

# What Is A Social Enterprise?

Before establishing a social enterprise, it is important to understand what makes a social enterprise and how it **differs from a commercial** company.

## Definition of a Social Enterprise

The UK Government defines social enterprises as;

*“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.”*

In order to be classified as a social enterprise, the majority of the business’s income has to come from trading/commercial activities.

Many commercial businesses have social objectives. That said, social enterprises are distinctive because their social/ environmental objectives are central to what they do, and they are often governed by representatives of the community they serve.

However, there are social enterprises in the UK whose profits are used to fund charitable causes abroad which aren’t owned by their beneficiaries.

## Characteristics of a social enterprise

### 1) Social / environmental aims



A social enterprise has **clear** social / environmental aims to **benefit a community**. The following are typical examples of social and environmental aims:

A focus on community led renewal and regeneration	Increase access to clean drinking water	Help ex-offenders into employment
Skills development for those disadvantaged in the labour market	Creating accessibility to a better quality of life for disadvantaged members of the community	Focus on waste minimisation and recycling targets

## 2) Social ownership

A social enterprise operates under democratic governance (by more than one individual) ensuring that community needs are met. The main difference between a social enterprise and a commercial enterprise is that there are a number of individuals that manage a social enterprise on behalf of the community it serves, with the interests of the community at the forefront of decision making. Decisions are not made for individual profit.



## 3) Trading activities

A social enterprise, like any other business, needs to have a reliable revenue stream through the sale of products/services.



The social enterprise's beneficiaries do not necessarily have to create the revenue stream by buying from the business. For some social enterprises, it is quite common that public sector organisations, commercial companies and other individuals pay for the products or services, creating the revenue stream, which allow the social enterprise to benefit the community another way.

For example, British customers buy Fair Trade Ghanaian coffee beans to benefit farming communities in Ghana. Also, US customers purchase Toms shoes which have a one-for-one business model, with one sale of shoes equating to one pair of shoes given to a child in South America.

## 4) Profit distribution

A social enterprise needs to make a profit (or 'surplus') to compete in the market, to ensure survival and to reinvest in its social or environmental aims. A social enterprise's profit or surplus is reinvested back into the business to sustain community benefit. It is not for personal gain to shareholders.



## 🚩 Facts about Social Enterprises

The pioneers of social enterprise can be traced back to the 1840s in Rochdale, where a workers' co-operative was set up to provide high quality but affordable food in response to factory conditions that were considered to be exploitative.

- There are 471,000 social enterprises in the UK
- A total contribution of £60bn to the UK economy annually
- More than 1.4 million people employed in social enterprises

*(Source: Department for Business, Energy and Industrial Strategy, 2017)*

Social enterprises operate in many industries throughout the UK:



Examples of social enterprises in the Yorkshire and Humber region include: SCRAP Leeds, Affordable Justice, WomenCentre Calderdale & Kirklees and Harrogate Skills 4 Living Centre.

## 🚩 Growth driven by government policy

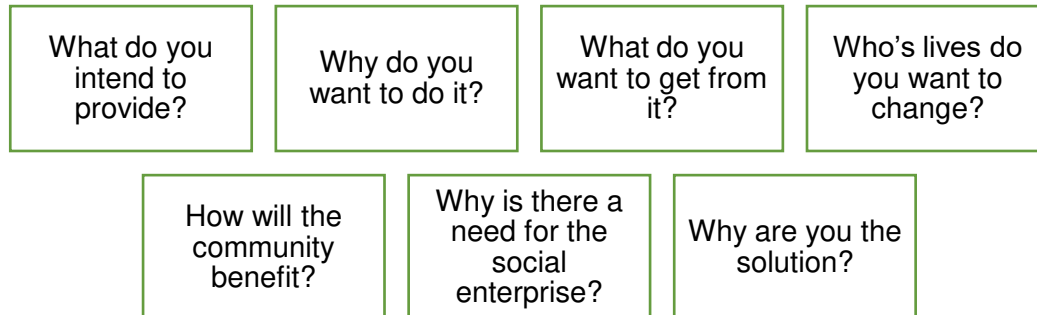
Some key drivers for social enterprise growth can be policies set by government. These govern the types of contract opportunities available from public sector organisations. Larger social enterprises look to match relevant policies in order to win future contracts.

A social enterprise should monitor current policies on a national, regional and local level if they will support the business's activities. Policy examples include: environment, health, crime reduction, neighbourhood management, employment and education.

However, some social enterprises identify a local need and look to establish a business to fill the gap. Some social enterprises look for commercial opportunities and adapt their business to fulfil a social need.

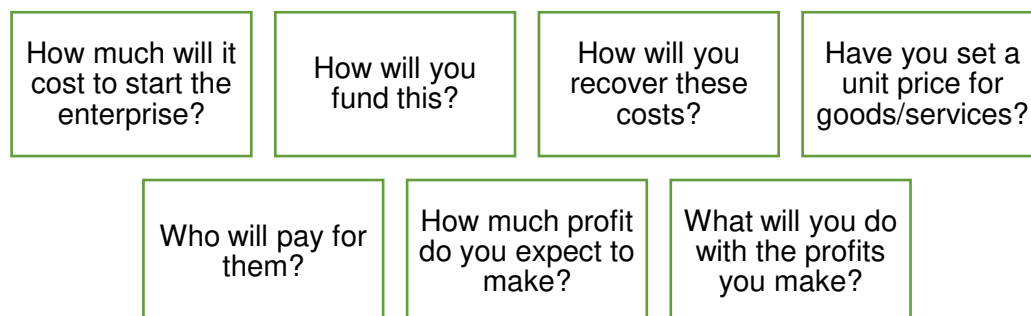
## Motivation

It is important to ascertain what motivators there are for establishing a social enterprise:



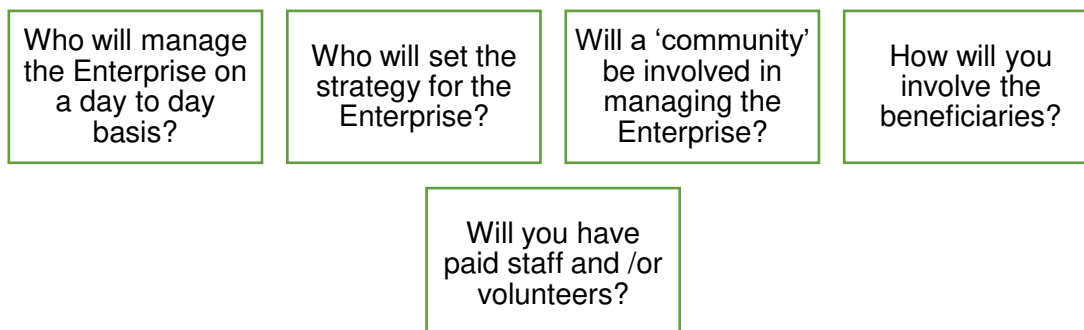
## Financial Implications

A key area to assess when establishing a social enterprise are the financial implications:



## Management Structure

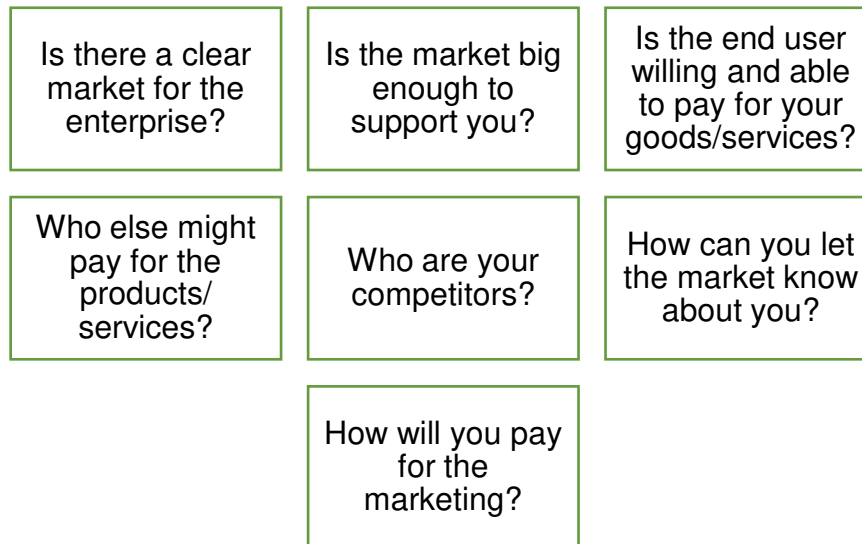
Ask yourself the following questions to evaluate the control of the business and its governance:



## ▶ Markets



As with all businesses there need to be paying customers to create profit. The following questions are important to determine the viability of the business. These should be answered by the feasibility study:



## ▶ Considerations to Make

You will need to identify the:

- Aims and purposes of your organisation
- Financial risk
- Member/community participation
- Protection of assets
- Role of employees
- Level of trading activity

## Where to go for further help

- Government Website <https://www.gov.uk>
- Responsible finance – organisation representing responsible finance providers <https://responsiblefinance.org.uk>
- School for Social Entrepreneurs <https://www.the-sse.org>
- SEE Ahead – business support <https://seeahead.co.uk>
- SIB - Social enterprise investors <https://www.sibgroup.org.uk>
- Social Enterprise Mark – CIC accreditation <https://www.socialenterprisemark.org.uk>
- Social Enterprise UK <https://www.socialenterprise.org.uk>
- Social Enterprise Yorkshire & Humber <https://seyh.org.uk>
- Social Value UK – member-led social enterprise impact management <http://www.socialvalueuk.org>

