



# Growing Successful Social Enterprise: Lessons and Opportunities

Inaugural E3M European Conference 4th and 5th March 2013

## Report



Growing Successful Social Enterprise was organised and hosted by Social Business International and the University of Northampton. The event was part of the E3M initiative led by Social Business International and supported by Bates Wells & Braithwaite LLP, the University of Northampton and Unity Trust Bank, which aims to share knowledge about the inter-related ingredients for successful social enterprise delivery of public services: markets, money and models.

Find out more at: [www.socialbusinessint.com](http://www.socialbusinessint.com)

## Introduction

This important, two-day European event held in English, French and Italian, brought together over 250 people from 14 different countries to discuss the key issues for growing successful social enterprise. Themed around the topics Markets, Money, Models and Measurement, the conference took place in the context of the EU Social Business Initiative. The European Commission was a conference partner and seven senior Commission officials from DG Internal Market, DG Employment, Social affairs and Inclusion, DG Research and Innovation, and BEPA attended the event. Participants were also addressed by video from Commissioner's Michel Barnier and László Andor.

The aims of the event were to promote business opportunities between social enterprises from different countries within the single market, to share knowledge and to shape the policy agenda on social business going forward at EU level and in member states.

The programme and videos shown at the event are available at [www.successfulsocialenterprise.eu](http://www.successfulsocialenterprise.eu), along with information about how to access the presentations made at the conference.

This short report has been compiled by Social Business International and the University of Northampton. It does not necessarily directly reflect the views of any other party. It is intended to highlight the main issues raised during the conference and the suggestions made to the European Commission and others to act upon to support the growth of social enterprises in Europe.

## Key themes and actions that came out of the event

### 1. The nature of social enterprise – increasing the visibility of a powerful business model serving the needs of people and communities

The presentations and discussions at the conference highlighted the power of the social enterprise model as a distinctive way of doing business. Following the economic crisis there is a clear need for a paradigm shift about the nature of business and the role of markets. Social enterprises should not be seen as simply a palliative solution for market failure but a credible business model. The social enterprise model should be part of a move away from the monoculture of economies dominated by joint stock companies, that are simply motivated to generate shareholder value, to a much more plural and diverse single market.

There were clear commonalities of social enterprise models across the different countries taking part, the essence of which involved trading for a social purpose, reinvesting the majority of profits in their social mission and empowering ownership and governance arrangements.

- *Social enterprises want to grow and achieve greater impact. They welcome the European Commission's attempts to raise their visibility as a business model generating social value and contributing to achieving smart, sustainable and inclusive growth. This work should be continued and picked up in member states.*
- *The Commission should fund further research on Social Enterprise and social innovation, especially looking at its economic role and as a model of business that can contribute to a more resilient and robust single market that serves the needs of European citizens.*
- *Social entrepreneurs know that they have to be competitive and deliver excellent value for money as well as social impact.*

### 2. A desire to do business between social enterprises in the single market

Amongst the larger social enterprises that took part there was a clear desire to develop opportunities to trade together in the single market, possibly establishing new joint ventures to offer services and products building on their combined strengths and knowledge. There was also interest in establishing new European networks of social enterprises that work in specific sectors such as childcare.

- *The European Commission should make specific funding and support available to social enterprises to initiate cross-border collaboration, such as trade missions, visits and exchanges of staff and the development of new sector or trade specific networks.*

### 3. Transfer of knowledge

Discussion in the sessions showed there was major scope for the transfer of knowledge about social business practice between social enterprises, their networks and public institutions in different member states. There were reservations that it is often not possible to copy models from one very specific context to another but there was agreement that there are huge opportunities for joint learning and sharing of methodologies and approaches.

- *The European Commission and member states should fund programmes and projects to support the international transfer of knowledge on different aspects of social business practice to foster joint learning.*

### 4. Shaping policy around the four M's of: Money, Markets, Models and Measurement

Many comments by participants confirmed that the focus of the Social Business Initiative and the Commission were appropriate. It was agreed that social business stakeholders are currently working on the correct issues, particularly those of visibility, access to finance and the reforms of procurement and state aid rules.

It was noted that the Social Business Initiative actions create opportunities, but only if they are taken up by the member states and regions, e.g. introducing social enterprise as an investment priority in the Structural Funds Programmes 2014-2022 or the use of the new legal framework for establishing European Social Entrepreneurship Funds.

The discussions also focused on the importance of looking ahead and setting the agenda going beyond 2014. It was seen that the Commission's event in Strasbourg in January 2014 will be important in setting future policies. There is currently an opportunity to engage with the Commission in setting the agenda for this important conference.<sup>1</sup>

- *Social enterprises, their networks and public administrations in member states should engage with the Commission to develop the agenda for Strasbourg 2014 conference.*

#### a) Money

There was clear recognition that there is a great need for social enterprises to access a full spectrum of finance from grants to equity. It was acknowledged that grants are often necessary before it is possible to move to a pure investment model and until there is enough critical mass of social enterprises to take investments and provide adequate returns.

The new legal framework for establishing European Social Entrepreneurship Funds was identified as an opportunity for boosting social investment. However, it was also seen as vitally important to develop capacity of social enterprises to become investment ready if investment funds are to be able to work across borders. Currently there are some major imbalances.

In many member states there is a need for support in developing new approaches to financing social enterprises, such as creating specialist financial intermediaries or specific funds within existing financial institutions.

It was generally agreed that the European Structural Funds could be a very important resource for growing social enterprises. The Structural Funds could be used to support the creation of systematic approaches to development involving: awareness raising, business support and guidance, pre start-up grants, loans and equity finance and improved access to markets (e.g. training public procurement officials) and learning networks and fora.

To put this systematic support in place, there are governance issues that managing authorities need to address. These include:

- clear objectives within national strategies
- partnership with stakeholders to develop actions
- simple administration
- synergy between different departments and levels
- monitoring, impact measurement and evaluation

There were strong opinions about the need for the Commission to put into place capacity building support for managing authorities in member states and their stakeholders to support the development of appropriate support schemes.

It was noted that there are other financial innovations that could support the growth of social enterprises and these should be explored in close consultation with the Commission, e.g. through the GECES group.

*To further access to finance and support for social enterprise growth the Commission should:*

- *Urgently carry out the proposed capacity building for member states' managing authorities and stakeholders in the use of the Structural Funds to support the growth of social enterprises and the social economy, while accepting that different countries will inevitably move at different speeds.*
- *Fund new activities to share learning on social business finance and to support capacity building amongst social investors and intermediaries; support investors to establish suitable financial instruments and social enterprises to get investment ready; to ensure a swift uptake of the Commission fund of funds for social entrepreneurship under the Programme for Social Change and Innovation in different member states. This might include working with intermediaries, banks and local, regional and national governments.*

## b) Markets

Participants noted the new opportunities that will come with the reform of the procurement directive, such as the raising of minimum tender thresholds, a greater emphasis on quality and the breaking of down of procurements into smaller lots.

It was also seen that there is huge scope for public authorities to work innovatively with social enterprises within the current legislation. It was seen that in some places there is already the will from member states to do things differently in the way they contract for public services. This was illustrated by the case of the Swedish Act on Choice (which effectively creates market competition on quality rather than price) and the UK Public Services (Social Value Act which encourages the consideration of social value) in specifying procurement criteria.

It was agreed that there is scope for much greater innovation in use of social enterprise to improve and transform public services. Their flexibility and adaptability make them ideally suited to respond to public interest needs in a changing world. However, there is a requirement for a better understanding by public authorities of how the business models, ownership and governance structures used by social enterprises can foster innovation. During the discussions it was suggested that there is a real need to train procurement lawyers and procurement officers to harness social innovation, to be bold and move away from a one size fits all model.

- *In implementing the new procurement directive the Commission and member states should strive for simplicity.*
- *The Commission should support development of good practice in procurement through further guidance and training.*
- *Public authorities in member states should review their procurement practices to ensure they are not missing out on the innovation that social enterprises offer.*

## c) Models

Through a series of presentations in the workshops participants explored different models that social enterprises use for growth. These included group structures, joint ventures and consortia. From the discussions the following recommendations were made for public authorities and social enterprises in member states:

- *More freedom should be given to organize initiatives for social purposes with different legal and organisational forms. It is important to clearly define some general elements that allow the use of different legal structures (such in the case of the laws on Community Interest Companies in the UK and the Social Enterprise law in Italy).*

- *Success comes from the involvement of a wide range of stakeholders in the production, management and governance of social enterprises and the best assessment of the social impact of these enterprises comes from the feedback of stakeholders.*
- *There is huge scope for sharing learning about the application of different business models and practices used in different member state and the Commission should fund transnational programmes to facilitate this.*

## d) Measurement

Measurement was recognised as being at the heart of social enterprise development. At the centre of measurement is the quality and depth of the story. The field can span a wide range of very useful forms of measurement.

Participants in this strand listened to real-life experiences from commissioners, providers, and funders. The workshops used panels of experts to help to interpret the lessons arising.

*Key development areas identified included:*

- *Wider sharing of how story-telling could be conveyed more effectively. The use of case studies, with personal testimony from the individuals involved.*
- *Use of impact measurement to improve the dialogue with, and within the commissioners of services.*
- *Forms of conveying meaning and engagement through impact measurement were six:*
  - o *Reporting – in written form, but using various tools to convey meaning to the relevant audience*
  - o *Presenting – live explanation and presentation of findings in a formal setting such as a launch event*
  - o *Discussion – of findings, separately from a formal launch, with key stakeholders*
  - o *Involvement – taking part in the measurement itself, especially where delivered by action research or another strongly inclusive methodology*
  - o *Network development and engagement – use of it in developing dialogue within an existing network (e.g. Carers Trust and PRTC report) or to foster and create a new network (UK Consortium of Voluntary Adoption Agencies around PACT report)*
  - o *Wider outreach – by promotion of findings on the web and in social media*
- *Investor/funder engagement similarly needs to be built around the story of the intervention. Monetisation can help, but is not as important as the story itself. Social investors are also focused on the effectiveness of the intervention in delivering social value, but also in the sustainability of the investment, and on the systemic change achievable through investing.*

## 5. Social innovation

In the discussions at the conference about social innovation, it was recognised that the role of social enterprise needs to fit into a much wider debate about the role of social innovation in the public and private sectors, and that this is still poorly understood.

*Suggestions included:*

- *New work should be undertaken on the function and role of finance in supporting social innovation, specifically in relation to the principles for investment decisions.*
- *The Commission should fund new research on how to accelerate innovation in terms of replication and impact, not just models of incubation.*
- *Greater emphasis should be placed on overcoming the barriers to change and innovation, especially in the way that EU legislation is interpreted in member states, which can limit opportunities.*
- *Technology should be better used to address social problems more quickly and more effectively.*

## Overall conclusions: a will to work together in Europe to shape the future for social business

The conference was characterized by a very high level of participation and interaction. There was a strong desire from all those involved to build on the discussions that took place and to further the new relationships that were made in Kettering.

- *The members of the Commission's Expert Group on Social Business GECES that took part in the conference all committed to take the results of the discussions back to their next meeting in Brussels.*
- *The Commission officials present made it very clear that they are open to input and engagement with the social enterprise movement across Europe in taking forward the agenda.*
- *The conference participants really welcomed the involvement of the officials present from the different Directorates of the Commission. It was seen as vitally important that the joint work under the Social Business Initiative across the different parts of the Commission continue in a coherent way and the momentum is kept up for the delivery of all the Social Business Initiative actions.*
- *Given the success of this event, it was suggested that The Commission should support other events in different member states on social business that have a European dimension and that can help this agenda to move forward through international discussion and exchange.*
- *E3M and its conference partners are committed to a continued dialogue at EU level and the building of cross-border relationships in Europe between social businesses and those who want to support their growth.*

## Thank You

Social Business International and the University of Northampton would like to thank all the E3M and other conference partners, the speakers and participants for their support in making Growing Successful Social Enterprise Conference such a stimulating and memorable European event.

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