

# Social enterprise explained

**for beginners, wonderers and  
people with ideas, big and small**



**SOCIAL  
ENTERPRISE  
COALITION**

THE VOICE OF SOCIAL ENTERPRISE

# Social enterprise explained

## For beginners, wonderers and people with ideas, big and small

**Lots of people are asking about social enterprise. Visitors to the social enterprise coalition's website have doubled in the last six months alone.**

Some of our most popular pages and searches are ones that offer an introduction to the topic. So we produced this guide for people who are just getting interested in social enterprise. It's aimed at getting all the right info in one place for anyone who might want to start, buy from, invest in, commission from, or support social enterprises.

We are always interested in feedback so please let us know what you think by emailing [info@socialenterprise.org.uk](mailto:info@socialenterprise.org.uk)

# Social enterprise

**Have you ever bought the Big Issue? Read it over a bar of Divine chocolate? Watched Jamie Oliver's Fifteen? Visited the Eden Project? Shopped at the Co-op?**

Then you already know a bit about social enterprise: a growing, worldwide movement of businesses that exist to change the world for the better. A social enterprise is a business that trades to tackle social problems, improve communities, people's life chances, or the environment.

This might sound like charity work, but social enterprises are businesses. They make and do things that earn money and make profits like any business.

It is how they work and what they do with their profits that is different: working to make a bigger difference, reinvesting the profits they make to do more good.

They do this in lots of different ways: creating jobs for people who would otherwise be left out; reinvesting profits in community projects; protecting the environment, providing vital services for people who might not get them otherwise.

It's this combination of doing business and doing good that makes social enterprise one of the most exciting and fast-growing movements in this country and across the world.



Cakes on sale at a farmers' market co-op

# Opportunities for social enterprises are growing all the time.

## What sort of people are involved in social enterprise?

**All kinds of people! Clothes recycling and redesign workshops, anti-gun crime merchandise, street dance classes on housing estates and a tap water bottle refill network.**

These are just some of the ideas that young people in the UK today are turning into successful social enterprises.

But there are retired people who are just finding their socially enterprising selves, groups of public sector workers who are coming together to form social enterprises, (with encouragement from the Government!), school groups, community groups who want to tackle a local problem, and people in private businesses who want to do things a different way.

There are some very large social enterprises and ones that have been in existence for years – for example the Co-operative Group.



A bus run by social enterprise HCT

**But social enterprise is gaining momentum and causing excitement right now for lots of reasons. These are some of the explanations we have heard from people about why they are interested in social enterprise right now:**

- The recent economic downturn – people are looking for different, more personally rewarding ways of doing business – making them work for people and the planet
- The economic success of social enterprises (which continued to thrive and grow during the recession)
- A growing desire among charities to trade more and be more sustainable in the future
- Growing customer awareness and interest in how their spending choices affect others. People want to know where the goods they buy come from – have they caused human suffering or environmental damage along the way? Are workers being treated well? Which product does the most good socially?
- More people want to know how they can use their spending and saving power to make the world a better place
- Businesses want to know how they can use their power to change the world – for many businesses, volunteering and fundraising programmes are no longer enough.

**Many people think that social enterprise is how business will be done in the future: working for people and the planet, not just profit.**

## How are social enterprises different from ethical businesses?

In many cases they're not. Lots of ethical businesses are social enterprises and vice versa. But very simply, ethical businesses aim to minimize any harm done to people and the planet as a result of their work. Whereas social enterprises are business set up primarily to benefit people and the planet.

# Get involved: what can you do?

**There are lots of ways you can get involved with the social enterprise movement: buy from social enterprises, work for them, invest in them, commission their services in your workplace, learn more about the movement. You may be reading this guide because you are interested in setting one up – there's a lot more on that later.**

## For people who work in private businesses

You can improve the 'social footprint' of your business and make a difference by including social enterprises in your suppliers. From catering, cleaning, floristry, mailing services, printers, designers, researchers, office supplies and furniture to manufacturers of all kinds of goods – you name it, there will be a social enterprise that supplies it.

You may need to look around a bit – you can call organisations like the Social Enterprise Coalition to get help and advice. But your trusty search engine should help you get started.

The Social Enterprise Coalition is developing a guide which is all about supply chains for people in private businesses. It will be ready very soon. Email [info@socialenterprise.org.uk](mailto:info@socialenterprise.org.uk) to request a copy.

## For people who work in the public sector

You can improve the 'social footprint' of the service you work for by buying from, commissioning or promoting social enterprises – especially in your local area.

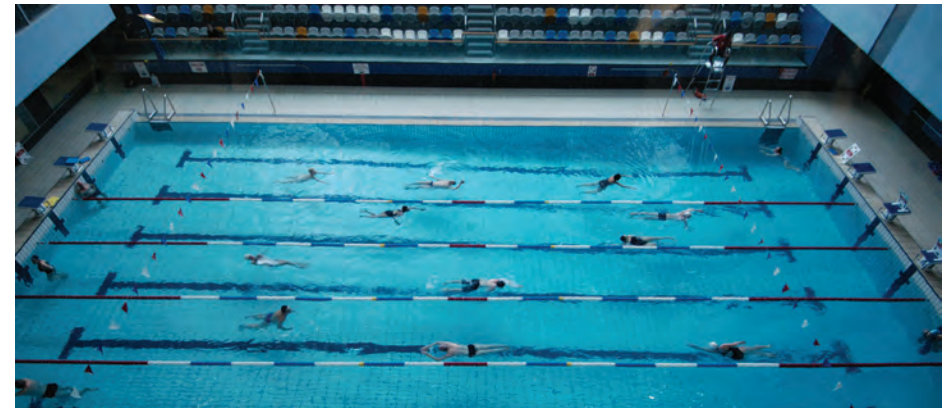
a social enterprise or finding out more about those who have already spun out of public services and set up a social enterprise.

Read the section above – the bit for people who work in private businesses probably applies to you. But you might well be interested in setting up

See the Social Enterprise Coalition's Right To Run guide, which is just for public sector workers who want to start a social enterprise within their workplace or service.

## For people who work in the voluntary or community sector

Even when your charity or group exists to do public good, you can probably do more by getting your goods and services from social enterprises rather than private businesses. But more and more charities are looking to social enterprise as a way of improving the impact of their work. Many charities are setting up trading arms in order to be able to trade, make profits and reinvest them. One well-known example is Age UK.



GLL provides leisure facilities like this pool

## Public services + enterprises + charities: the future is hybrid!

More than ever before, the boundaries between charities, public services and businesses are getting blurred. The result is more social enterprises.

According to SEC's Chief Executive, Peter Holbrook:

"The old ways of getting things done – public services versus charities, versus private enterprise – are starting to merge and the future is hybrid. One of the ways we can see this is that the Social Enterprise Coalition is getting a constant stream of delegations visiting from emerging economies like South Korea and India. They need public services and they have their social problems but they don't want to find themselves in ten or twenty years having to service a large bureaucratic public sector or unsustainable voluntary sector. They're going straight for social enterprise. It's a bit like countries who don't have a landline infrastructure for phones leapfrogging straight to mobile technology."

# Setting up a social enterprise

## Why would you set up a social enterprise?

**Social enterprises come in all sizes, from small community cafés to really big international organisations, but they're usually started by a person or group of people with a particular passion and sense of purpose. They can emerge as businesses from groups that didn't start out to create a business at all.**

The passion often comes from trying to solve a problem that they understand personally; and the purpose comes from having a business idea that could solve that problem for others.

Setting up a social enterprise can not only give you the freedom and satisfaction of running your own business, but also the knowledge that you are changing the world for the better.

And although social enterprises have been around since co-operatives were started in 1844, there are good reasons why it's worth starting one up right now.

- You can get start-up funding and investment – lots of new providers are coming along, now that social enterprise is really taking off in the UK. Support is available from Government, voluntary and private sources
- Get support from specialists and from other social enterprises – the social enterprise movement is growing and bursting at the seams with people who are passionate about social enterprise and want to help new social enterprises to succeed
- Provide customers with extra reasons to buy from you – there is a growing awareness of social enterprise in the UK and around the world
- Join a movement for sustainable change – we believe it's the way all business should be done in the future – social enterprises are blazing a trail, changing the economy, the environment, and the life of our communities

# What makes a business a social enterprise?

**There are many shapes and sizes and kinds of social enterprise, but there are some important things that make them different from both conventional businesses and charities.**

## A social enterprise does:

Make its money from selling goods and services

Cover its own costs in the long-term (though like any business, it may need help to get started)

Put at least half of any profits back into making a difference

Pay reasonable salaries to its staff

A social enterprise will also have a clear sense of its 'social mission': which means it will know what difference it is trying to make, who it is aiming to help, and how it's going to go about it.

Whatever problem you can think of, there's probably a social enterprise out there trying to tackle it and create a lasting solution. And lots more are needed.

## A social enterprise does not:

Exist to make profits for shareholders

Exist to make its owners very wealthy

Rely on volunteering, grants or donations to stay afloat in the long-term (though again, it may need this sort of help to get started).

# How to set up a social enterprise

**If you're interested in social enterprise, the best thing to do is go and visit one and find out more from the people involved. Here are some other tips to help you on your way.**

As with any business, you should think about the following first:

## a) Research

Ask the basic questions. What is the need for what you are planning? Are there customers who will buy your product or service? Who are they? Are others providing the same goods or services already? How can you do it better?

## b) Write a business plan

Write a simple plan detailing how the business will operate, who will be involved and what will their roles be? Do you have the skills you need? Do you have the people with the expertise you need? Do you need money?

## c) Do you need money to get going?

Or a loan to buy something that will get you started? Secure some start-up finance: there are specialist funds to help with this.

These are all really important because there are lots of options when it comes to social enterprise: options about finance, about company structures, about people, about opportunities, about sources of help, and more. Being clear about what you are trying to achieve (and why) helps you choose the right options at the right times.

Don't forget that many successful social entrepreneurs learn by doing; no amount of planning round the kitchen table can make up for getting out there and testing things out: selling, delivering, working in the real world. The best businesses are based on people, not paper, and social enterprises are no different.

Starting a social enterprise calls for hard work and commitment to make it work and achieve your mission; and the ability to inspire others to get involved. But the process can be hugely rewarding, and it can change your life as well as those you are working to help.

## Where can you go for advice and information?

Start at the Social Enterprise Coalition website, which features case studies, answers to common questions, and links to many useful organisations; including providers of start-up funding, investment and specialist providers for particular kinds of social enterprise such as co-operatives. Joining as a start up member is low cost and brings you networks and benefits whilst you're starting up and when you're up and running.

See [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

For training, opportunities and start up support contact the School for Social Entrepreneurs.

See [www.sse.org.uk](http://www.sse.org.uk)

Get out and meet the social enterprises and networks that are already running in your area or sector to build up your contacts and know-how.

Check out general business information and advice from websites like Business Link, Smarta, HMRC, Companies House and BIS

Check out UnLtd for start-up funding; UnLtd gives out money to individual social entrepreneurs at the very start of their journey [www.unltd.org.uk/](http://www.unltd.org.uk/)

# Social Enterprise Coalition

We are the national body for social enterprise. We are a membership organisation. We offer business support, do research, develop policy, campaign, build networks, provide training, share knowledge and understanding, and raise awareness of social enterprise and what it can achieve.

Our members come from across the social enterprise movement – from local grass-roots organisations to multi-million pound businesses, as well as the corporate and public sectors. What unites them is their commitment to changing the world through business. They enable us to do what we do – both by paying membership fees and taking part in our work.

If you found this guide helpful you may also like to read 'Enjoy what you do: Work in social enterprise'. It tells the inspiring stories of people who have moved to work in social enterprise and why it's different from other sectors. Provides a list of helpful resources for those interested in pursuing a career in social enterprise. Available to download from [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk).

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