

Module 1 - Being a social enterprise

Understanding your organisation in business terms

Context to Module 1 - Being a social enterprise

Welcome to Module 1 of the 'Becoming a social enterprise: essential business understanding for VCS Boards' learning materials. This introductory section explains the structure of the modules, who these materials are intended for, and who will be learning from them. There is also a key to the symbols used in the modules to aid facilitators.

Structure of the modules

There are five modules in total, each focussing on a separate issue of becoming a social enterprise. The modules are independent from each other, and do not need to be taught in sequence.

Each module follows the same format: an introduction page to the module, the four topics which make up the module, and a summary at the end which includes a learning checklist and further information resources. After the summary are the reference sheets for the learners, which include a brief synopsis of the entire module and further information resources, as well as any additional learning materials.

Who should use these materials

The aim of these materials is to give Board Members of Voluntary Community Organisations (VCOs) an understanding of business practice, and help them guide their organisation as it becomes a social enterprise. The materials are designed for trainers who will be facilitating Board Members' learning sessions.

Who will be learning from these materials

These materials will help Board Members who have little or no experience in business, or who wish to update their understanding and awareness of business. The materials are not designed to provide hard business skills – they will instead give an insight into all the business areas that a VCO will encounter as it becomes a social enterprise. Board Members of any size VCO will benefit from the learning sessions, but they are specifically aimed at Boards of small and medium organisations – local or regional organisations, employing up to 25 staff and with an income of anything from £50 to £500,000. For information about why such organisations are becoming social enterprises, please see the 'Understanding and Using the Materials' pdf.

Key to learning symbols used



Question(s)



Exercise



Answer(s)



Stop & Think



Case Study

These training materials were developed and produced by Governance Works Ltd on behalf of the Small Business Service, Social Enterprise Unit.

Introduction

Changes in funding and support environments have meant that Voluntary and Community Organisations (VCOs) are increasingly becoming more 'enterprising' and operating as businesses. This module will demonstrate how becoming more enterprising can benefit your organisation, and ways in which Board Members can proactively encourage and develop their organisation to adopt enterprising practices.

This module is split into four sections:

1. Being a social enterprise
2. Social & business objectives / environments
3. Stakeholders
4. Board leadership in a social enterprise

Learning outcomes

By the end of this module, you will be able to:

- Explain what it means to be a Social Enterprise
- Describe your organisation in enterprise terms
- List your organisation's key stakeholders
- Identify the key stakeholders in your local enterprise support environment
- Explain the importance of leadership at Board level for a successful enterprise

Glossary:

Enterprise – business

Enterprising – business-like

Operating environments – an organisation's 'market place', plus all their networks and supporters

Social enterprise – a business that trades for a social purpose

Stakeholder – someone who affects or is affected by an organisation

Acronyms:

AGM – Annual General Meeting

SEC – Social Enterprise Coalition

SLA – Service Level Agreement

VCO – Voluntary and Community Organisation

VCS – Voluntary and Community Sector

Topic 1: Being a social enterprise

1.0 Defining social enterprise



What is a social enterprise?



Definition:

“Social enterprises are businesses that trade in the market with a social purpose. They use business tools and techniques to achieve social aims” (*Social Enterprise Coalition, 2004*)

The Social Enterprise Coalition (SEC) is the UK’s national body for social enterprise, supporting Social Enterprises, influencing national policy and promoting best practice.

SEC stresses that social enterprises are not defined not by the legal structure, but by the following three points:

1. Social aims - they have explicit social aims such as job creation, training or the provision of local services. Their ethical values may include a commitment to building skills in local communities. Their profits are principally reinvested to achieve their social objectives.

2. Social ownership – they are autonomous organisations whose governance and ownership structures are normally based on participation by stakeholder groups (e.g. employees, users, clients, local community groups and social investors) or by trustees or directors who control the enterprise on behalf of a wider group of stakeholders. They are accountable to their stakeholders and the wider community for their social, environmental and economic impact. Profits can be distributed as profit sharing to stakeholders or used for the benefit of the community.

3. Enterprise orientation – they are directly involved in producing goods or providing services to a market.

Whilst many charities and voluntary organisations would not see themselves as businesses, a growing number would accept that they are more increasingly adopting business-like approaches to governance and management in achieving their overall aims and objectives. Ultimately becoming a social enterprise allows VCOs to take control of the future rather than being led by funding.



Would you describe your organisation as a social enterprise? If yes, in what way? If no, why not?

1.1 Seeing your organisation in enterprise terms

Whether or not you consider your organisation to be a social enterprise, if you are trading (or thinking about trading) it is crucial to think of and be able to describe your organisation in business terms.



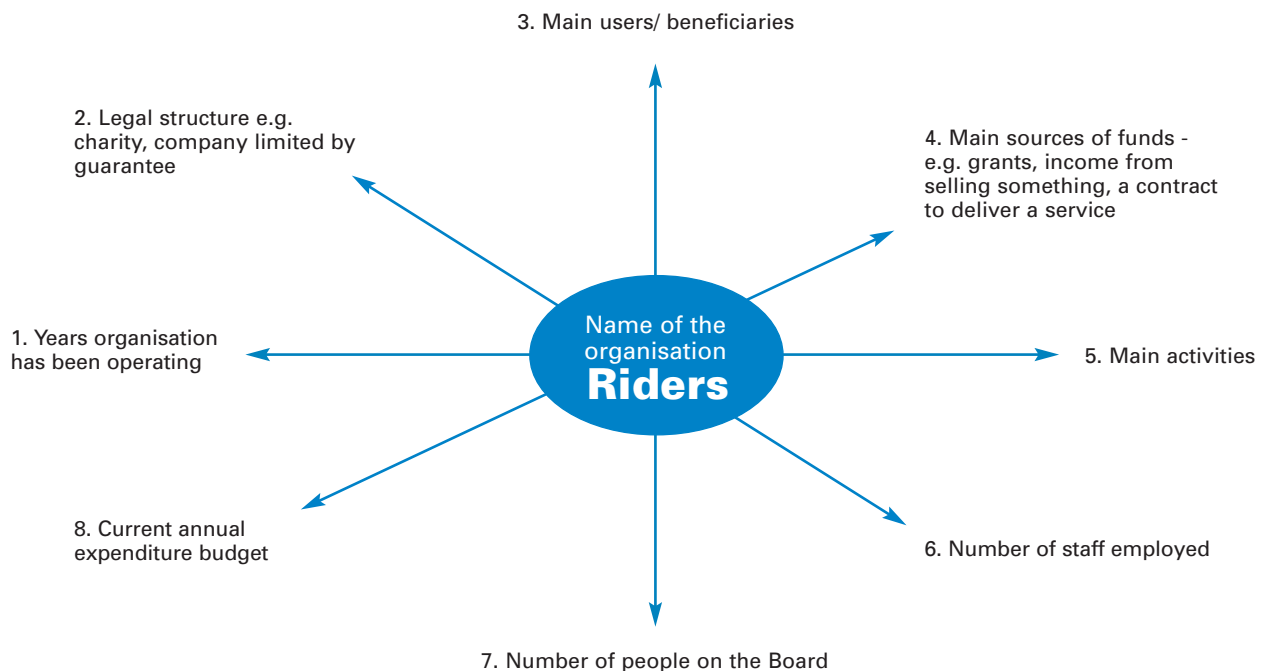
Case study:

'Riders' is a case study as an example of a social enterprise.

'Riders' is an inner-city charity that uses riding and working with horses to build skills and confidence in disadvantaged young people. The charity is made up of a small riding centre, stables and a yard, and they have ten horses. Riders operate with a small staff team and a number of volunteers, and the board includes local parents and individuals with riding skills who support the work of the charity.



Introduce mindmapping: instead of simply listing the features of an organisation, 'mind mapping' thoughts is a way of presenting ideas graphically, and will make it easier to make connections between different elements of your subject.



Do a similar mindmap for your own organisation. This will give you a good basis for looking at your organisation as a social enterprise.



Case study:

In recent years a funding crisis has forced the Board and staff to review the way they work, and they're trying to adopt business models for doing things.

As part of this, they have identified their funding sources and their users.

The sources of Riders' funds are:

- Grant funds from various charitable trusts
- Membership and fees charged for rides and riding lessons from local community users
- Income from a small café run at the stables

Riders' users are:

- Groups of young people and children who come with schools or through social services

- Local adults and children from disadvantaged backgrounds and communities, who ride horses after school and in the evenings
- Adults and children riding in the evenings, whose economic status places them outside of the target group
- Local people who just use the café



What services does Riders offer? (both to individuals and in the wider community)

Who are its customers?

Who pays for the services? (do customers necessarily have to be the ones paying?)



Now answer the above question with regard to your own organisation.

Topic 2: Social and business objectives

Social enterprises must be very clear about their social objectives and business objectives, and be able to distinguish between the two. The Board has a critical role in defining these.

Sometimes the social and business objectives can be so different that an organisation will choose to separate the trading and social functions.



What is a good example of an organisation with separate trading and social functions?



Answer:

Charity shops – their primary purpose is to generate funds to support the work of the parent charity, such as Oxfam or Age Concern. In most cases these shops will have been established as a separate registered charity, so that there is no confusion between the business objectives of the retail entity and the social objectives of the main charity.

The trading entity (in this case, a charity shop) has to fulfil business objectives, such as being successful and profitable, in order to fulfil its social objectives – in this case, providing money to the main charity.



List Riders' social and business objectives.

RIDERS	
Social objectives	Business objectives
<p>To support disadvantaged young people in building confidence and skills</p> <p>To provide an accessible sport for disadvantaged groups in the locality</p>	<p>To operate a successful riding centre that meets the needs of the target/customer groups</p> <p>To be sustainable</p> <p>To optimise income from 'trading' in order to support the achievement of the social objectives. To do this through:</p> <ul style="list-style-type: none"> ❖ Ensuring that the full costs of the provision of services are covered through any trading contract or direct sales ❖ Selling rides to local community users ❖ Operating a successful cafe

2.0 The need to be focussed

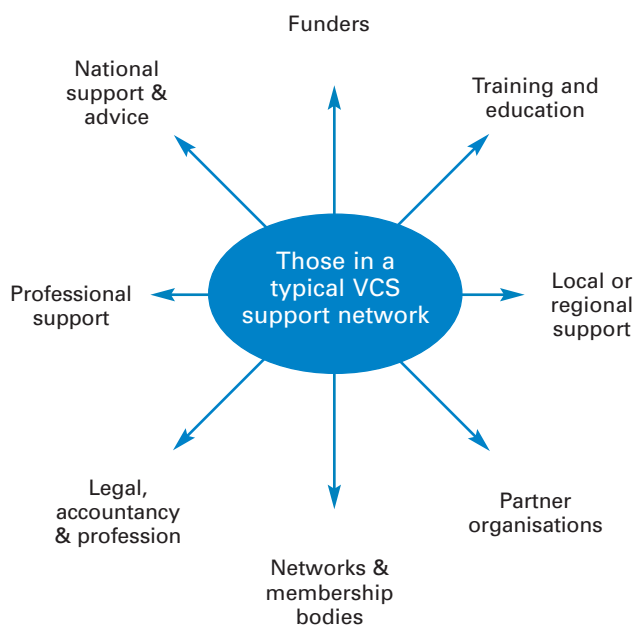
Some VCOs might feel that achieving business objectives – such as making a profit to ensure sustainability – could get in the way of achieving social objectives. This is a valid concern, and it's up to the Board to have a firm understanding of the value of both the social and business objectives. They can then explain the value of the business and social objectives to internal and external stakeholders, and help guide staff to develop ways of managing, monitoring and assessing work against both sets of the objectives.

2.1 Operating environments – who can help you?

All organisations, whether they are in the voluntary, public or private sector, have an 'operating environment' – this is where 'business is done' and networks exist and operate. The operating environment can also be known as 'the market place', 'business environment' or 'task environment'.

Voluntary Community Sector (VCS)

? What types of support organisations are in the operating environment of the Voluntary Community Sector (VCS)?



Businesses also have an operating environment of support and networks. The business and VCO operating environments tend to be seen as quite separate, but it is not impossible to work in both the business and VCO operating environments. In fact, operating across these boundaries can be very useful – organisations can benefit from building a wider range of contacts, widening access to support, and building broader understanding and knowledge. Stretching the boundaries of your operating environment and networks is an important characteristic of a successful social enterprise, and it is an area in which Board Members can take a leading role.

? Most VCOs don't approach business support organisations from the business operating environment – why do you think they don't?

A Reasons often given for not going to business support organisations as a social enterprise:

- ❖ They will not understand us
- ❖ We will not understand them
- ❖ They have nothing to offer us
- ❖ They will not take us seriously
- ❖ They will try and get us to give up our social objectives
- ❖ They will only talk about financial profit
- ❖ Their services and products are not designed for our organisation
- ❖ We don't share the same values or ethics
- ❖ They are not interested in our client groups
- ❖ They do not think that our services/products can make profits

In fact, many business support agencies now have remits and specialist staff and services geared towards the needs of the voluntary sector – particularly social enterprises, so VCOs should really maximise the support they can get from both the voluntary and business operating environments.

👥 Mindmap the different providers of business support in your area. For example, this could be banks, libraries, and local Councils for Voluntary Services.

Topic 3: Stakeholders

? What is the definition of a stakeholder?

A Stakeholders are those people and groups that will be affected by the work of the organisation, or who will have an effect upon the organisation and its work.

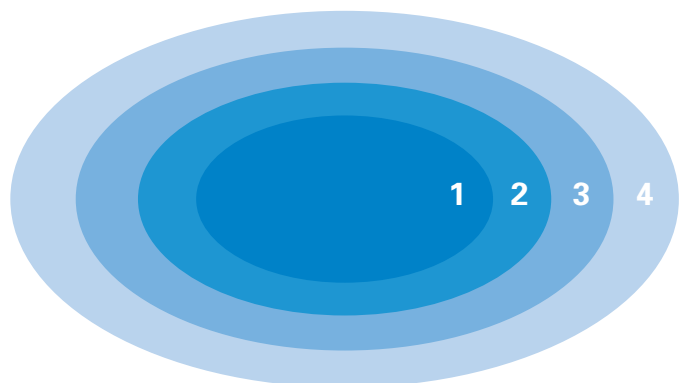
? Who are the stakeholders of Riders?
(the horse-riding centre case study)



? Who are your organisation's stakeholders?

3.0 Key Stakeholders

Having identified stakeholders, the next step is to think about how these stakeholders relate to your organisation – how important they are, and in what way.



1. Those who provide direction or leadership for the organisation (centre circle)
2. Those with whom the organisation is most often in touch (second circle)
3. Those most affected by the organisation (third circle)
4. Any others who may be indirectly affected by the organisation (fourth circle)



Draw a similar structure for your own organisation's stakeholders.



Some stakeholders will be in more than one category - for example, Board Members or employees.

3.1 Social and business stakeholders



Who are the 3 most important stakeholders to Riders to help it achieve its social objectives? Why are these the most important?

Are there overlaps between the two groups – if so what are the common factors?

Present the information on the flipchart like the one below:

Important stakeholders for Riders	
Social objectives	
Who?	Why important?
1	
2	
3	
Business Objectives	
Who?	Why Important?
1	
2	
3	
Differences/similarities	



Do a similar chart for your own organisation.

Topic 4: Board leadership in a social enterprise?

4.0 The need for good leadership

In this module so far we have talked about the way in which you have to look at your organisation in a slightly different light in order to help develop it as an effective social enterprise. We've developed a different perspective on services and clients, the organisation's objectives, the operating environment and the organisation's stakeholders. Changing the way that everyone thinks of and works within the social enterprise requires focus, vision and leadership from the Board.

? What does a Board do?

A The Board is the ultimate authority, it provides a guiding hand.

? What features should a Board have?

A Honest, open, transparent.

Social enterprise Boards have roles and responsibility of leadership, and how the Board fulfils these responsibilities can have a critical impact on how 'enterprising' an organisation can be in practice.

? What features should an enterprising Board have?

A Sample answers:

- ✦ Is passionate about achieving the aims and objectives through business methods
- ✦ Encourages ideas – at staff and Board level
- ✦ Encourages and listens to feedback from users/customers
- ✦ Encourages open communication throughout the organisation
- ✦ Looks to the longer term
- ✦ Willing to try things out
- ✦ Willing to take calculated risks
- ✦ Builds on experience
- ✦ Individually, has wide networks and uses them for the benefit of the organisation



Does this describe your Board?

If so – great! The challenge is now to harness this to maximise the success for your organisation – the exercises coming up should help.

If this doesn't really describe your Board then you need to consider building these skills, knowledge, attitudes and perspectives because they are important for steering a successful social enterprise.



How could social enterprise Boards increase their business skills and experience?

Display the following answers on a flip chart:

- ❖ Recruit people with business skills and business experience
- ❖ Provide business training for the Board
- ❖ Encourage Board Members to learn through networking

Before your Board can develop, you will need to carry out an audit of the business skills and experience the Board currently has. Identifying what type of issues the board focuses upon can help to do this, and it can throw light on any knowledge and skills gaps.

Details of some training providers are in the 'Further information' section at the end of this module.

4.1 Time

Boards tend to have a fairly rigid time cycle. Regular governance events, such as agreeing the accounts, preparing for the annual general meeting (AGM), and holding 'away days' are usually programmed into the calendar well in advance. However when your organisation is changing it is important to make time in this annual cycle to 'look ahead' as well as guiding the present.

Being enterprising and being or becoming a social enterprise needs time, and a Board need to make the time to look at the issues that arise.

4.2 Enterprise audit

Sheet to be filled in available on page 17, part of the 'Learner reference sheets'.

Summary

Boards have a critical role to play in supporting social enterprises. They need to see their organisation from a business as well as a social perspective, and have agreed a clear statement of both business and social objectives. Furthermore they need to understand and be able to access the support available to the social enterprise, from the operating environment and also from stakeholders.

Quick Module Checklist

A What is a social enterprise?

▸ Looks to the longer term

? Businesses that trade in the market with a social purpose. They use business tools and techniques to achieve social aims.

▸ Is willing to try things out

▸ Is willing to take calculated risks

A What benefits are there to becoming a social enterprise?

▸ Builds on experience

▸ Individually, has wide networks and uses them for the benefit of the organisation

? Extra options for funding, more opportunities for helping target clients.

A Why should social enterprises have social and business objectives?

? How can Boards become more enterprising?

A Answers:

? To help them understand the difference between the two, and to help them achieve both sets of objectives.

▸ Recruit people with business skills and business experience

▸ Provide business training for the Board

A What is an operating environment?

▸ Encourage Board Members to learn through networking

? The environment (or market) in which the VCO operates.

A What is a stakeholder?

? Someone who has an interest in the organisation.

A What qualities makes a Board enterprising?

? Answers:

▸ Is passionate about achieving the aims and objectives through business methods

▸ Encourages ideas – at staff and Board level

▸ Encourages and listens to feedback from users/customers

▸ Encourages open communication throughout the organisation

What's next?

To make the most of the module, it is important that Board Members develop what they have learned in the module, and apply it to their own organisation. Change is an inevitable part of becoming a social enterprise, and Board Members need to take into account that to fully deliver their role in helping their organisation become a social enterprise they will need the full backing of staff. Staff need to understand the reasons behind any changes that occur in the organisation as it becomes a social enterprise, both for their own understanding and to help the organisation develop.

After working through this module what do you feel have been the 3 key learning points for you?

- ✦ What will you do with this learning?
- ✦ When will you do it?
- ✦ Who do you need to support you?
- ✦ Do you need any resources?
- ✦ Do you foresee any challenges to overcome?

Further information

Small Business Service/SEnU

www.sbs.gov.uk/socialenterprise

The SEnU has a wide range of information about social enterprise, government policy and support for this sector. Current documents available on their website include:

- ✦ Lending to the social enterprise sector
- ✦ Social enterprise: a strategy for success
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Business Link

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Business Link, the national business advice service offering support and advice to small businesses, also supports social enterprises in their business plans. The website provides straightforward information for business, access to a wide network of business support organisations and includes a directory of sources of finance.

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Social Firms UK

www.socialfirms.co.uk

Social Firms UK is the national support agency for social firms. They carry out promotion, dissemination, research and lobbying to improve awareness and conditions for social firms. The charity's services to social firms include access to a great range of resources and materials about social firm development in the UK, and business support delivered through national and regional networks.

New Sector

"The magazine of workers' co-operatives and community-owned businesses in the UK."
New Sector, 1 Red Hill Villas, Durham, DH1 4BA.
www.newsector.co.uk/subs/index.htm

Social Enterprise

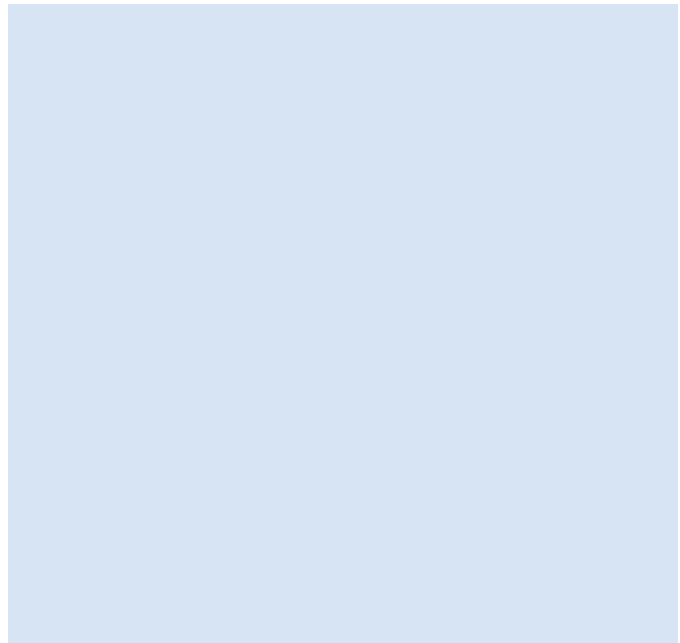
"The first monthly magazine devoted to providing accessible, comprehensive news and practical help for everyone interested in social enterprises."
Social Enterprise, 11 Stanley Road, London N10 2HU.
<http://subs.newstartmag.co.uk/index.sem.asp>

Setas

www.setas.co.uk

The Social Enterprise Training & Support Consortium (setas) is an information resource with details of training, support, publication, consultants and funding suitable for social enterprises.

Reference sheets
Module 1 - Being a social enterprise:
Understanding your organisation in business terms



Introduction

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Acronyms:

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SEC – Social Enterprise Coalition

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VCO – Voluntary and Community Organisation

VCS – Voluntary and Community Sector

Topic 1: Defining social enterprise – summary

“Social enterprises are businesses that trade in the market with a social purpose. They use business tools and techniques to achieve social aims” (Social Enterprise Coalition, 2004)

It can be useful to describe everything your organisation does, such as:

1. Years organisation has been operating
2. Legal structure e.g. charity, company limited by guarantee
3. Main users/beneficiaries
4. Main sources of funds – e.g. grants, income from selling something, a contract to deliver a service
5. Main activities
6. Number of staff employed
7. Number of people on the Board
8. Current annual expenditure budget

Then consider some questions normally asked of businesses:

- ❖ What services does it offer? (both to individuals and in the wider community)
- ❖ Who are its customers?
- ❖ Who pays for the services? (do customers necessarily have to be the ones paying?)

Topic 2: Social and business objectives and environments – summary

Social enterprises must be very clear about their social objectives and business objectives, and be able to distinguish between the two. The Board has a critical role in defining and explaining these to the other people within the organisation.

All organisations, whether they are in the voluntary, public or private sector, have an ‘operating environment’ – this is where ‘business is done’ and networks exist and operate.

The operating environment can also be known as ‘the market place’, ‘business environment’ or ‘task environment’.

Stretching the boundaries of your operating environment and networks to include business operating environments is an important characteristic of a successful social enterprise, and it is an area in which Board Members can take a leading role. Business support agencies will be able to help with this.

Topic 3: Stakeholders – summary

Stakeholders are those people and groups that will be affected by the work of the organisation, or who will have an effect upon the organisation and its work.

There are four kinds of stakeholders:

1. Those who affect the organisation – through power over the direction of the organisation
2. Those central to the mission and values of the organisation
3. Those with whom the organisation most commonly or directly interacts
4. Those affected by the organisation

Stakeholder support is needed to achieve social and business objectives. The Board can identify and facilitate this support.

Topic 4: Board leadership – summary

Changing the way that everyone thinks of and works within the social enterprise requires focus, vision and leadership from the Board.

An enterprising Board should:

- Be passionate about achieving the aims and objectives through business methods
- Encourage ideas – at staff and Board level
- Encourage and listen to feedback from users/customers
- Encourage open communication throughout the organisation
- Look to the longer term
- Be willing to try things out
- Be willing to take calculated risks
- Build on experience
- Individually, have wide networks and use them for the benefit of the organisation

Summary

Boards have a critical role to play in supporting social enterprises. They need to see their organisation from a business as well as a social perspective, and have a clear list of both business and social objectives. Furthermore they need to understand and be able to access the support available to the social enterprise, from the operating environment and also from stakeholders.

Enterprise audit

This checklist will help identify skills shortages in your Board. If there are significant gaps you may need to consider bringing in new people or giving existing Board Members extra training.

Key characteristics	Never	Sometimes	Always
The Board has a key leadership role in the strategic and business planning process			
The Board is clear about the social and business objectives of the organisation			
The Board sets financial forecasts and targets			
The Board takes a long term view looking at opportunities and threats faced by the organisation			
The Board monitors the business/strategic plan on a regular basis			
The Board is fully aware of the contents and requirements of funding and service delivery contracts			
The Board has a good understanding of the financial position and plans of the organisation			
The Board monitors contract compliance			
The Board maintains a good understanding of the environment/market place in which the organisation operates			
The Board includes people with a range of business skills and experience			
The Board looks at new product and service development for the organisation on a regular basis			

Further Information

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