

# Social Firms Scotland

## Developing a Social Enterprise

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SCOTTISH EXECUTIVE

Social Firms Scotland



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# If you were starting a business, what would you need FIRST?



# What if it were you & a few others?



# What if the motive for starting a business wasn't profit?

- It could be to service a community need
  - low cost basic foodstuffs
  - community bus
  - furniture recycling etc
- It could be to create employment opportunities for disadvantaged people
  - training projects
  - supported employment
  - social firms

# In other words...

*"A business 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."*

(Social Enterprise - a strategy for success DTI, 2004 )

ie A SOCIAL ENTERPRISE!

# Or....

A small business created to provide supported employment opportunities for people with a disability where more than 50% of income is from sales and more than 25% of staff have a disability, with a value base of:

- Integrated employment
- Same terms and conditions
- Supported working environment
- Market focused
- Participative management style

**ie A SOCIAL FIRM**

# Who for?

- ◆ Social Firms tend to be created for:-
  - ◆ 60% enduring mental health problems
  - ◆ 30% learning difficulties
  - ◆ 10% other high support needs

- Cannot sustain open employment
- Furthest away from the job market
- Prefer to work alongside others who understand their situation

# Where do SE's/SF's come from?

- Existing voluntary sector projects
- Existing public sector programmes
- Existing small businesses
- New small businesses

All have potential or existing  
social entrepreneurs



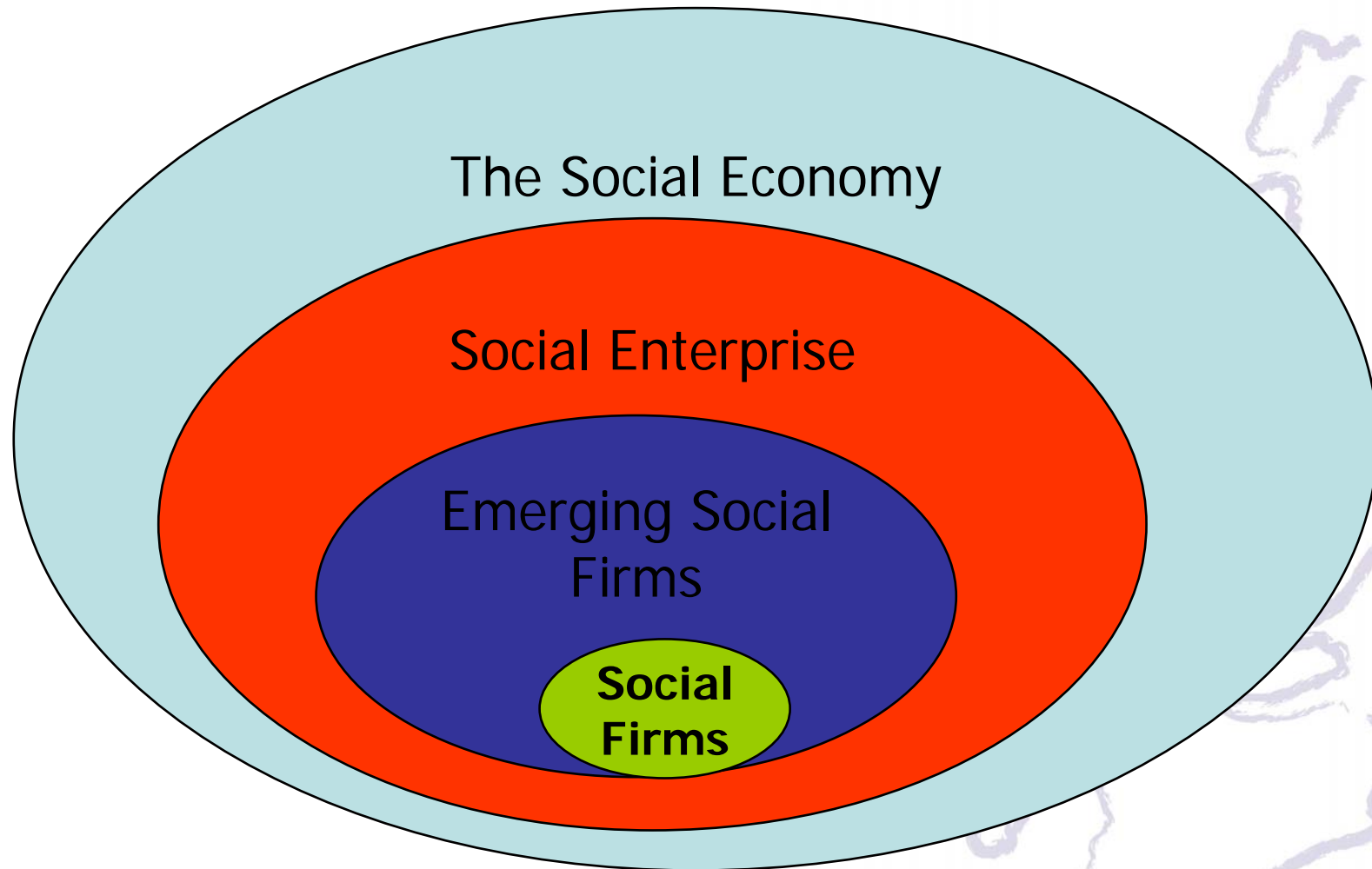
# So where do they fit?



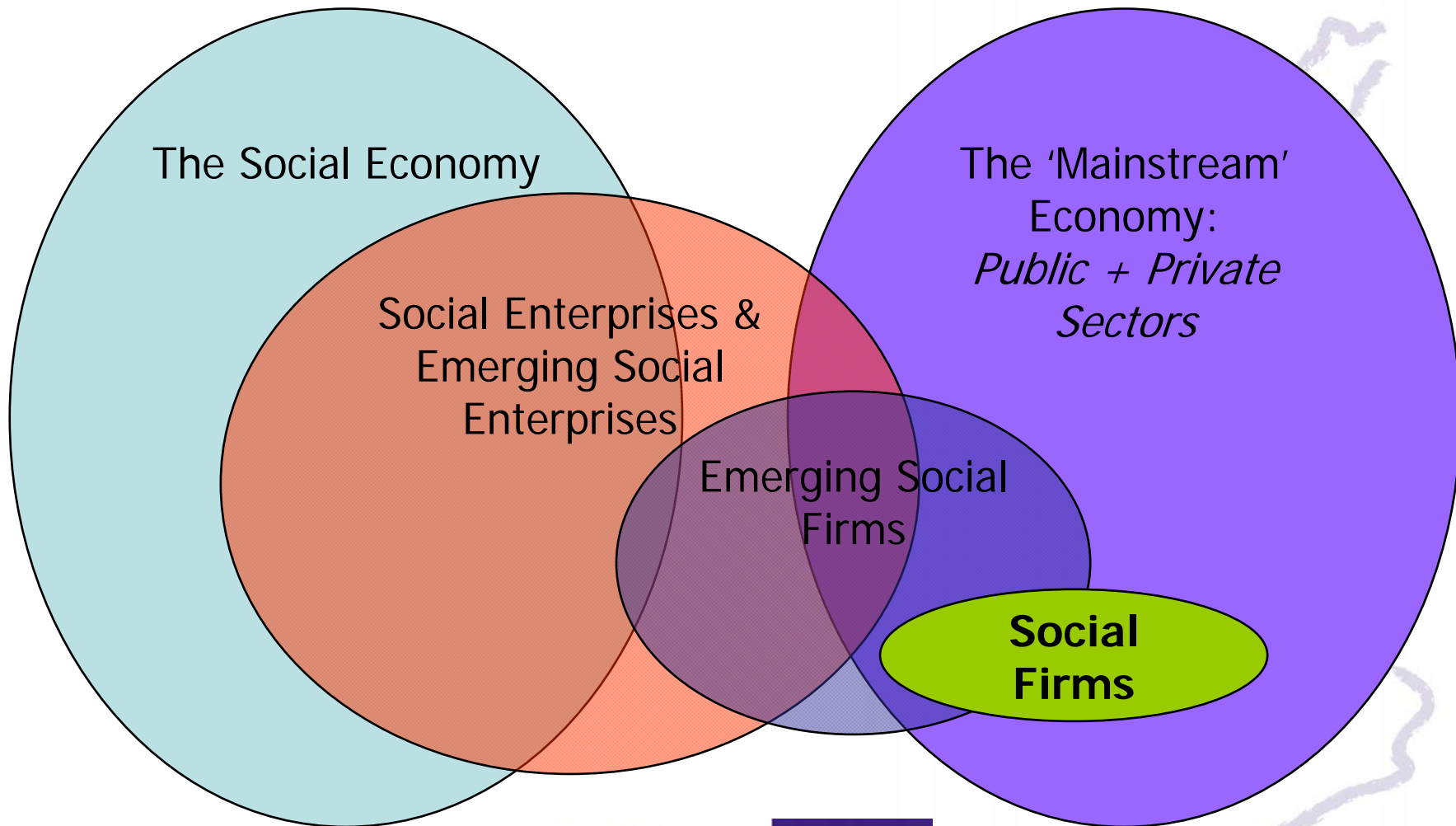
◀ 'The Social Economy' ▶



# So where do they fit (2)?



# So where do they fit (3)?



# Ingredients - Things to do/have before you start

- Small Business
  - Motivation & determination
  - Business acumen & 'entishness'
  - A good business idea
  - Some advice
  - Market Research
  - Identify staff, premises, bank etc
  - Personal risk assessment
  - Business Plan
  - Obtain start-up capital

# Ingredients - Things to do before you start



- Any project
  - assess the need for change & gain stakeholder approval in principal
  - identify the current position
  - identify the desired outcomes
  - identify the method for change
  - identify the 'tools' required
  - identify the resources required: staff, financial, time, legal
  - plan the change
  - gain stakeholder approval
  - implement the change
  - find the resources identified
  - use the tools
  - keep the plan in mind at all times
  - disseminate & feedback throughout
  - ensure participant & stakeholder involvement
  - monitor & review
  - start it all again if needed!

**This is NOT a checklist!**

# So, for a social enterprise...

Project Planning  
(at least 16 stages)

+

Business Planning  
(at least 10 stages)

=

A lot of work & confusion

# Five phases of SE/SF development

- **Awareness** - building interest in the option of starting an SE/SF (AIDA - awareness, interest, desire, action)
- **Preparation** - is the group/parent organisation capable of doing it?
- **Formation** - 'designing' the enterprise
- **Exploration** - is the design possible?
- **Implementation** - **DOING IT!**

# BUSINESS DEVELOPMENT PROCESS FOR SOCIAL ENTERPRISE

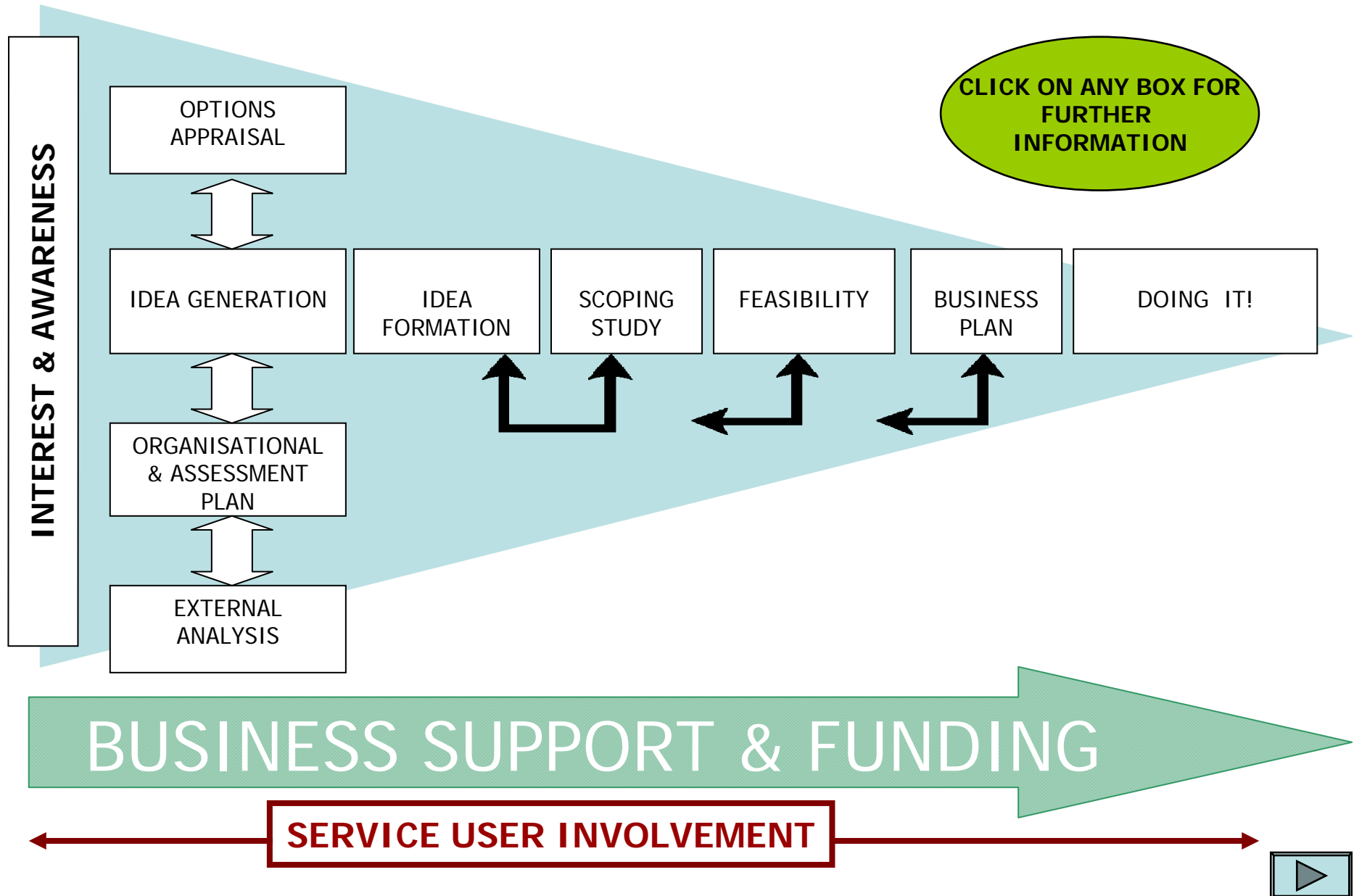
AWARENESS

PREPARATION

FORMATION

EXPLORATION

IMPLEMENTATION





# Service User Involvement

- Level of involvement often determined by the origins of the parent organisation
- Can range from passive (being told) to self-mobilisation (full control)
- Consultative approach often works well
- Service users can only 'take ownership' of the enterprise and feel involved if the organisation encourages it. (value base)

# So why put yourself through this?

- Service users:
  - Experience very low employment rates
  - People with disabilities want to work
  - Want to overcome barriers to employment
  - Want employment related activity rather than day care
  - Lack of supportive work opportunities
  - Employment is a health issue & is less costly than keeping someone in traditional services

# So why put yourself through this?

- Service providers:
  - Experience operational difficulties finding mainstream employment for service users
  - See some commercial opportunities but current organisational framework & status prevents them being realised
  - Need to generate other income streams
  - Very rewarding and even fun!

# What do Social Firms Scotland do?

**“Social Firms Scotland promotes the development of social firms, which create employment opportunities for people with disabilities and provide national support for local organisations and user led initiatives”**

- Awareness raising
- Seminars/events
- Training – legal structures/finance etc
- Development of stakeholders involvement
- Tailored business support
- Funding to develop social firms
- Service user partnership
  - Study visits
  - Exchange visits
- Research



# Social Firms Scotland

So, if you're developing a social enterprise...

What do you need to think about first?



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# Social Firms Scotland

For further information:

[www.socialfirms.org.uk](http://www.socialfirms.org.uk)

Tel: 0131 225 4178



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# Interest & Awareness

- Internal discussions
- Service user discussions
- Awareness raising workshops eg from Social Firms Scotland
- Information packs
- Study visits

# Options Appraisal

- Purpose: to clarify the best option
- Look at all the options
- Consider relative merits of:-
  - social firm
  - social enterprise
  - Intermediate Labour Market Company
  - enterprise project etc
- May lead back to need for more awareness raising



# Idea Generation



- Grounded in:-
  - market niche(s)
  - parent org.'s missions, aims etc (eg an organic plant nursery selling chemicals)
- Not necessarily what people would like to do
- Basic market research needed
- Focus: future sustainability & viability
- Number of ideas may need testing before final decisions made

# Organisational assessment



- Testing the appropriateness of proposed enterprise against existing mission & strategy
- May lead to process of 'significant questioning' leading to internal change
- May need to find a 'champion'
- Action who needs to do what, by when

# External Analysis



- Close look at wider environment
  - political, economic, social, technological
  - local & national
- Identify trends & opportunities
- Examine stakeholder expectations, objectives & influence
- May need to re-examine business ideas

# Idea Formation



- 'Designing the business'
- Ask key questions of the idea
  - What will it do & how? Who will support us? How many people will it employ? Where will it be? Have we the skills to do it? Who will buy from us? How long will it take to get going? How much money do we need to do it? Where can we get the money? Do we need a new idea?
- Ensure as much user participation as possible in finding the answers.

# Scoping Study

- More formal, but still internal, analysis of the idea - tests it & analyses:
  - financial calculations
  - operational considerations
  - stakeholders (incl competitors)
  - killer assumptions (what could make the set-up unfeasible?)
- Can be 'back of an envelope' study

# Feasibility Study



- Purpose: to see if all the thinking has been worthwhile ie CAN IT BE DONE?
- Hard facts needed, detailed market research undertaken, specific job descriptions etc
- Money can be wasted if not enough information gathered beforehand
- Don't worry if the outcome is negative, there are always other ideas!

# Business Plan

- Purpose: to sell the idea internally & with key stakeholders (eg funders)
- Provides a (usually) 3 year guide to how things should happen in your enterprise
- Is the distilled wisdom gleaned from all the previous hard work

# Business Support & Funding



- Use as many agencies as possible
  - some mainstream support agencies only 'kick in' at the business planning stage
  - some agencies are specifically set up for social enterprise support, eg Social Firms Scotland, and can help fund the preparatory stages
- Funding - for start-up, not on-going
  - 'Enterprise' or 'Firm' implies self-financing!