Defining the Social Enterprise (2)



Dr Roger Evans

EMU Tartu, Estonia



















Some definitions

The term **enterprise** derives from the Old French word "entreprendre" – "something undertaken".

It was later transformed into "entrepreneur", meaning a "risk-taker"

Traditional business provides its clients with products/services in exchange for compensation. Typical goals are creating profits for the owners or operators, meaning that the business must make more money in revenue than it spends.

The **social economy** is a sector of the market which operates between the public (Governmental) and the private sphere.

Social enterprises trade to tackle social problems and improve:

- communities
- people's life chances
- the environment

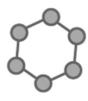
Business/company legal forms in CLLC partner countries

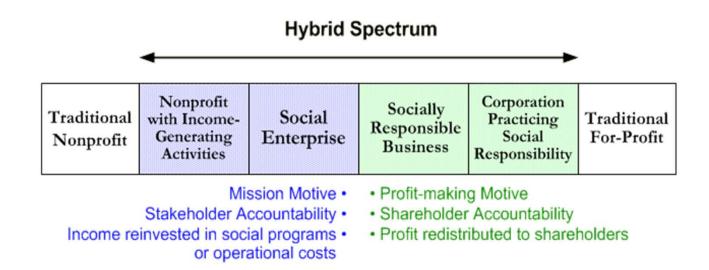
Sole Trader / Self Employed / Registered Merchant
Partnerships (General or Limited Liability)
Limited Liability Company
Joint Stock Company/Public Limited Company
Foundation/Trust
Mutual societies (incl. cooperatives (may be unlimited liability))
Association
NGO (non-profit organisation)

In the <u>European Economic Area</u> (including the European Union): **EEIG** (European Economic Interest Grouping-association between companies or other legal bodies, firms or individuals from different EU countries) **SCE** (Societas Cooperativa Europaea): a European Cooperative **SE** (Societas Europaea): a European (Public) Limited Company

In most cases companies need to registered on the Companies Register

Business model spectrum





Source: http://www.4lenses.org/book/export/html/81

Traditional & Social Enterprise - comparisons

Both:

- Aim to make a sustainable business model
- See staff as their assets and look at developing them
- Look at business opportunities to get maximum returns for their work
- Look at market realities and study trends to perform better

In today's day and age both take social media, online marketing and branding seriously

Traditional & Social Enterprise - contrasts

	Social entrepreneur	Traditional entrepreneur
1	Maximum impact received by their idea	Measures their idea or work by profits
2	Are not willing to quit on their idea even if becomes unprofitable - because of the large-scale social impact it has on the lives of people	Would quit the idea and resume back only when it again becomes feasible
3	Profit is of equal or secondary importance to social impact	Profit shall always be primary
4	Value is calculated by the actual number of people whose lives their venture affects	Value is usually calculated by revenue and profits

Traditional & Social Enterprises- how they measure success

Social entrepreneur	Traditional entrepreneur
Social entrepreneurs measure their success with environmental and social metrics, in addition to financial ones. These metrics depend on the nature of the social enterprise, but examples include: CO2 emissions offset area of land sustainably managed kilowatts of solar power installed low-income people supported jobs created for ex-prisoners	Traditional entrepreneurs measure their success with financial metrics, such as revenue and profit. Similarly, a traditional investor is typically only concerned with financial return on investment (ROI).

Impact investors specialise in providing capital to social entrepreneurs. Their metrics typically align with those tracked by social entrepreneurs. Along with financial ROI, impact investors seek environmental, social, and governance (ESG) returns.

The Social Economy

Includes: cooperatives - mutual societies - non-profit associations – foundations - social enterprises

Social economy organizations are mainly characterized by:

- the primacy of the individual and the social goal over profit;
- voluntary and open participation based on solidarity and responsibility;
- democratic decision-making by membership;
- congruence of the interests of members/users and/or the general interest;
- autonomous management and independence from public authorities;
- reinvestment of surpluses in the pursuit of a social mission.

Social economy in the EU

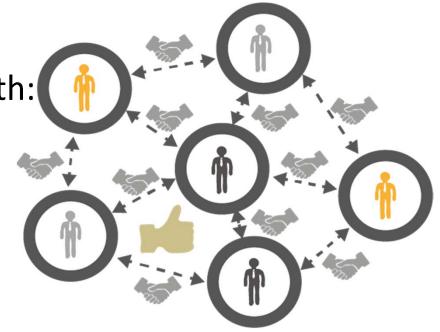


Includes: cooperatives - mutual societies - non-profit associations

foundations - social enterprises

They trade in all markets with:

- individual consumers
- local authorities
- Government
- NGOs and other SEs
- private businesses

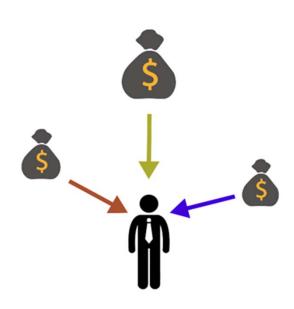




cooperatives - mutual societies - non-profit associations – foundations - social enterprises

Their sources of revenue include:

- retail sales
- catering & canteen sales
- participation and support funding
- training funding
- membership fees
- subscriptions & donations
- grants
- renting



What are Social Enterprises?

Social enterprises are companies which trade to tackle social problems and improve:

- communities
- people's life chances
- the environment

The organisation must engage in economic activity:

- It must pursue an explicit and primary social aim
- It must have limits on distribution of profits and/or assets
- It must be independent
- It must have inclusive governance

Some examples of social enterprise companies include:

- GUREAK, work opportunities for disabled people, Spain
- Hesket Newmarket Pub and Brewery, England
- Kirkmichael Village shop and café, Scotland
- The Big Issue, international magazine for homeless people
- Divine Chocolate: global farmer-owned chocolate company
- The Grassmarket Community Support Group, Edinburgh, Scotland
- Credit Union banking services, UK
- The Ecology Centre, environmental education centre, Scotland
- Housing Association, international supporting housing
- Hercules Association, socialisation/social involvement, Romania
- Village Life, development through responsible travel, Romania
- CONCORDIA Social Projects, Bakery products that provide social reintegration, Romania

There are many types of SE: business conglomerate - GUREAK

A COMPANY

WE ARE THE PARTNER OF YOUR ORGANIZATION.



- ✓ SPECIALIZATION
- ✓ DIVERSIFICATION
- ✓ SOLIDITY
- **✓** QUALITY
- ✓ INNOVATION
- ✓ LOCAL AND INTERNATIONAL

TO THE PEOPLE

A WORLD OF OPPORTUNITIES IN YOUR PROFESSIONAL ITINERARY



- ✓ WORK
- ✓ PROFESSIONAL ENVIRONMENT
- ✓ ORIENTATION
- ✓ TRAINING
- **✓** STABILITY
- ✓ PROJECTION OF THE FUTURE
- ✓ SOCIAL SERVICES

TO SOCIETY

A MODEL OF INCLUSION IN EUROPE.
A PRIDE FOR GIPUZKOA

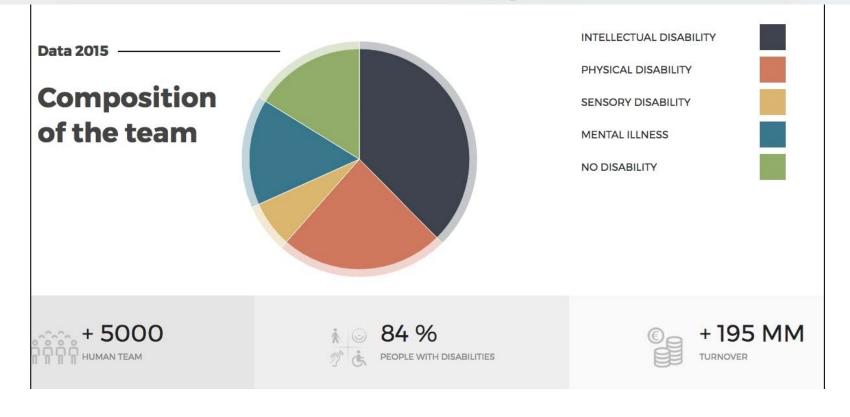


- ✓ SOCIO-LABOR INCLUSION
- ✓ EMPLOYABILITY
- ✓ COMPETITIVE ACTIVITIES
- **✓** SUSTAINABILITY
- ✓ REVERSION
- ✓ REFERENCE MODEL

MISSION

GUREAK is a Basque business group that generates and manages work opportunities that are stable and suitably adapted to people with disabilities, primarily for people with intellectual disabilities in Gipuzkoa.

GUREAK is a solid and diversified group with presence mainly in the sectors of industry, services and marketing. Our businesses and activities are competitive and pursue the highest levels of social profitability and efficiency in management.



There are many types of social enterprise:

Hesket Newmarket - Pub and Brewery, England





Kirkmichael Village shop and café, Scotland



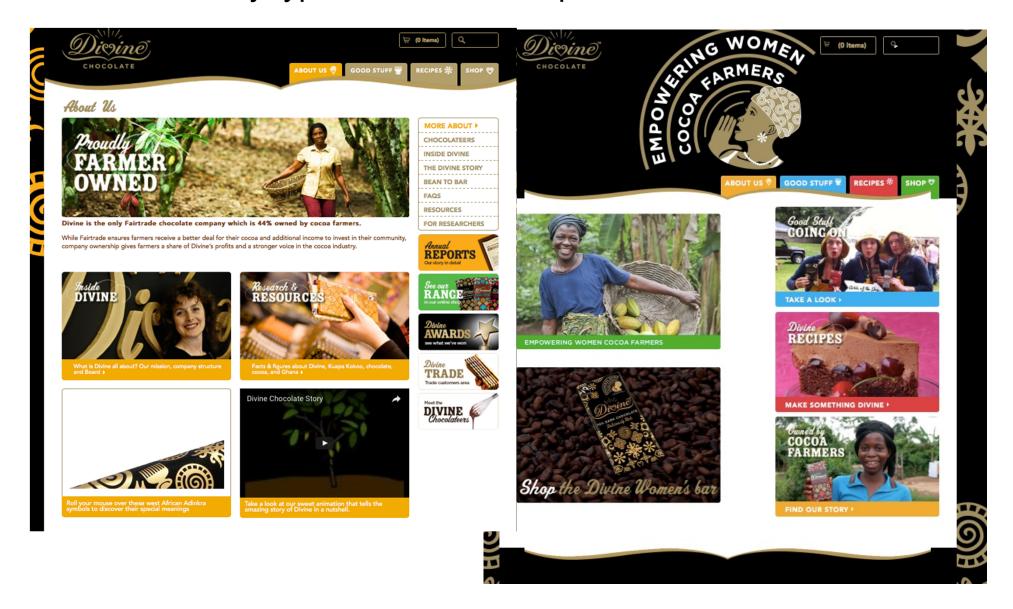


There are many types of social enterprise:

homeless employability



There are many types of social enterprise: fair income transfers



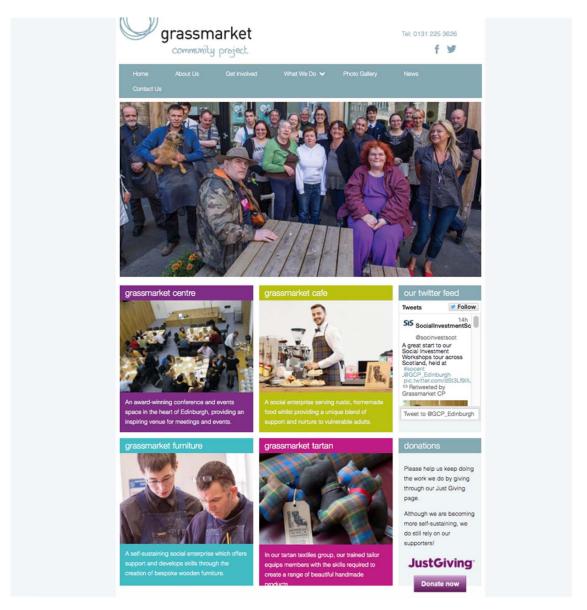
- Divine Chocolate is a company driven by a social mission:
- To grow a successful global farmer-owned chocolate company and bring people together to create dignified trading relations, thereby empowering producers and consumers.

THE STRUCTURE OF DIVINE

- in 1998, its 99 ordinary shares were owned by three parties; 52% by the Fairtrade NGO Twin Trading, 33% by Kuapa Kokoo farmers' co-operative, and 14% by the international retailer Body Shop International.
- In July 2006, in the true spirit of social entrepreneurship, Body Shop made the decision to donate its shares in Divine Chocolate to Kuapa Kokoo.

There are many types of social enterprise:

community support



There are many types of social enterprise: credit union









friendlyethicalprofessional

Find Us here:



Home

Join

Savings

About Us

Loans

Community

CredECard

Junior Savers

Contact Us

Director Area

Online Newsletter

Picture Gallery

Capital on Camera

Document Downloads

News Headlines

Terms and Conditions

0.25percent off loan rates until 31st March 2012

This offer is open to all members wishing to apply for their first loan with Capital Credit Union and non-members applying to

Credit Union FAQ's

About Us ➤ Opening Times About Capital Credit Union The Credit Union Movement Our Directors & Staff

Credit Union FAQ's

1. What Is A Credit Union?

Credit Unions are regulated 'Not for Profit', Member-Owned (mutual), Financial Service Co-operatives and can best be described as organisations that encourage their members to save together and lend to each other responsibly. This allows these members the opportunity to gain greater control over their finances.

2. How Do Credit Unions Differ From Banks and Building Societies?

Here is a breakdown of the main differences that set Credit Unions apart:

- · Credit Unions believe in the creation of wealth, not debt.
- · Credit Unions have NO external shareholders
- · All profit is distributed amongst all members at the end of each financial year*
- Select members have the opportunity to save directly from their payroll**
- · All members who join a Credit Union immediately own a share of it***
- · Credit Unions are restricted as to how high they are allowed to charge interest
- · All Credit Unions (Britain) are regulated by the FSA (Financial Services Authority)

3. What Makes Credit Unions Ethical?

The primary driving force behind the Credit Union movement is to offer non-exploitative, competitive financial services to individuals from all walks of life, regardless of their social status and economic background.

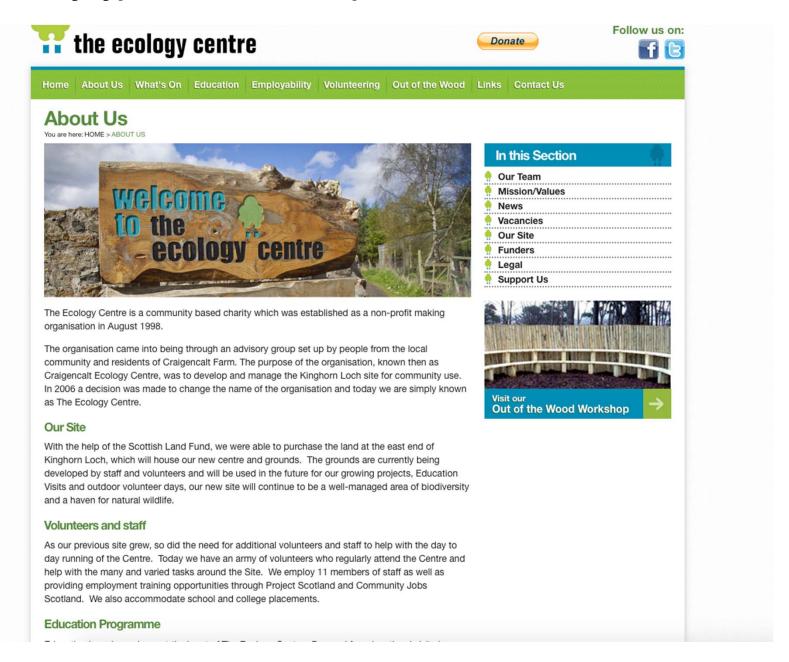
This ethos is very much reinforced by the concept of 'Self Help'. All Credit Unions require their members to commit to saving on a regular basis. This is in order for Credit Union members to help themselves secure their own long term future by encouraging them to accrue healthy funds through saving.

4. Who Regulates Credit Unions And How?

Capital Credit Union Ltd is authorised and regulated by the Financial Services Authority (FSA). As a consequence, we are required to send regular financial reports to the FSA and to operate under the same rules and regulations as every high street bank or building society.

The credit union is required by law to maintain an insurance policy to protect the credit union and its members against fraud or theft. An external auditor carries out an annual inspection of the credit union's business and reports to the membership at the Annual general meeting each year.

There are many types of social enterprise: environmental education



There are many types of social enterprise:

housing association





Albyn Housing Society serves an ever-growing number of communities in the Highlands, providing

good quality, affordable housing for thousands of people across the region. Through three decades the Society has listened and responded to the views of its customers, local government, communities



introduction

residents

housing options

housing services

board

about us: corporate information

contact us

recruitment

news + events

downloads & publications

cold weather information

links

heating information

dalmore master plan information

latest news

3



low cost home ownership

and businesses in meeting housing needs in the Highlands.

This scheme offers people who have a limited or modest income the opportunity to buy an affordable property



transfers + exchanges

Apply to transfer to another Albyn property or to exchange with another tenant



dalmore master plan

Proposed Masterplan and Phase 1 Development for Housing and related uses



We manage over 2,000

homes and operate

waiting lists for each

rented

housing

town / village

repairs + maintenance Information on who is responsible for the



paying your rent, occupation + service charges



frequently asked questions If you have a housing



about us information on the Society, the Board and our partners



There are many types of social enterprise: children's support

The Hercules Association offers the opportunity for socialisation and social involvement to beneficiaries of all ages, within the community. It has built an events centre that is available for rent to individual and local companies for events such as weddings, dinners, conferences, and seminars. Upon request, it also offers additional services such as event production, catering and decorating services. Proceeds are used to benefit 25 low-income children.









There are many types of social enterprise: village economic support

- Introduced the concept of development through responsible travel to almost 30 Romanian villages
- Over 70 rural families benefitted (directly or indirectly) from capital infusion brought though Village Life's travel program
- Brought 150 travelers from more than 10 countries to visit Romanian villages that were never thought of as touristic
- 22 families hosted events and provided guidance to travelers, gaining experience in the hospitality sector, an important source of non-agricultural income
- Promoted responsible travel to the Romanian village, as well as its traditions and customs, to over 500 000 people all over the world

 www.villagelife.ro





Bakery products that provide social reintegration for families in Bucharest



CONCORDIA Social Projects has set its goal to enable children to grow up happily to have independent lives. "We give them a safe home and open up future chances for them through a well-founded education. In acute crises we offer children a secure possibility to grow up in a family-like environment with dependable caregivers in our facilities."

Social Challenge: In Romania, there are many families with children who live on the streets and seek social reintegration. Unfortunately, there is little support to help them get back on their feet, both personally and professionally.

CONCORDIA Bakery provides job opportunities for the best students from its CONCORDIA Vocational School. The students are young people from vulnerable families or who live on the streets and are looking to reintegrate into their communities.





A significant proportion of Europe's economy is intended to make **profits for people** other than investors or owners. They are:

mutual societies

non-profit associations

foundations

social enterprises

They **operate** a very broad number of **commercial activities**, **provide** a wide range of **products** and **services** across the European single market and **generate millions of jobs**.

Social enterprises are also the engine for social innovation.

What they are?

- 2 million social economy enterprises
- 10% of all businesses in the EU.
- More than 11 million people –
 about 6% of the EU's employees
- Different legal forms
- Various objectives

Main objectives

- Serving the members and not obtaining a return on investment
- The members act in accordance with the principle of solidarity and mutuality, and manage their enterprise on the basis of 'one person one vote' principle.

Social enterprises

- an important and growing group of social economy enterprises are the social enterprises.
- Their main objective is to have a social, societal or environmental impact for the general interest.

Policy

 policy-makers work to improve the business environment in Europeensuring that the specificities of these enterprises are taken into account.

Study: Map of social enterprises and their ecosystems in Europe. European Commission, December 2014.

This study mapped:

- the scale and characteristics of social enterprise activity in each of 29 countries;
- the national policy and legal framework for social enterprise;
- support measures targeting social enterprise;
- labelling and certification schemes where these exist; and
- social (impact) investment markets.

The study developed an operational definition of social enterprise based on the **European Commission's Social Business Initiative** that could be used to:

- distinguish social enterprises from mainstream enterprises and traditional social economy entities; and
- map social enterprise diffusion and activity

across the 29 countries with different economic and welfare contexts, traditions and social enterprise development pathways.



Three key dimensions of a social enterprise:

Social dimension

an explicit and primary social aim

[sphere of non-profit organisations]

Entrepreneurial dimension

continous economic activity [sphere of mainstream enterprises]

Governance dimension

limits on distribution of profits and/or assets organisational autonomy inclusive governance



The following core criteria were established:

- The organisation must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services;
- It must pursue an explicit and primary social aim: a social aim is one that benefits society;
- It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritise the social aim over profit making;
- It must be independent i.e. organisational autonomy from the State and other traditional for profit organisations; and,
- It must have inclusive governance i.e. characterised by participatory and/ or democratic decision-making processes.

Represents 'ideal 'type of social enterprise

20 countries have a national definition of social enterprise, in several of the remaining 9 countries that do not have a national definition, inclusive governance is not seen as a defining characteristic of social enterprise;



In most countries, the criterion relating to 'independence' is understood/ interpreted as "managerial autonomy" and/or "autonomy from the State". Only in Italy and Portugal, do national definitions emphasise autonomy from the State and other traditional for-profit organisations.

In a few countries (Finland, Lithuania, Poland, Slovakia and Sweden), social enterprise is described in national laws and/or policy documents, narrowly focusing on work integration social enterprises (WISEs).



the level of social enterprise activity relative to the number of 'mainstream enterprises', **is small**

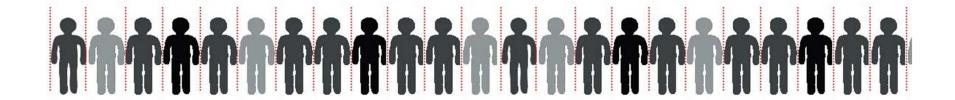
the on-going withdrawal of public agencies from supplying social services of general-interest, increasing pressures on traditional non-profit organisations to diversify their income sources and rising interest in social innovation among mainstream enterprises suggest a strong growth dynamic in social enterprise across Europe.



The lack of standard and consistently used European classifications of SE creates problems in creating a clear picture of all that they do.

A broad typology might look like this:

- Social and economic integration of the disadvantaged and excluded (such as work integration and sheltered employment);
- Social services of general interest (such as long term care for the elderly and for people with disabilities; education and child care; employment and training services; social housing; health care and medical services.);
- Other public services such as community transport, maintenance of public spaces, etc.
- Strengthening democracy, civil rights and digital participation;
- Environmental activities such as reducing emissions and waste, renewable energy;
- Practising solidarity with developing countries (such as promoting fair trade).



Social: aims, values, objectives



Social Objectives

Social aims that are specific, measurable, realistic and may have targets attached to them.





Measurable







Realistic



Time

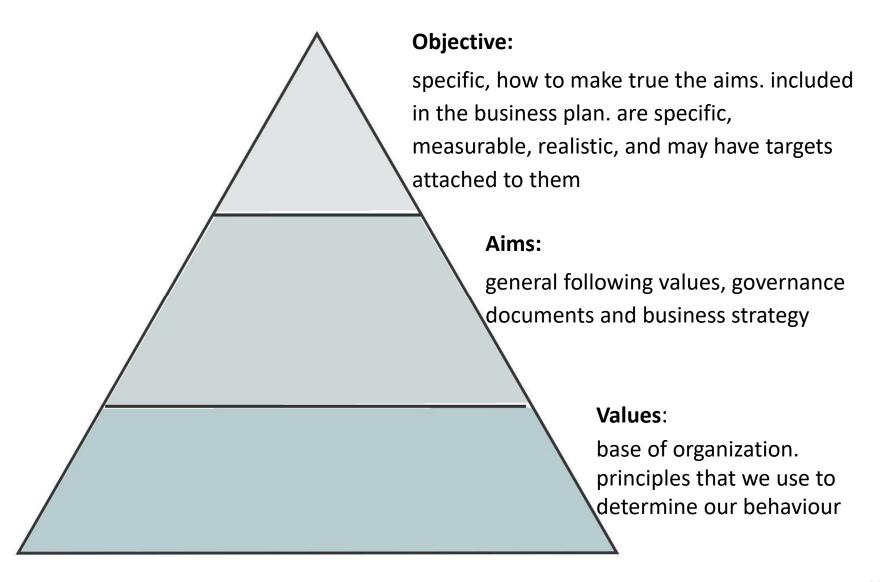
Social: aims, values, objectives

Social Values principles that we use to determine our behaviour, and in the context of SE, inspire social entrepreneurs and enterprises

What are values?

- participation & empowerment
- equality
- environmental sustainability;
- good, safe, satisfying, interesting work
- fair pay and good employment practices
- If development, skilling, education and training
- ethical behaviour
- a commitment to communities
- safe, healthy, good quality, user focused products and services
- transparency and trust
- co-operation between enterprises.

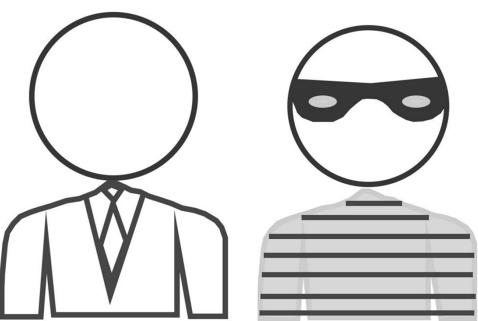
Social: aims, values, objectives



Ethical behaviour in business

Ethical behaviour

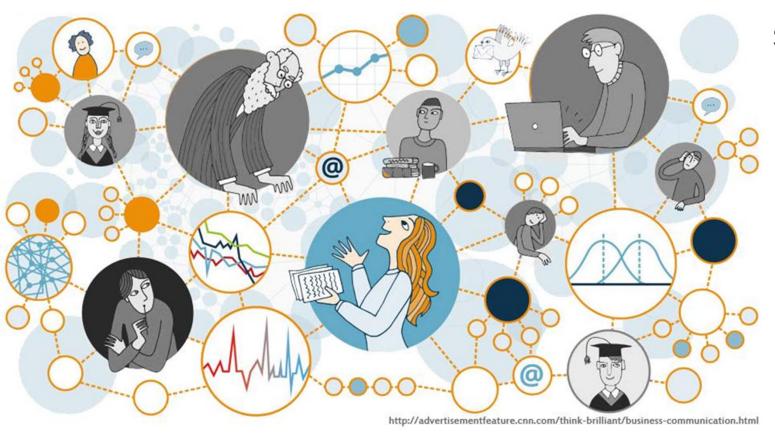
- honest accounting and tax calculation;
- · paying suppliers on time;
- providing quality goods and services;
- keeping your promises;
- treating members, staff, customers and suppliers with courtesy, dignity and respect; conserving natural resources and protecting the environment.



Unethical behaviour

- using insider knowledge or confidential information for personal gain;
- buying poor materials and equipment because there is some kind of payoff from the supplier;
- Side-stepping rules and regulations, such as health and safety, because it is cheaper and more convenient to do so:
- miscalculating invoices and hoping customers won't notice;
- providing misleading information in order to win contracts;
- making false claims about products or services;
- adjusting business expense accounts in order to make a personal profit.

Co-operatives: Values



Self-help
Self-responsibilit
Democracy
Equality
Equity
Solidarity

In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Co-operatives: origins



The origin of the current co-operative model and co-operative movement are generally taken to be the rise of Co-operative Retail Societies in the UK in the mid-19th Century.

There are examples of earlier successful co-operative enterprise, such as the Fenwick Weavers' Society founded in 1761, however the Rochdale Equitable Pioneers Society, who opened their first shop in Rochdale in 1844 are generally taken to be the first successful co-operative

(https://www.uk.coop/the-hive/is-a-co-op-right-for-you/getting-started/co-op-movement/history)

Co-operatives: origins



References and sources

- A map of social enterprises and their eco-systems in Europe, European Union, 2015
- http://www.4lenses.org
- http://www.socialfinance.org.uk
- http://www.socialenterprise.org.uk
- http://www.oecd.org/cfe/smesentrepreneurshipandinnovation.htm#pub