

## Making it Local – Programme Management Group

16<sup>th</sup> June 2009, Julie Harris, CEO of COSMIC and Chair of RISE

### What is Social Enterprise?

In a nutshell, social enterprises are businesses with social aims.

Government definition =

**'Social enterprises are businesses 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: a strategy for success 2001

### What are the defining characteristics of social enterprises?

**Enterprise Orientation** - they are directly involved in producing goods or providing services to a market.

**Social Aims** - they have explicit social aims such as job creation, training or the provision of local services. They have ethical values including a commitment to local capacity building. They are accountable to their members/stakeholders and the wider community for their social, environmental and economic impact.

Many social enterprises are also characterised by their **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.

### Are Social Enterprises real businesses?

Yes, they are enterprises directly involved in the production of goods and the provisions of services to a market.

They seek to be viable trading concerns, making a surplus from trading. While they have explicit social aims such as job creation, training and provision of local services, they aim to be self-sufficient and not to depend on grant funding.

Some, particularly those addressing social exclusion, receive start-up and capital grants. In disadvantaged communities these substitute for equity investment by financing capital purchases and start-up costs. Revenue grants are usually linked to training programmes or the delivery of other social benefits

### What is the role of management in a Social Enterprise?

Within Social Enterprises, leaders at both board and management levels manage decision-making. Their role is to make things work and work well. They ensure that proper and effective decision-making processes are designed, understood and followed. They keep the organisation focused on its common purpose. Leadership in Social Enterprises requires both good political managers, providing community leadership, and good task leadership focused on implementation and execution.

## Is there a model structure for creating Social Enterprises?

Social Enterprises operate within a variety of legal and organisational structures. In establishing new Social Enterprises, the principal of 'structure follows strategy' is important. These enterprises bring together communities around a common purpose, often in demanding circumstances. Successful Social Enterprises tend to have a strong underlying sense of common purpose, and are mission driven, often in reaction to social and economic problems. These could be the closure of a factory, social exclusion, the decline or absence of an important service or a lack of employment opportunities

## Do Social Enterprises rely on good will or the charity of their customers to market their products?

In the 1980s, some community businesses were closely linked to local government initiatives and training programmes. They required ongoing subsidies to operate. Now communities recognise the need to build sustainable businesses that outlive the Single Regeneration Budget or other grant programmes that financed their start-up. While some successful community businesses deliver local services, (community-owned retailing or Credit Unions for example) most now seek wider market opportunities. As with other businesses, finding a viable market is the key to sustainable community businesses. Due to their nature as social organisations, there is a natural fit between Social Enterprise and the approach to business clusters more generally.

## What are the key success factors for a Social Enterprise?

The strongest Social Enterprises have:

- A strong internal understanding and consensus about the business's mission and strategy - thus keeping the business externally focused.
- Robust staff development and training programmes.
- Continuous improvement in the quality of community participation.
- A strong enterprise orientation involving good marketing and business skills.

Source – [www.rise-sw.co.uk](http://www.rise-sw.co.uk)

### Julie Harris

**Chief Executive**, COSMIC, Pendennis House, Ottery St Mary, Devon, EX11 1DG  
[julie@cosmic.org.uk](mailto:julie@cosmic.org.uk)   [www.cosmic.org.uk](http://www.cosmic.org.uk)   Tel: 01404 813226 or 07590 056838



Regional ICT Champion for Third Sector (SW) - [www.swict.org.uk](http://www.swict.org.uk)

Chair of RISE - [www.rise-sw.co.uk](http://www.rise-sw.co.uk)

Social Enterprise Ambassador – [www.socialenterpriseambassadors.org.uk](http://www.socialenterpriseambassadors.org.uk)

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