

GROWING SOCIAL ENTERPRISE: SCALING-UP

Why scale-up an established social enterprise?

- To improve existing products and services, as well as develop new ones
- To compete more successfully in the market; to reach a wider customer base and access contracts
- To improve sustainability and diversify income streams
- Create efficiency through scale
- To maximise social and environmental impact and innovation
- To allow scale while remaining sensitive to (and more embedded in) local context
- To foster partnership working and spread the broader message of the social enterprise movement.

What forms of scaling-up models exist?

Social Replication

Social Franchising

The replication of a proven social enterprise model with clear social or environmental benefit embedded within the business objectives, run according to the parameters prescribed by the parent organisation with compliance agreements in place. Social franchising can be a great model for social enterprises who want to expand their own businesses, or who want to set up a social enterprise and would prefer to do so by establishing a franchise of a business with a proven record of success.

Social Licensing

The permission to replicate a social enterprise model, with the 'parent' social enterprise still defining the ethos and activities, but with less prescribed boundaries than a franchise and fewer obligations on the part of the licensee than would be required of a franchisee.

e.g., The School for Social Entrepreneurs

SSE was founded in 1997 and has developed a support programme for social entrepreneurs based on tailored packages of practical action-learning.

Following its initial success in London, the School decided to expand its reach by franchising their model. Key partnerships were formed and there are now eleven franchises of the School established in other locations. SSE has identified three keys for franchising:

- The need to continue to support and develop existing franchises, as well as new ones.
- The importance of allowing as much time as possible to prepare and lay the necessary foundations
- Finding the correct partner who shares the same commitment and vision is crucial to ensuring the reputation and brand is upheld.



PROS:

- For the franchisee/licensee, it is a start-up business with reduced risk, added security and support
- A way to expand business into new areas
- Reaches a wider customer base and increases impact, spreading the values of the franchise

CONS:

- Reputation is on the line when replicating and handing over 'power'
- Need to understand what makes a business successful and succeed elsewhere
- Finding the right people and/or organisations to partner with is crucial
- It is important that social enterprises understand what Intellectual Property they have and how to protect it.

Key criteria determining the eligibility of social replication partners

- Individuals/organisations who strongly relate to the principles of social enterprise
- Individuals/organisations with good local links
- Having the right skills set, knowledge and experience – a good mix of commercial and 'social' attributes
- Partners' funding capacity; while this is particularly important in the early stages, this is also something that parent organisations can help potential replications with, e.g. by helping them source and bid for public contracts.
- On a personal level, people with characteristics in some way resonating with those of the franchisor/licensor.

Merger and Acquisitions

Merger – where two or more organisations become one organisation, and do not retain their original status

Acquisition - an acquisition is the takeover/purchase of one company (the target) by another (the acquirer)

e.g., Hackney Community Transport

HCT merged with Leeds Alternative Travel (LAT) in 2008, after over 20 years of delivering community transport services in other areas of England. The merger presented the public and community transport users of the West Yorkshire area with more services and benefits arising from a more streamlined combined entity.



Before a merger takes place, HCT recommend considering:

- *the cultural fit of the organisations;*
- *who owns the mission, values and vision of the organisation; and*
- *the length of time and due diligence process involved to complete the merger.*

PROS:

- Reducing costs and overheads through shared marketing budgets, increased purchasing power and lower costs
- Diversification of the products, services and long-term prospects of the business.
- Accessing a wider customer base and increasing market share.
- Accessing funds or valuable assets for new development.
- Reducing competition
- Obtaining quality staff or additional skills, knowledge of the industry or sector and other business intelligence.

CONS:

- Can be a lengthy process to complete
- There can be a loss of senior management continuity through the process
- Fear of losing clarity of the original mission and resources being diverted from your business' main aims
- Potential difficulties around staff retention
- The costs expected to save may not materialise
- Problems can arise around incompatible business cultures

Consortia

Two or more partners working together to deliver a Service, in order to access more or larger procurement and tender opportunities, and to compete in the open market.

e.g., REalliance

REalliance was formed in 2008 as a Community Interest Company owned by the four main community resource and recycling networks in England – The Furniture Re-use Network (FRN), London Community Resource Network (LCRN), Community Composting Network (CCN) and Community Recycling Network UK (CRN UK).

REalliance CIC provides development support, representation, guidance and information for voluntary, community and social enterprise organisations working to manage resources sustainably, with an ambition to engage everybody in England who is working to build a sustainable resource economy.

The logo for REalliance, consisting of the word 'REalliance' in white, sans-serif font on a red rectangular background.

PROS:

- Immediate increase in skills, knowledge, and resources
- Flexible – consortium do not necessarily have to be long-term or permanent partnerships
- Consortia working can save money
- Presents a united front to commissioners and procurers, and provides a single contact
- Creates future opportunities for partnership working by building relationships

CONS:

- Difficult if partners do not have a clear framework of how they will work together
- There can be governance issues in distributing responsibilities
- Take significant time to negotiate
- Tenders will not be successful if commissioners are unhappy with the consortia approach, or do not understand the structure of partnership working

Joint Ventures

A joint venture involves two or more businesses joining together as a single company to combine their expertise and resources for a particular goal: growth; expansion into new markets; or developing new products. This can be a suitable option for social enterprises who want to expand/develop new products but realise they don't have the capacity or resources to do so alone.

e.g., Social Enterprise Mark CIC

The Social Enterprise Mark CIC is a joint venture between RISE, the social enterprise regional network for the south west, and the Social Enterprise Coalition (SEC). The joint venture was set-up to manage and develop the Social Enterprise Mark nationally.



RISE had the operational experience required for the Mark and SEC had the presence needed for national marketing and communications.

RISE and SEC started to explore the possibility of setting up a partnership agreement but it soon became apparent that a joint venture was the most appropriate legal structure to adopt to ensure the success of bringing a new and improved product to market on such a large scale. Bringing two organisations together in this way also gave each party the necessary financial and legal securities required.

PROS:

- Enable the organisation to enter new areas
- Combined services under one system/management can increase productivity and efficiency
- Access to new and established markets and distribution channels
- Sharing of risks and costs with a partner
- Access to greater resources, including specialised staff, expertise, technology and finance
- Especially beneficial for businesses in the transport and travel industries that operate in different countries
- Can be flexible – can have a limited life span and only cover part of what you do, thus limiting the commitment for both parties and the business' exposure.

CONS:

- Can be complex - takes time and effort to build the right relationship.
- Can be problematic if:
 - the objectives of the venture are not totally clear and communicated to everyone involved
 - the partners have different objectives for the joint venture
 - there is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners
 - different cultures and management styles result in poor integration and co-operation
 - the partners don't provide sufficient leadership and support in the early stages

Where can I find more information on Scaling-up?

The Social Enterprise Coalition is the national body for social enterprises, representing a wide range of social enterprises, regional and national support networks and other related organisations:

- www.socialenterprise.org.uk
- More information and case studies on peer support can be found on the [SEC Business Support](#) page

Social Enterprise Coalition report: "Growing social enterprise: research into social replication"
www.socialenterprise.org.uk/data/files/Growing_Social_Enterprise_Report.pdf

Business Link guide to social franchising:

www.businesslink.gov.uk/bdotg/action/layer?site=210&topicId=5000814533

Scaling to Success:

This is the first in the series of programmes that will provide practical support to social enterprises from the Social Franchising Group, a partnership between SEC, SSE and CAN. www.socialenterprise.org.uk/pages/socfran.html

Consortia – North West: www.opportunities-northwest.org