

CASE STUDY

Forming a Joint Venture Company: how RISE and the Social Enterprise Coalition joined forces to manage and develop the Social Enterprise Mark

What is a Joint Venture?

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 development of new products (www.businesslink.com). In many cases they can therefore 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.

This case study looks at the Social Enterprise Mark CIC; 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 for a national, and hopefully international, audience.



The history of the Social Enterprise Mark

Working with social enterprises in the south west, RISE recognised the need for a social enterprise identifier – a brand that could be used by social enterprises to help market themselves to potential and existing customers. RISE developed this idea and in 2006 the original Social Enterprise Mark was launched in the south west as part of a Big Lottery funded pilot. In 2008, this pilot was awarded additional funding from Capacitybuilders as part of its Social Enterprise programme. In addition, the RISE Mark was identified as a National Learning Project in SEC's National Knowledge Management Programme (also funded by Capacitybuilders). RISE worked hard to generate interest in the Mark and soon a number of key social enterprises from outside of the region expressed their wish to apply, and were awarded it if they met the required criteria. With this, RISE began to realise the potential to deliver the Mark on a national scale.

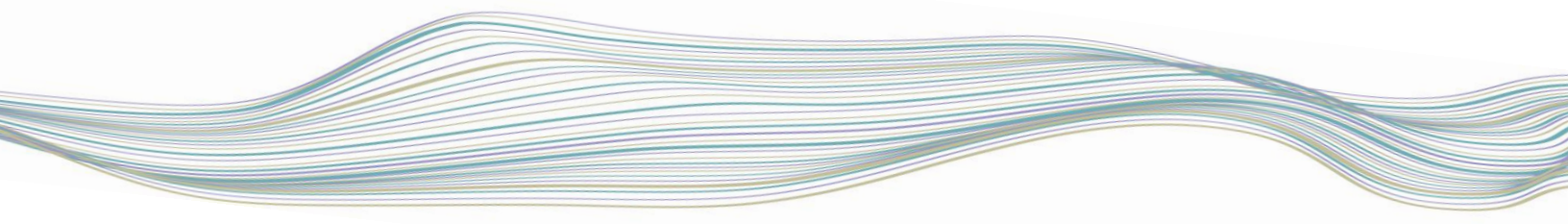


The coming together of RISE and SEC

In spring 2009, RISE approached SEC to discuss how its experience with the Mark in the south west, could be best utilised to develop a Mark on a national scale. Market research showed there was an increasing desire from consumers to buy from ethical companies and, in parallel, a desire from social enterprises to prove their credentials. The timing was right to take the Mark to a wider audience; significantly raising awareness and understanding -not only within the sector, but also with a wider consumer audience.

The Office for Civil Society (OCS) (formerly the Office of the Third Sector (OTS)) also expressed its interest in supporting the development of the Mark and commissioned the Central Office of Information (COI) to conduct research and analysis into such a proposal. Following this research RISE, SEC, the OCS and other key representatives from the social enterprise movement- including leaders and umbrella bodies- formed a steering group to review the feasibility of the development. Topics of discussion included the branding and criteria as well as practical business planning for how a national Mark could be delivered. The group was instrumental in agreeing the branding for the new Mark and also contributed greatly to in-depth discussions about the criteria; building on the learning from the south west to explore how to make the Mark more accessible to social enterprises, whilst at the same time keeping it robust and building the integrity of a new product able to withstand business scrutiny.

[There are a number of options for growth through strategic partnering \(Business Link\)](#)



During the course of steering group discussions, it became clear that RISE and SEC should join forces to deliver a national brand and product, as each partner could bring unique properties and experience to the partnership.

RISE had the operational experience of assessing applications for the Mark and SEC had the presence and reputation 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 to ensure the success of bringing a new and improved product to market on such a large scale, a joint venture was the most appropriate legal structure to adopt. Bringing two organisations together in this way also gave each party the necessary financial and legal securities required.

[Once decided on a joint venture, it is important to carefully assess your readiness \(Business Link\)](#)

Forming the Joint Venture

Funding and intellectual property

The OCS agreed to contribute significant funding to the redevelopment of the Mark in the form of additional grant monies but before anything could develop further, RISE had to address the issue of transferring existing grant funding to the new joint venture: Big Lottery had agreed to fund the original Mark project until 2010, and Capacitybuilders to 2011. RISE contacted these grantors to discuss the proposed new plans and both were happy to continue funding the Mark under the joint venture's plans. In terms of Intellectual Property (IP), another key issue had to be examined: the original pilot was grant funded, did the funders therefore own the IP on the Mark and would this prevent the Social Enterprise Mark CIC from trading? The answer to these questions was 'no'. Big Lottery and Capacitybuilders fund projects that are intended to be self-sustainable, under the condition that the original purpose is not changed. The trading aspect of the Mark had been present in RISE's project agreements from the start so, following confirmation from the grantors, the new joint venture was free to trade.

Work begins

The movement was ready for the new Social Enterprise Mark and an early plan was to launch on Social Enterprise Day 2009. But company set up and product development required more time so it was decided it would be best to postpone and coincide the launch with the Voice10 conference in February 2010.

KEY CHALLENGES AND LEARNING

Formalising Roles and Responsibilities

It is important to identify clear roles and responsibilities through a formalised business plan - essential in building relations, enabling a smooth flow of activity and maintaining momentum.

Dealing with high levels of work under strict time schedules

Realistic and appropriate time scales are necessary to avoid mistakes being made and to ensure strong foundations are laid for the future. It is also important to plan for any and all possible eventualities.

Fostering relationships, communicating effectively and creating a new culture

It is important to forge effective communication channels – to build trust, good working relationships and a strong culture for the new company.

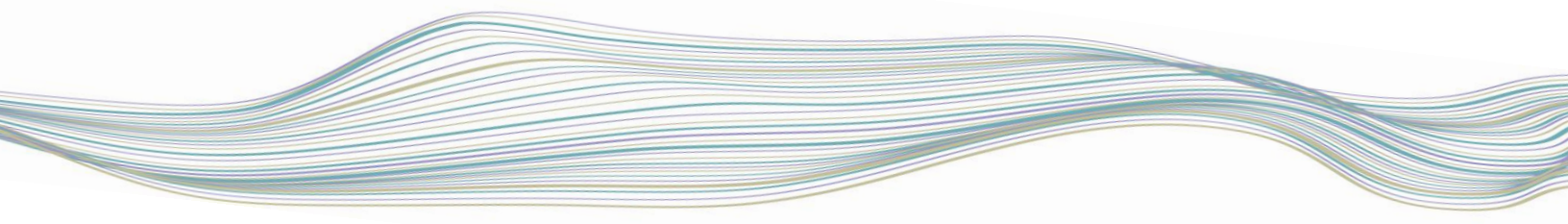
Given the urgency to launch the product and the new company, all hands were on deck to help. As a result individual roles and responsibilities were not at first as clearly split as had been planned. This was the first key challenge of the joint venture. Working out new roles and responsibilities is a challenge for all new companies, especially a joint venture where one party has previously managed operations alone. The staff from SEC had to fast-track their understanding, whilst the staff from RISE had to adapt to new colleagues holding decision making roles. But with collaboration, communication and investment in creating a new staff culture, individuals soon settled into their originally planned roles.

[Communication is a key part of building relationships and making the joint venture work \(Business Link\)](#)

Legal documentation, registering the company & essential activities

[It is vital to seek independent expert advice before any key decisions or commitments are made \(Business Link\)](#)

It had always been the intention that the new joint venture would itself be a social enterprise; reinvesting profits back into the Mark and into awareness raising of the movement as a whole. One of the first activities was to capture this in the business plan and in the Memorandum and Articles of Association - the legal constitutional document of a company.



The content of the Memorandum and Articles of Association was carefully discussed and as well as the new company's clear social objectives, key structural and governance decisions were also included. The key document was then drawn up by a law firm specialising in the CIC legal model and the document was signed by both parties.

A Community Interest Company (CIC) limited by share was chosen as the legal structure of the new joint venture; a form of limited shareholder company, suitable for social enterprises. Registering as a CIC involves an application to the CIC Association and the joint venture's solicitors facilitated this application; compiling the necessary paperwork for both parties (shareholders) to sign and submit. A few weeks later the CIC status was approved and official. In parallel it was necessary to register the new company with Companies House, something which the solicitors also assisted with. The confirmation of registration was received in January 2010 - a landmark day for all involved.

As is the case with any new company, other key activities needed to be undertaken once the official registration was confirmed – such as opening the company bank account and registering for VAT. With a fast approaching launch date for the new Mark, such activities had to be completed at speed by the joint venture.

Launching the Mark



The new Social Enterprise Mark was launched under a spectacular display of lights and acrobatics – representative of the achievements so far and a nod to the exciting times ahead. After launch, the joint venture continued to work hard. The momentum of the marketing and communications, and the processing of queries and applications was busily managed by RISE and SEC. Attention also continued to be invested in creating a new company culture and sense of unity amongst the new team - especially with SEC and

RISE staff not directly involved in the joint venture. Another key challenge was the unpredicted level of questioning surrounding the Mark.

The future of the Joint Venture

Setting up a new business is never easy, let alone setting up a new social enterprise to manage a new product. But three months on from launch, the Social Enterprise Mark CIC and the new Mark are going from strength to strength. RISE and SEC have successfully overcome any initial challenges associated with setting up a new company and have continued to promote and advocate the Mark. There are now over 160 Mark holders, with many more in the application process. As a start-up social enterprise itself, the Social Enterprise Mark CIC welcomes the support that the movement has shown. With continued support, it can continue to focus its attention on developing the Mark – a product created by the movement, for the movement. The joint venture between the two organisations is also a great example of how, in today's climate, working in partnership and collaboration can be a great route to growth and development – both for the specific businesses involved and the sector as a whole.

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