)

Each section has considerable detail

Social Enterprise Toolkit Introduction

[Social Enterprise Toolkit Introduction - PDF format 252Kb](#)

Module 1 - The Idea

[Generating Ideas - PDF format 57Kb](#)

[Is It feasible? - PDF format 69Kb](#)

[Planning and Presenting the Business Proposal - PDF format 57Kb](#)

Module 2 - The Steering Group

[Forming A Steering Group - PDF format 61Kb](#)

[Roles & Responsibilities - PDF format 43Kb](#)

Module 3 - Market Research

[Conducting Market Research - PDF format 55Kb](#)

[Product & Service Design - PDF format 42Kb](#)

[The Sales Plan - PDF format 51Kb](#)

Module 4 - The Business Plan

[What Makes A Good Business Plan - PDF format 34Kb](#)

[Business Planning - PDF format 27Kb](#)

[Presenting A Business Plan - PDF format 39Kb](#)

Module 5 - Funding

[Basic Financial Planning - PDF format 36Kb](#)

[Budgeting - PDF format 44Kb](#)

[Fundraising - PDF format 40Kb](#)

Module 6 - Costs & Costing

[Unit Cost Calculations And The Breakeven - PDF format 56Kb](#)

[Cost Centre Analysis - PDF format 30Kb](#)

[Profit & Loss - PDF format 70Kb](#)

[Measuring Value Added - PDF format 35Kb](#)

Module 7 - Management Structure

[Different Structures - PDF format 72Kb](#)

[Roles and Responsibilities - PDF format 33Kb](#)

[Managing Risk - PDF format 32Kb](#)

Module 8 - Running The Enterprise

[Countdown To Starting The Enterprise - PDF format 21Kb](#)

[Marketing & Promotion - PDF format 44Kb](#)

[Business Responsibilities - PDF format 29Kb](#)

[Human Resources - PDF format 83Kb](#)

[Leadership - PDF format 66Kb](#)

[Planning & Performance - PDF format 63Kb](#)

[Accounts & Finance - PDF format 63Kb](#)

[Procurement - PDF format 31Kb](#)

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Appendix & Resources

[Appendix & Resources - PDF format 70Kb](#)

Small Scale Events

The above information relates to large scale projects.

But many socially entrepreneurial actions are very small (as the 'living' example used earlier illustrates).

Though activities may be small do they do need very careful planning with effective consideration of a wide range of issues.

The link below provides a very comprehensive guide for anyone wishing to develop a single event.

The advice, a 22 page document, is provided by an agency concerned with promoting and developing an extensive & largely rural area on the English – Welsh Border, known as the 'Shropshire Hills'.

The advice can be adapted to many different contexts.

It covers:

INTRODUCTION

IDEAS AND DEVELOPMENT

What is your idea for a festival or event

Create an overall plan

Organise a planning team

The time and the place

IS IT SAFE AND LEGAL

Will it be legal (Step 1)

Complete a risk assessment (step 2)

Create an event plan (Step 3 & 4)

MARKETING

Who's your target audience

Develop a marketing plan

Monitoring & Feedback

FINANCE

Agree the budget

Research funding support

USEFUL CONTACTS

Further help & advice, Public Transport, Environmental & Sustainability

APPENDIX A

Ethical Policy

APPENDIX B

Environmental & Sustainability Policy

http://www.shropshirehillsaonb.co.uk/wp-content/uploads/2010/10/Events_Toolkit.pdf