



**GROWING THE
SOCIAL ECONOMY
IN THE UK:**

**LESSONS FROM
THE UNITED
STATES**

2019

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INTRODUCTION

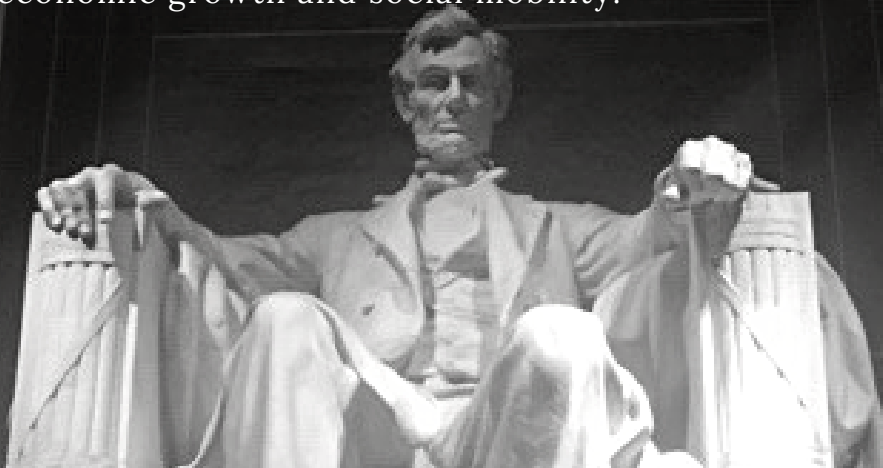
My passion for social enterprise comes from a genuine belief that it can change the world. When businesses act in a socially enterprising way they create better quality job opportunities, a fairer distribution of wealth, innovation to address long standing social issues and a planet that is cared for. Across various roles in my career I have been involved in supporting social enterprises and even tried my hand at running one. I've seen some incredible examples of what they can achieve. It is this passion that led me to apply to the Winston Churchill Memorial Trust for a travelling Fellowship in 2018.

I believe that there is both the will and opportunity for increased social enterprise presence within our economy in the UK. I have seen evidence of this through my work in the social housing sector and through the changing trends in consumer behaviour. In both my personal and work life I seek out social enterprises to work with and purchase from but often struggle, especially within the immediately local economy.

With this in mind, I chose to focus my fellowship with the Winston Churchill Memorial Trust around two key questions:

1. What are the key factors that can support a social enterprise to grow and thrive within an economy? How can an ecosystem be shaped to create the best environment for social entrepreneurs within a city?
2. How can we increase the prominence of social value within consumer choice and buying?

This report presents the key findings of my research, which comprised predominantly field-based interviews, supplemented with secondary material. In conducting this research I grappled with the complexities of the environment that social enterprises operate within and have tried to reflect this in the report. I have included recommendations from the best practice and innovation that I witnessed, and also some untested ideas which arose during conversations with experts in the field. I hope that these can inform the future shaping of city ecosystems in the UK, to create a balance between economic growth and social mobility.



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KEY LEARNING

For Social Enterprises

- Culture is such an important part of what distinguishes social enterprise from other models. Being clear and explicit about the type of culture you are trying to create, and how this manifests in relationships with customers and funders can be a powerful tool in decision making, story telling and growth.
- Falling in love with the problem you are trying to solve is so much more powerful than focusing on the solution that you are proposing. Keeping your understanding of the problem fresh helps in innovation, focus and development of a social enterprise.

For Support Organisations and eco systems

- The value of networks for social entrepreneurs cannot be understated and is a vital aspect of the support to start up and grow. Over time the most relevant network may change, as the social enterprise moves from start up with a focus on operations, to scale up where strategy and growth become priority.
- A space for social entrepreneurs to focus and access support is a key aspect of the support infrastructure required to grow the sector. Creating space doesn't have to be traditional – café nights, residential programmes, small incubation units and university programmes were some of the ways that this was addressed in US cities.
- There is a key role for intermediary organisations to manage the balance between funders and social enterprises, ensuring that the aspirations of funders are not valued above the needs and understanding of social enterprises who are closer to the problem.

For Policy Makers and Commissioners

- Commissioners need to recognise that social enterprises cannot always compete on a like for like basis with for-profit models. The additional social impact from working with marginalised groups requires different models, often with increased resource and therefore cost. Social Value can go beyond simply applying a % value in tenders to genuine embedding of social impact into contract design.
- Growing the next generation of social entrepreneurs demands new pathways which enable people to consider and test social enterprise as a career. In the short term this can be through funding for secondments and in the longer term apprenticeships and inclusion in school curriculum.
- Storytelling is a powerful tool in growing the presence of social enterprise within an economy. Places should consider how to promote their “offer” and the kind of ecosystem they are trying to create. In doing this they can diversify from the more traditional focus on start up and offer replication and franchise to attract social entrepreneurs to their town or city.

THE SOCIAL ENTERPRISE MARKET: BACKGROUND AND CONTEXT

The UK Context

Inclusive Growth concerns a system where everyone benefits from economic growth, with widespread access to quality jobs that pay a fair wage and an equitable spread of wealth. The Organisation for Economic Co-operation and Development (OECD) defines it as

“Economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.”

Across the globe inequality is on the rise, the latest OECD data shows that the top 10% of income earners take home over ten times more pay than the bottom 10%.[1]

In the UK this reflects itself in a disparate picture of social mobility. The most recent Social Mobility Index, commissioned by Government in 2017, found that “A stark social mobility postcode lottery exists in Britain today, where the chances of being successful if you come from a disadvantaged background are linked to where you live.”[2]

The Inclusive Growth Analysis Unit publishes the Inclusive Growth Monitor annually. This measures the inclusiveness of an economy, providing each Local Economic Partnership area a score based on 18 different indicators covering prosperity (skills, jobs, and economic output) and inclusion (improvements in incomes at the bottom of the distribution, unemployment and the cost of living).

The 2017 Report ranks my home of Greater Manchester as the 7th worst inclusive economy in the country, with high living costs, low income and poor labour market inclusion. Across the board Greater Manchester falls within the bottom quarter for prosperity and inclusion.

The current economic system does not work for everyone. Something has to change in order to create a fairer system that serves the whole population. We need a new way of doing business that addresses this imbalance and helps to create a fairer distribution of wealth and power.

[1] <http://www.oecd.org/inclusive-growth/#inequality-puts-our-world-at-risk>

[2] State of the Nation 2017: Social Mobility in Great Britain, Social Mobility Commission,



How social enterprises can contribute to Inclusive Growth

In 2017 the Joseph Rowntree Foundation published their report, *Cities, the Social Economy and Inclusive Growth*[3] which identified three broad clusters of activity whereby social economy organisations have been shown to promote inclusive growth:

1. Creating jobs, strengthening skills and employability

- Providing employability support services and/or direct job creation for the disadvantaged;
- Creating 'decent jobs'
- Developing other employment-related support such as affordable childcare.

2. Building diversified local economies

- Contributing to entrepreneurship and innovation;
- Brokering economic opportunities including with private and public sector actors;
- Building social capital and contributing to community wellbeing; and
- Stimulating local consumption.

3. Contributing to wider economic and institutional transformation

- Supporting the creation of a more resilient economy with increased job security;
- Influencing how all businesses could or should work as part of a more inclusive economy; and
- Promoting the wider uptake of 'values-led' innovation and influencing policy agendas at national as well as city-region levels.

The potential reach of a social enterprise is much wider than the welfare of their immediate client base, which brings a wealth of societal benefits in itself. Through supply chain, fairer rewarded employees, promotion of innovative and fair business practice they also can create economic benefits for the place in which they operate.

The UK Social Enterprise Market

It is unknown exactly how many Social Enterprises exist in the UK. Government figures estimate 99,000 social enterprises exist in the UK, collectively employing just over 1 million people. Whilst Social Enterprise UK (SE UK) have recently conducted a survey which cites 100,000 social businesses employing 2 million people[4].

In many cases these businesses are growing rapidly. A 2018 report by SE UK, Hidden Revolution, Size and Scale Of Social Enterprise In 2018 found that 47% of social enterprises grew their turnover in the last 12 months, compared to 34% of UK for-profit businesses.[4]

Though there is clearly a significant and expanding social enterprise market in the UK, there is disparity in the size of these businesses, the forms they take and the area in which they operate. National and local data is not yet strong enough to fully understand the picture of social enterprise in the UK but exploring online directories shows;

- a majority of young and small organisations with proportionately few large and well established social enterprises
- a vast difference between the number of social enterprises in London, compared to the rest of the country[5].



[4] Hidden Revolution: The Size and Scale of Social Enterprise in 2018, Social Enterprise UK, 2018

[5] Social Enterprise UK Members Map



The UK Policy Framework

The UK does not currently have a national strategy concerning the social economy. Scottish Parliament has led the way, publishing its first ten year social enterprise strategy and some local regions are championing the agenda to develop a local approach. Despite this lack of national strategy, there are a number of key policy tools and levers which can support the social economy to grow:

- **A specific legal structure** designed to meet the needs of social enterprises, the Community Interest Company (CIC) for limited companies operating to provide a benefit to the community they serve.
- **Social Investment Funds** are a way of delivering both grant and loan funding with a focus on the long-term social impact of an activity, rather than short term financial return. Funds can take many forms, from Angel Investors, long term relationships using Social Impact Bonds through to wide spread community engagement such as crowdfunding and community shares. Social investment provides a mechanism to seek investment based on mission and outcome as well as financial incentive.
- **The Public Services (Social Value) Act 2013** requires all public sector commissioners to consider the social impact of their purchasing decisions in addition to price and quality. This Act empowers commissioners to consider the social impact of a proposal when awarding a tender, rather than default to the cheapest bid. It also provides a mechanism for social enterprises to demonstrate the wider value they can offer to commissioners through their social mission and ethical practice. It's full potential has not yet been realised but there are champions of the Act both at National and Local levels, such as the work of the Greater Manchester Housing Providers Social Value Group [6].

It is easy to underestimate the value of these levers, but my time exploring challenges in the USA gave me a real appreciation of the strong foundation that this framework provides. Despite providing services and benefits for public services, social enterprises in the States have no formal government support or tools, which has led to an increased reliance on the private sector for investment.

Social Enterprise in the USA

The USA has a growing and vibrant social enterprise sector. America boasts a national Social Enterprise Alliance Network, an annual National Social Enterprise Conference hosted at Harvard University and a varied network of accelerator programmes, incubators and investment packages.

It also benefits from market intelligence about the changing picture of social enterprise in key hotspots through a report developed by Social Enterprise City. The Social Enterprise City Report is produced annually by a partnership comprising of Halcyon Incubator, Capitol One, Robert H Smith School of business and Deloitte. The purpose of the report is to create a method to measure and understand a social ecosystem and create a better picture of how social enterprise is operating and growing in the States.

This report was instrumental in informing my research proposal, providing a lens to identify key hotspots and factors of success to explore. The Social Enterprise City Framework categorises and measures the aspects of a cities ecosystem in supporting the development of social entrepreneurship. The framework[7] distils the factors into four key pillars which make a city fertile for social economies:



Utilising surveys, public data and focus groups the report develops an annual ranking of cities which best facilitate social enterprise. The cities are ranked overall, but also within each pillar.

METHODOLOGY

The Social Enterprise City framework provided the structure for my itinerary and research questions whilst in the States. I utilised the report to select four cities, each offering a different lens into a social ecosystem:

- **Washington DC**, to explore how proximity to policy makers, regulation and representation affects and/or supports social enterprise growth.
- **Nashville**, to understand how networks support social enterprise at both a local and national level and how these networks are structured and supported.
- **Boston**, to learn about innovation culture and how the elements of social enterprise, academia and big business have combined to influence and support the advanced start up ecosystem.
- **Chicago**, to learn how human capital can be harnessed to support social enterprise growth.

During my time travelling, I was fortunate to meet and conduct interviews with representatives from all facets of the social ecosystem. Using semi-structured interviews I explored the journey and experience of each player to draw conclusions. I am incredibly grateful for the openness and kindness of all contributors.

A full list of contributors to this work is included at the end of the report from page 32.



PROVIDING THE RIGHT SUPPORT: LESSONS FROM PROGRAMMES IN THE USA

During my fellowship I had the opportunity to meet with a cross section of organisations and individuals involved in supporting the development and growth of social enterprises. This included accelerator programmes, incubators, funders and the lived experiences of social entrepreneurs themselves. Each had valuable lessons which can provide guidance to infrastructure organisations operating in the UK marketplace.



Be clear about the difference you are trying to make

I visited programmes which support social enterprises at all stages of their journey, from start-up to scale-up. They applied different focuses, some were place based, some thematic and some focused on innovation. They utilised different settings, structures and methods depending on the overarching aim but there were commonalities in the main syllabus. Almost every programme featured support to:

- Distil a marketing pitch – communicating a clear purpose which can be tailored to different audiences
- Validate your business – developing a well evidenced proof of concept to attract investors, partners and clients
- Build you network – growing connections relevant to the challenge and converting these relationships into value for the social enterprise.

These central elements are similar to programmes which currently run in the UK, both for social enterprise specific support and also general business development but there was one major difference which really struck me. The final goal of these programmes was very clear-the purpose of the programme was to ready the entrepreneur to pitch for private investment. Whatever the journey might look like, the end goal was always to meet with investors and sell your model to secure capital. The programmes were shaped with this in mind and expectation and success criteria defined around this single end goal. This clarity ensured that the social entrepreneurs were clear about what they had to do, and also gave the programme itself the kudos and evidence to attract wider support.

CASE STUDY

GOOD CITY CHICAGO

Good City Chicago is “a human investment organisation” which identifies high potential change agents to launch and scale impactful enterprise to make a difference in their community. Chief Executive, Jimmy Lee, told me about the evolution of the organisation over the past few years.

Good City started life over 30 years ago as an incubator for non-profit organisations in Chicago and created a reputation having launched over 300 non-profit organisations who have raised over \$137 billion. Despite the impressive numbers, the team realised that most of this investment had been raised by 26 individuals, who “probably could have done it without our help”. These individuals had resources and networks which Good City helped them to make the most of. It was good work but it was not translating to the long term change in Chicago neighbourhoods that they had set out to enable.

Rather than continue on the same path, the Good City team chose to ask themselves how they could work more effectively in the communities that we are really trying to focus on. They have since changed the focus of their programmes, and now seek to support individuals who have the power to create change and wealth in deprived communities in Chicago. They have changed their remit from working purely with non-profit organisations to supporting any type of organisation as long as it has the ability to create an impact within a target demographic or neighbourhood. Widening their remit, they have also narrowed the focus to those who would not have the resources to make it alone.

Inclusive, proactive recruitment drives the right results

Attracting the right people is vital for the success of any programme. To create maximum impact, you have to be sure that you are working with an optimum client group. But recruitment doesn't have to be traditional. I was struck by the different and innovative approaches to recruitment operated by accelerator programmes I visited in the States. Particularly, how the application phase was viewed as an opportunity for learning in itself, and not the gateway to it. Recruitment and application is designed to add value to the entrepreneurs, whether they are successful or not, and engage a wider audience with the sector.

Good City Chicago avoid traditional application based processes entirely, choosing instead to set a series of challenges to select their cohort. Chief Executive Jimmy Lee described it to me as *"The Voice. but for social entrepreneurs"*. This enables applicants to learn as they progress through the process, so that even if they are not successful in securing a place on the programme they have still gained through the experience. It also supports Good City to test the motivation and commitment of the candidates, as many will self-select out of the process as the tasks progress.



The added benefit is that this also enables people to demonstrate their ability without having to have an academic background. Rather than completing a lengthy form, it can be quick, punchy, effective and fun for the applicants as well as helping to find people with the right qualities to benefit from the programme.

For others, the recruitment process is about being proactive in the marketplace rather than hoping the right people come to you. Social Innovation Forum run an accelerator programme which supports leaders from non-profit organisations to develop, in order to grow the impact of their organisation. Melissa Duggan, Director of Strategy & Operations described it as using recruitment to "look for the people who don't know to look for us". They actively market their programme, investing a lot of resource in understanding who is operating in the field, reaching out and engaging with them and providing support to apply. The whole process creates a totally different kind of relationship with applicants, it is not a passive funder-fundee dynamic- its actively shaping the marketplace and directing support to create sector growth.

The Importance of Networks

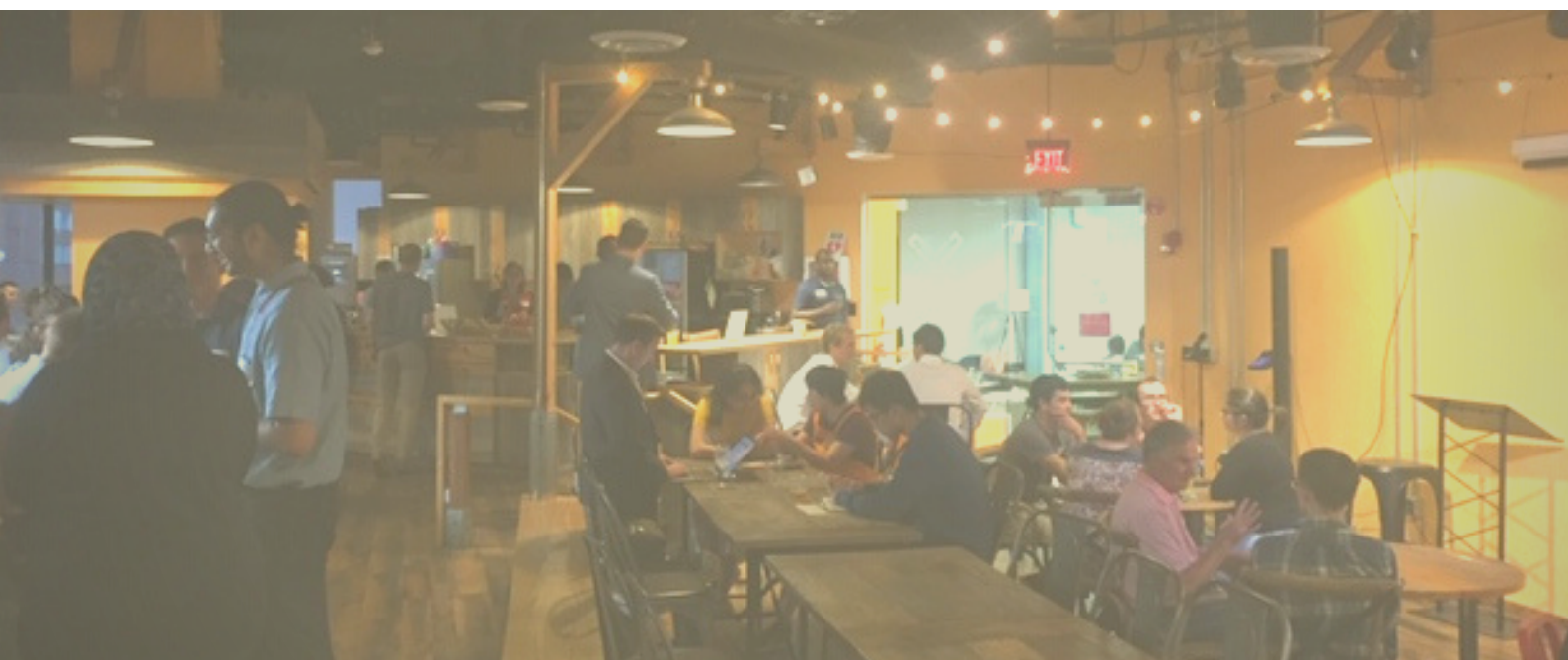
The entrepreneurs I met placed huge value on networks and the organisations, such as Social Enterprise Alliance (SEA), who help to build and connect them. During conversations with East Nashville Community Acupuncture and Electronic Recycling Solutions both founders spoke about the importance of operational networks during start-up phase. Contact with other similar organisations enabled them to learn how to run their operations effectively and benefit from their journeys.

**"We cannot overstate the value of networks and infrastructure" –
Bettie Kirkland, Executive Director at Project Return**

The access to networks may look different over time in line with the evolution of the enterprise and needs of the entrepreneur. Alexa Hulsey from East Nashville Community Acupuncture talked about the change from needing access to operational networks as she was establishing, to more strategic connections as she looks to scale her business. The network she benefits from now comprise a different circle of learning and contacts focussed on strategic growth, scale and challenge.

The value of a network is not limited to a social entrepreneur. Support organisations also rely upon and derive huge value from networks to enable them to have the biggest impact. Many spoke about the value that they can offer to social enterprises as a “connector”, creating quality introductions for both social enterprises and investors. For Social Innovation Forum in Boston, building a high quality network is what enables them to run their support programmes and level investment. The reputation of SIF as an enabler for positive and quality connections, is what attracts investors to them and builds trust in their beneficiaries. In the case of SIF’s mission, this network is very focussed on Boston as a community, Melissa Duggan said “I don’t think it would work if we picked it up and went elsewhere – its hyper local, its about connecting people”. It is building and maintaining good relationships within their network that enables them to have their impact.

The power of networks and value of a community is something that Social Enterprise Alliance both champions and utilises as a tool for awareness. Each of the seventeen chapters has a channel to feed issues and opportunities up to the national branch, which provides the focus and resource to build messaging and marketing of the social enterprise sector and national campaigns on key issues. These can be fed back into the chapters, which collectively provide solidarity and voice to amplify the message and awareness of social enterprise. This multi-level presence and wide reach is particularly important where there is not a strong understanding of social enterprise as a distinct category rather than arm of traditional charitable organisations.



Creating Space

Establishing a new venture, social or otherwise, requires a huge amount of personal investment and dedicated time. For social enterprises, the lead in time to being able to take any form of payment out of the business can be painfully long. Proof of concept, market development and even collecting payment can all take significantly more time than traditional commercial businesses. This so often happens alongside other life commitments which have to be maintained, restricting ability to grow quickly. All of this combined increases the strain on the individual, both financially and mentally.

The importance of space as a vehicle for social enterprise to establish and grow was widely valued. This space can take many forms depending on the need of the individual and the support available. Some of the examples I was able to visit combined a physical offer with wider access to networks, intellectual and emotional support.

Venture Café^[8] in Boston is a monthly “café night” hosted at Cambridge Innovation Centre (CIC). It is a flagship program of Venture Café Foundation designed to connect entrepreneurs, investors, and innovators and attracts a wide audience from right across the ecosystem. I’ve attended business network events before, but never anything with such a vibrant atmosphere. The event offers a relaxed space to network complete with food and drinks. There was wide ranging choice of different seminars to attend and participants can sign up to whatever is most relevant to them, and there is a real range. Experts also offer “office hours”, where anyone can access individual support for free about legal, financial and marketing. The real value seemed to be in the social space – the room was absolutely packed with people having conversations and building connections. It struck me as a totally different atmosphere to traditional business breakfasts, it was almost a social event.

[8] <https://venturecafecambridge.org/>

I was really impressed by the provision for start up or incubation space in Nashville. The Enterprise Centre provides a range of high quality co-working space and meeting rooms. It offers a programme of training and access to a wide range of support. Anyone searching for business or social enterprise support in Nashville will be directed here so the space also fulfils a vital function as the “triage” or front door for anyone working in the ecosystem.

East Nashville was a hive of business start ups with a wide variety of different and fun spaces dedicated to supporting new enterprise. The Idea Hatchery[9] is set of small retail units which are dedicated to supporting business start ups. It's a really fun and quirky space which is just inviting. There is space between and outside the units for the businesses to spill out and try out different merchandising and marketing techniques. Right next door to the Idea Hatchery is its founder, the Art Invention Gallery [10], a garage converted into an art space (originally named the Garage Mahal) that has evolved over time into a multi use space which acts as a workspace, events and show venue, hosts classes and sells artists products directly.

But space doesn't have to be physical. I was very fortunate to spend some time in the Social Enterprise Initiative at Harvard Business School (HBS)[11]. Programme Director Matt Segneri, advocated for the importance of academic institutions as a provider of space within the ecosystem. Increasingly, students at HBS are bringing ideas for business ventures and social enterprises to the programme. The programme provides them with time to focus on developing this idea, a structured way to think it through, access to the newest thinking and a wider network of likeminded individuals. And on a wider scale, universities bring access to networks and capital which can help to launch a new venture. Essentially, the social enterprise track at HBS can act as an incubator programme in itself, with the added value of academic rigour and reputation as a way to provide validation and assurance to potential investors. Tapping into these institutions brings additional value to the eco-system as a whole, as well as to the individual.



[9] <http://theideahatchery.net>

[10] <http://artandinvention.com>

[11] <https://www.hbs.edu/socialenterprise/Pages/default.aspx>

CASE STUDY

HALCYON INCUBATOR

The Halcyon Incubator is a really impressive programme which supports a cohort of social entrepreneurs through a series of peer and individual learning to help them to scale their idea. Across 5 programmes, Halcyon Incubator has supported 69 fellows, who have raised in excess of \$56million in investment to support their growth. They estimate that through this work they have impacted upon 689,231 people world wide.

The programme selects fellows through an application process, and takes the successful applicants through a journey of core elements and individualised support. They will use the programme to find collaborators, team members, investors – the incubator is about providing the fertile environment to launch them and attract investment.

The unique element of Halcyon is that as part of the programme they get free accommodation and an initial finance package which CEO Kate Goodall believes gives them the headspace and freedom to really think it all through. In delivering and evolving the programme the Halcyon team have found that the 5 months free support enables the head space they need, time to settle in to life in Washington DC and build the connections in the ecosystem which really advance their thinking. During this time they live and breathe their enterprise without distraction or worry.



Learning from real life

Growing a social enterprise requires a vast range of skills and knowledge, combining both the commercial and sales acumen of a profit driven business, with the empathy and impact measurement of a charitable programme.

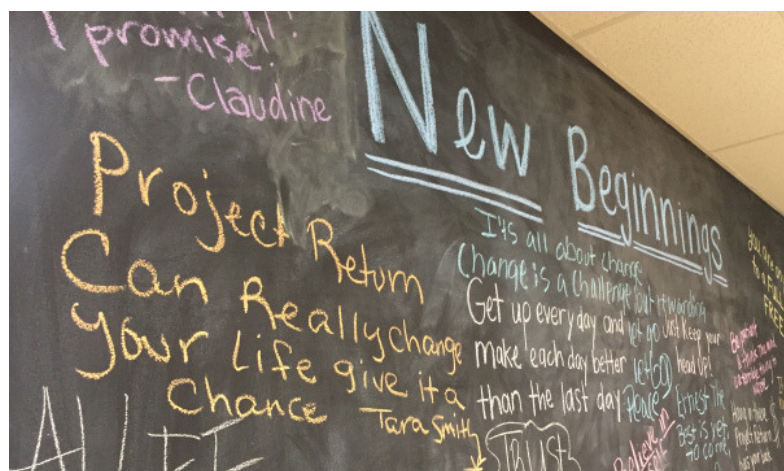
Many of the social entrepreneurs I spoke to felt they learned the hard way, especially concerning issues of intellectual property, licensing, legal structures, property maintenance. Seemingly small hurdles but with the power to really break a business. In some cases these issues were "unknown unknowns" which they were having to navigate retrospectively, having not realised what they needed or having accessed incorrect or poor advice.

This highlights a related issue – that of culture and experience in accessing support. Generally speaking, non-profit organisations tend to have a culture of openness and collaboration. If you have come from this environment moving into a competitive market can be a difficult transition to make, especially in a situation where you are pitching for investment and have to strike a balance between instilling confidence and protecting your business model. For some of the social entrepreneurs I met this was a very steep learning curve which not only impacted their ability to grow their social enterprise, but was also detrimental to their personal confidence and resilience.

Both of these issues speak to the importance of creating a more joined up infrastructure which includes the vital role of a “trusted friend” to help navigate it. This is not just a map reader, but someone equipped to ask the right questions to understand what the real support needs are, what the “unknowns” of their business model may be and what sources of trusted and social enterprise specific support if available to address them.

CREATING THE RIGHT ENVIRONMENT: THE IMPORTANCE OF CULTURE IN A SOCIAL ENTERPRISE ECO SYSTEM

I had not initially set out to explore *culture* within my research, but the topic gained such importance in discussions that it felt right to dedicate a chapter to some of the lessons and issues relating to creating and maintaining a culture. Culture itself is an interesting concept to consider as so much of it is about feeling, making it difficult to define. For social enterprises and their wider eco-systems it seems to be about careful and considered balance. It struck me that creating this does not happen by accident and is a vital part of the design and development of all social enterprise organisations.



Social Enterprises and their customers

Prior to this project, I had always considered the dynamic between a social enterprise and its beneficiaries to be comparable to that of a for-profit business and its customers. Through conversations with social entrepreneurs I learned that creating the right relationship with intended beneficiaries is a vital success factor and requires careful consideration and management. This was most noticeable amongst social enterprises providing services to adults.

Project Return supports people leaving the criminal justice system to build a place in their community through employment support. Executive Director Bettie Kirkland spoke passionately about the cultural competency that her team strives to create.

“We transparently avoid the social service construct of case load, case management, training, even appointments. We are in a relationship with worthy people who have a clear understanding of what they don’t want to go back to, they want to make a change, and are motivated to do so and we use our expertise to support them to make a positive change. We are clear that they will be welcomed into the community, treated properly, they are not managed”.

Through this cultural approach they are giving power and choice to the people they are supporting. This is particularly important for people leaving the criminal justice system.

It does create challenges for the organisation. Without case management systems or appointments it is very challenging to plan your workload and staff simply have to learn to roll with the punches. Further, it creates management challenges around efficiency and effectiveness– how do you utilise your resource to best effect with such a changeable service?

For Project Return the positives outweigh these operational challenges. Key for them, this way of working enables the team to react quickly when they need to, and provide the best possible support to the clients walking through the door. ***“We create a slightly messy, unpredictable environment so that when someone comes in with an issue we can make it happen on the day. We want to make sure we don’t lose that.”*** The culture is a conscious choice to provide the best environment for beneficiaries and maximum social impact on a day to day basis.

CASE STUDY

EAST NASHVILLE COMMUNITY ACUPUNCTURE

Alexa Hulsey has been practising acupuncture for over 13 years and is a real believer in its ability to help people. She began her own practice with this in mind but quickly realised that the cost of providing individual appointments presented a huge barrier to her local community. In an effort to overcome this, Alexa changed her model to a community based practice where multiple people receive treatment in the same space at once. The communal aspect brings added benefits to the treatment and also means that one practitioner can treat multiple people at once, reducing the cost of delivery per person significantly.

Typically people will pay between \$65-150 for private Acupuncture but East Nashville Community Acupuncture offers a sliding scale of \$20-40 so that people can pay what they want depending on what they can afford. The volume of clients means that the business is financially stable and has proven so successful that Alexa has just launched a second branch in another neighbourhood.

There were 3 elements that really make this social business special in my eyes:

Value: people pay what they can, so they are able to contribute what works for them and change from week to week enabling people to access the service more regularly and derive more value from the treatment. Molly, the clinic receptionist, told me that people often question this or apologise for paying the minimum but part of her role is to make people understand and feel that this is ok. This was a lovely contrast to other services I've experienced which operate a sliding fee based upon personal income, creating an awkward tension in the relationship,

Choice: everything about this service is built on customer choice. People can elect how early to arrive for their appointments, how long they stay, where to sit in the treatment room, even what they pay. It's a stark contrast to the regular health system where patients are subject to a parent-child relationship. This model breaks this down entirely by giving people choice and control builds their confidence and supports them to help themselves.

Community: the biggest thing I took away is that this is a service built on community and Acupuncture just happens to be the delivery mechanism. Everything about the way that the space is designed and the service is delivered is about creating community. The reception area is large and open, there are no barriers and plenty of space to mingle. Alexa told me that tea builds community so they have free tea on offer for customers before they enter their therapy space. Some customers come early to just spend time in the space, others come at the same time each week and build friendships in the communal space, and in the therapy room people can choose to sit together or apart depending on how they feel. The service is built on a shared experience.

Alexa describes her understanding of social enterprise as businesses built on relationships and community bond, rather than chasing sales. And in doing so, the business grows organically without the need to spend a lot of money on flashy marketing and PR.

Funders and Social Enterprises

The importance of managing cultural dynamics also arose in conversations with organisations supporting social enterprises, in particular the issue of achieving balance and inclusion. For Social Innovation Forum Boston, one of their biggest learning points was that you have to be aware of the power dynamics involved in both sides of the marketplace. It has to be managed and maintained as a mutual exchange.

Melissa Duggan described it as being conscious that “both sides are experts in their own realm” and be careful not to cater to the investors at the expense of applicants. This is such a vital lesson, and a massive part of building strong but not submissive relationships with investors. Social entrepreneurs are closest to the problem they are trying to solve, they should be given as much (if not more) power than those people with funding to offer.

CASE STUDY

STREET ENTREPRENEURS

Street Entrepreneurs is a community-driven accelerator which creates access to human, social, and economic capital through educational programming and mentorship. It was established 3 years ago by Juliana Cardona, who was struck by the poverty she passed on her daily commute to the World Bank and decided to utilise her skills to help. Street entrepreneurs is focused on supporting people from all aspects of the community start their own business. Juliana describes the model as “investing in grit”, enabling anyone who is willing to work to achieve their mission. Her programme is not focused on business planning or pitching, but is about taking the everyday “hustle” a person has and using it to make money.

Juliana has actively made Street Entrepreneurs culture about inclusivity. She runs her programmes in evenings, weekends and outside childcare hours to enable working parents to access them. She actively forms relationships with partner organisations who can provide a pipeline of people from different walks of life. The results are noticeable, with their programmes filled by 50% Black Americans and 20% latinos. She has worked hard to achieve a gender balanced class which has had some unexpected results, ***“interestingly the social capital of the classes have been elevated since increasing the number of women, they are more supportive and collaborative. They also have anecdotally increased the ripple effect – they are taking the learning back and bringing up the whole community by investing in one entrepreneur.”***

One of the challenges she noticed when looking at demographics for other programmes was the prominence of white males as the recipients of investment. For Juliana, much of this stems from the investment market investing in their own image, not necessarily though conscious prejudice, but a lack of understanding. If you developing a product or service to meet the need of a hidden or under-represented community, finding an investor who can understand the need and take a risk in an untested market can be extremely difficult. This is a real gap in support and although crowdfunding can be part of the picture, it speaks to the need to create a more diverse range of people and platforms providing investment.

GROWING THE SOCIAL ENTERPRISE MOVEMENT

The role and importance of “place” was a central avenue of my enquiry. I wanted to understand how a place shaped an eco-system and vice versa.

Each city I visited built its eco system in a different way, personalised to assets, history, networks and people. Boston utilised its high academic capita to create an innovation focus whereas Nashville has organically developed a grass roots and network based model. Understanding the assets and ambitions of a place is essential in developing the different building blocks that help social enterprise to grow.

Fundamentally, increasing the presence and prominence of social enterprise within any given place requires a mix of supply and demand:

- Increasing the proportion of social enterprise in the marketplace
- Growing the consumer market buying from social enterprise and thus increasing demand

Although my limited time did not allow me to fully explore these issues, conversations did generate some interesting and innovative ideas which I felt deserved a platform to take flight.



Increasing Supply : expanding the social enterprise marketplace

Traditionally, expanding the social enterprise marketplace has been about increasing the number of start-up and scale-up ventures but there is opportunity to create other pathways to contribute to this ambition.

Creating career pathways

Throughout my travels I found that cities which have embedded social innovation and enterprise within their curriculum had a more established economy and awareness of social enterprise. Both Boston and Washington showcased a wide range of support organisations, contracting with public sector organisations and networking opportunities.

Currently, social entrepreneurship is not presented as a career pathway of choice. Some headway has been made, as universities are increasingly using case studies from social enterprise for business programmes, but there is so much more opportunity to engage people with the option to establish their own social business.

Some of these ways are quick and simple to implement such as featuring social enterprise within careers events for young people or educating careers advisors and teachers about social enterprise as a concept. Others may be longer term strategies such as developing a Social Enterprise Apprenticeship route as an alternative to traditional business NVQs or options for secondment from existing public services. This would enable wider inclusion, providing an avenue for people who are currently constrained by financial barriers and bring the added benefit of raising the specific skill set and academic rigour to the sector.

Replication and Franchising

Starting up new social enterprises is not the only way to increase the presence of social businesses within an ecosystem. An underused strategy both in the USA and here in the UK is the potential to encourage replication and franchise. There is space within the UK market to join up infrastructure and investment and enable a pathway to create second locations within a new place- bringing together all the assets to enable an established social enterprise to quickly and easily land in a new place.

To achieve this would require a really strong narrative. Creating noise about a place being one supportive of social entrepreneurs and promoting the features available such as access to capital and other assets where receptivity and infrastructure combine to make fertile ground.



CASE STUDY

NISOLO: USING SOCIAL TO SELL

Nisolo was founded by Patrick Woodyard following a visit to Peru where he met talented shoemakers in the city. He found that these skilled leather workers were making beautiful products but being paid very poorly and lacked any of the benefits that other workers might expect, such as an employment contract, access to healthcare or time off. Without a steady and decent income they were unable to build more for themselves- an issue he set out to rectify.

And so Nisolo was founded with a vision is to push the fashion industry in a more sustainable direction. The word itself means not alone and accordingly Nisolo is built on the values that success goes beyond profit, products should be exceptionally designed and benefit the original producer and the planet just as much as the consumer.

Shoes sold by Nisolo are made in its factory in Peru, where the producers receive a fair wage, wider benefits and a good working environment. The company has expanded its range and locations to also work with a leatherwork factory in Mexico and team of independent artists in Nairobi who make their jewellery collection. In supporting individual artisans they are able to have a wider impact in the local economy- buying fairly creates a ripple in the whole community.

I was very impressed by the way that they communicate this message. They produce an impact report each year which is widely available in the store and online. It clearly articulates what the brand stands for, the difference they are trying to create and what they have achieved. The section that impressed me most was called 'we can do better' which outlines the company's plans to delve deeper into the supply chain beyond the producers and further into the way the raw materials are produced and processed. This provided confidence in their values, a clear plan for their business and a commitment to the mission.

Through storytelling, impact reporting and a clear articulate offer Nisolo are an exemplar of how to use social messaging in a brand.

Funding the Gap: Who will pay the 20%?

Social enterprises have to carefully balance generating and growing revenue with the social impact that they are creating. Sitting in the juxtaposition between for and non profit organisations creates an ongoing challenge to grow whilst maintaining mission. This careful balance is often unseen, or overlooked by the wider marketplace.

The general understanding of social enterprise within the funding and investment marketplace is that to be successful as a social enterprise equates to financial sustainability. This is an opinion that I also held prior to my research adventure.

I spoke to social enterprises who felt that the “social” aspect of their venture was not valued to the same level as the “enterprise” element. Funders were looking for financial projections and a focus on long term financial sustainability and the offers of funding are dependent on this factor alone.

Yet social enterprises exist to deliver a social mission, and in doing so they often incur costs which a traditional commercial model would not. With a focus on supporting people who have been excluded from mainstream solutions, they often operate more resource intensive models in order to achieve impact.

Thinking about the market in the UK, this creates a challenge for commissioning bodies- how to budget for and design outsourced services to create enough headroom to achieve some of the social outcomes which can make a real difference in communities. Balancing the social with the financial value is about more than just allocating a percentage within procurement opportunities. It is about how we design the tenders in the first place to really enable social enterprises and other business models to create social impact, without disadvantaging them on cost factors.

CASE STUDY

PROJECT RETURN

Project Return began life as a non-profit organisation supporting people leaving prison to re-integrate into the community. Over time they have evolved into a multifaceted social enterprising organisation with business arms offering employment services, housing services and soon a new landscaping service (<https://www.projectreturninc.org/our-work>).

All the programmes support prison leavers on their journey and provide a revenue stream to the organisation. There is a clear link between the social mission of the organisation and the business arms that it has grown. This is not solely driven by opportunity to bring in revenue, this is about having a better impact for the people they are trying to help. The social enterprises enable Project Return to support people over a long term, with education, transitional employment and housing. I found it to be an incredibly well considered model, and I learned so much from spending a morning with Bettie Kirkland, Executive Director.

For Project Return, experience has shown that supporting a person into sustained employment requires a personalised approach combining taught curriculum, transport, coaching, access to workwear and a host of other advice and advocacy depending on personal circumstances. Much of their support is delivered through “van time”, the journey to and from work which is used to have informal coaching conversations, “its bringing about dual success, for the employer and the employee. We’re putting out a service that costs more and provides more”. This is significantly more support than a for-profit employment agency would offer and is naturally more expensive to run. Yet to be competitive in the market place for employment services they have to charge a competitive rate, meaning there is – and will always be – a funding gap for the additional work that makes the programme successful for the people they help. So the question is: where does the funding for this come from?

The choices that Project Return’s social enterprises make in order to help people leaving the prison system, really do mean it is a fundamentally different model to a for-profit organisation offering similar services or products. For example, the housing product is offered at aggressively below-market rent rather than just fractionally. This decision enables renters to not only afford a home, but save for their future or buy what they need, or even take a holiday. It means that they have some opportunity rather than simply working to pay the rent. It gives them a better quality of life.

This decision does sacrifice some revenue potential and means that growth is slower than it might be. But, it is the right growth to deliver the social mission of Project Return. To me, this is true social enterprise, where values and impact are central to every decision and how every service is delivered.

BALANCING THE DYNAMICS: REFLECTIONS ON THE DICHOTOMY OF SOCIAL ENTERPRISE

Social enterprises sit in an unusual place within an ecosystem, straddling business and charitable worlds. This position creates a series of tensions where organisations have to carefully balance different ends of the spectrum in order to achieve the right impact. Throughout my time travelling I saw these challenges play out repeatedly and reflected upon the design and impact of social eco-systems



Fall in love with the problem or fall in love with the solution?

Whilst in Washington I had the very good fortune to meet Bob Tomasko, director of the Social Enterprise MA programme at the American University (AU). This programme sits within the School for International Studies and was a marked difference from most of the other similar post-grads which all sat within Business Schools. The approach at AU is totally different, and the programme is built around the competencies of a social innovator – it's focussed on developing the skills and behaviours of the class, rather than traditional business skill based models.

I especially liked the competency which focussed on 'falling in love with the problem, not the solution', which really spoke to me as a different way of generating innovation. We are so often quick to jump to the end, without fully understanding the issue we are trying to tackle from the point of view from those at the coal face.

A question which Bob raised is should we be teaching social activism, rather than social enterprise?

Place: Proximity vs Viability

A related challenge for social enterprises is selecting a location from which to operate. For most organisations with a social purpose, proximity to the people you are trying to benefit is the preferred option. This will look different depending on social mission:

- For Good City Chicago, location is about supporting people from disadvantaged neighbourhoods to build their own business and consequently create a ripple impact within that community.
- For Project Return location is about accessibility to customers. They have made a choice to host their main office in a premium location in order to be close to downtown where customers will congregate and multiple public transport options. This choice comes with cost implications but these are outweighed by benefits to the beneficiaries and overall social impact.

However, for other social enterprises location becomes less of a choice about proximity and more of a choice about *viability*. Running a successful business requires access to affordable infrastructure – from attracting talent and investment through to matters of logistics and access to services. And for social enterprises which sell products directly to customers, location has to be about accessibility and footfall. The reality is that most deprived communities lack this infrastructure and disposable income, therefore making them unviable as locations- despite being the very place where impact could be greatest.

Grow it or Import it?

In designing a social enterprise eco-system or support body, there is a fundamental choice to make about where you will invest your resource and where you want to drive outcomes.

Grow it

There are those organisations such as Richi Entrepreneurs and Halcyon Incubator who base their model on the premise that they can act as a catalyst for a social enterprise in a place. They cast their net as wide as possible to attract the brightest and best social enterprises and import them into the already fertile social economy. They work to establish the social enterprise within the place, using networks to embed entrepreneurs in the economy at an accelerated place.

For this to work most effectively you have to understand the strengths of the ecosystem where you operate. In the case of Boston, Richi Entrepreneurs identified its reputation for innovation in health and green technology, so they focus on importing candidates for their programme which operate in this field. Executive Director Ernest Lara told me ***“We consider that if you build practice in Boston then you have a better chance to succeed because of the huge resources there. The credibility you gain with key institutions enables you to branch and grow.”***

In this model, the role of the accelerator is not just as a support organisation but as a placebuilder. They are actively building their market and bringing new things into the eco system. Ability to succeed is dependent upon reputation. Through brokering quality connections, it can become a trusted partner for investors, funders, commissioners and others who can help to launch future social enterprises in that place. They are growing the social economy from the outside in.

Import it

At the other end of the spectrum are those support organisations who look to grow the social economy through empowering local people to establish their own businesses. In this model, the role of the support organisation is to recognise and build the capacity from within the existing community and support it to test, establish and scale ideas.

This is the model I saw in practice with Street Entrepreneurs in Washington DC and Good City Chicago. This model works upon the premise, that by supporting an individual within a community there is a ripple effect that creates wealth within a community. Juliana Cordona of Street Entrepreneurs used an example of an undocumented immigrant who came through the Street Entrepreneurs programme as a cleaner working for \$4 an hour. She founded a cleaning co-operative and is now making \$30 an hour, and helping others to do the same “for many of these people starting a business was the only way forward”.

Grass roots vs Grass tops

Social enterprise spans such a wide range of organisations – the spectrum goes from charitable organisations with small trading avenues right through to more traditional businesses who convert to a social focus. This begs the question, is there any benefit in an eco system being focussed more at one end of the spectrum than the other? Is there more mileage in teaching business skills to a charity, or teaching social aims to a business?

Grass Tops

Without a business model that works, and a product that people want to buy then the venture cannot succeed. For Richi Entrepreneurs, this aspect has to come first. Their model is to first find business models that work and then work with the entrepreneur to drive social impact. Commercial entrepreneurs are used to selling and actively networking, vital skills in driving growth. The cohort of people they work with does not necessarily set out to create social impact but through the Richi Entrepreneurs programme they are supported to create this, even if it is not their primary motivation. This model works because the focus is on green tech and health innovation – they market these businesses are trying to operate in will generate social change by default.

Grass Roots

At the other end of the spectrum is the argument that the mission of social enterprise is the key factor in its existence and therefore, the ecosystem should be focussed on addressing social problems and creating change. This is what Matt Segneri of Havard Business School described to me as **“people closest to the pain should be closest to the power”**, to build a social enterprise you should closely understand the problem you are addressing. Starting with a model which tackles a social problem and turning it into a revenue generation model brings the added benefit of true passion for an issues, values driven approaches and a genuine understanding of how that issue presents itself. But it can be a real challenge for people at this end of the spectrum to feel comfortable with the idea of selling a service, rather than offering it for free, and it can be a very steep learning curve to take on core business skills.

For Matt Segneri bringing people together from different aspects of this spectrum creates real magic. From his experience people from a business background are used to setting up and selling but they do have the same knowledge of customers that a social organisation grown out of a community would. Bringing people from different disciplines together creates value for all parties – sharing skills, insights and supportive challenge. Business leaders can bring a strong sense of how to build sustainable business and social innovators can bring cultural consciousness. This intersection brings growth and learning across the spectrum.

ACKNOWLEDGEMENTS

In September and October 2018 I was incredibly privileged to spend six weeks travelling in the United States to learn about social ecosystems.

My heartfelt thanks go to the Winston Churchill Memorial Trust and the Rank Foundation for the opportunity to take the focused time to travel, learn and explore this issue. It has given me opportunity to flex my long dormant academic brain and spend some concentrated time really exploring an issue from different angles, piecing together the jigsaw and exploring some of the tensions and conflicts.

Despite my initial nerves, I found that travelling solo was a wonderful experience and really helped to build my confidence and sense of adventure but also develop an open view of the world. The entire experience has been so much richer than I had anticipated and I have taken so much from it.

Finally, I am hugely grateful to all the people who took time out of their busy schedules to spend some time talking to me and contributing to this research. I met an incredibly diverse and talented cohort of people working in and supporting the social eco-system in the places I visited and I hope that this can lead to ongoing conversation and sharing across an international network.

PARTICIPATING ORGANISATIONS

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|---|---|
| Melissa Duggan, Director of Strategy & Operations, Social Innovation Forum Boston | <p>"Creates positive change in Boston by engaging leaders, strengthening organisations and building networks." It works to connect leaders with local supporters who seek new ways to use their resources – money, time, talent- to create positive change.</p> <p>https://www.socialinnovationforum.org</p> |
| Ernest Lara, Executive Director Richi Entrepreneurs | <p>"<u>Richi</u> Entrepreneurs connects <u>start ups</u> from all over the world with the innovation eco system in Boston" – it focuses on clean tech, life sciences and social entrepreneurship.</p> <p>https://richientrepreneurs.org/</p> |
| Matt Segneri, Director, Social Enterprise Initiative at Harvard Business School | <p>The HBS Social Enterprise Initiative applies innovative business practices and managerial disciplines to drive sustained, high-impact social change. It's grounded in the mission of Harvard Business School and aims to educate, inspire, and support leaders across all sectors to tackle society's toughest challenges and make a difference in the world.</p> <p>https://www.hbs.edu/socialenterprise/</p> |
| Juliana Cardona, Founder, Street Entrepreneurs | <p>Street Entrepreneurs is an inclusive, community driven accelerator, creating access to human, social and economic capital. It is focussed on creating a "<u>grit based</u> economy" serving over 300 entrepreneurs each year.</p> <p>https://www.streetentrepreneurs.org/</p> |
| Robert Tomasko, Director of the Social Enterprise Program, American University | <p>The Social Enterprise (SE) program is designed as a customizable incubator for your entrepreneurial ideas and blends management know-how with social change. The program is housed in a top-10 school for international affairs, rather than in a traditional business or public policy school, which allows students to address a social problem and tackle it through both global and entrepreneurial perspectives.</p> <p>https://www.american.edu/sis/socialenterprise/</p> |
| Dr Jun Han, Research Manager at Halcyon Incubator | <p>Equipping early-stage social entrepreneurs with the support they need to transform audacious ideas into scalable and sustainable <u>ventures</u>, and change the world.</p> <p>https://halcyonhouse.org/incubator</p> |
| Andrew Finke, Chief Operating Officer at DC Central Kitchen | <p>DC Central Kitchen's mission is to use food as a tool to strengthen bodies, empower minds, and build <u>communities</u>. As the nation's first and leading community kitchen, DC Central Kitchen develops and operates social ventures targeting the cycle of hunger and poverty.</p> <p>https://dccentralkitchen.org</p> |

PARTICIPATING ORGANISATIONS

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| Jimmy Lee, President and CEO at Good City Chicago | <p><u>Goodcity</u> is a human investment organization committed to identifying and supporting high potential change agents as they launch and scale impactful and sustainable for- and non- profit enterprises making a social and economic impact in the local community they are a part of.</p> <p>https://www.goodcitychicago.org/</p> |
| Alexa Hulsey, Founder of East Nashville Community Acupuncture | <p>East Nashville Community Acupuncture offers affordable, effective acupuncture treatments on a sliding scale of \$15-\$35 per treatment. You decide what you pay; no proof of income required; no questions asked. Our mission is to provide the best possible care and make it available to everyone</p> <p>http://eastnashvilleacupuncture.com/</p> |
| Daina Story, Nashville Social Enterprise Alliance | <p>The Nashville Chapter of the Social Enterprise Alliance serves as a key catalyst in the rapidly growing world of social enterprise by providing resources and opportunities to our members: a network of <u>nonprofits</u>, social businesses, and educators who champion financially sustainable social innovation.</p> <p>http://nashvillesocialenterprise.org/</p> |
| Kila Engelbrook, President and CEO at Social Enterprise Alliance USA | <p>Since its inception as The National Gathering for Social Entrepreneurs in 1998, the Social Enterprise Alliance (SEA) has been the champion and key catalyst for the development of the social enterprise sector in the United States.</p> <p>https://socialenterprise.us</p> |
| Bettie Kirkland, Executive Director at Project Return | <p>Project Return is solely dedicated to the successful new beginnings of people who are returning to our community after incarceration. We provide the resources and services needed to gain employment and build full and free lives.</p> <p>https://www.projectreturninc.org/</p> |
| Rebeckah Dopp, Electronic Recycling Solutions | <p><u>Start up</u> social enterprise to divert unwanted computer equipment from landfill. No website currently available.</p> |
| Sergio Abrahms, Founder at Social Spark Lab | <p>SSL is a social enterprise helps everyone to develop a <u>startup</u>. It does not select entrepreneurs by a persuasive speech nor a background. SSL provides personalized training and support to develop an idea until becoming a business.</p> <p>https://www.socialsparklab.com/</p> |

WITH THANKS TO

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| Nisolo Shoes | <p>With a vision “To push the fashion industry in a more sustainable direction— where success is based on more than just offering the cheapest price—a direction that not only values exceptional design, but the original producer and the planet just as much as the end consumer”. Nisolo sells beautiful shoes and accessories, ethically made and fairly paid.</p> <p>https://nisolo.com</p> |
| East Nashville Arts and Invention Centre | <p>Art & Invention Gallery focuses on inventiveness in fine art, craft and original furniture. Adult and Children Workshops are held throughout the year as an outlet for creative energy.</p> <p>https://www.artandinvention.com/</p> |
| Maine Potters Market | <p>Gallery space showcasing local artists, run cooperatively by the resident artists.</p> <p>http://www.maineottersmarket.com/</p> |
| Halcyon Arts Lab | <p>Halcyon Arts Lab is a nine-month fellowship providing support and resources to emerging artists as they work to promote social impact and grow as leaders.</p> <p>https://halcyonhouse.org/arts-lab</p> |
| Venture café | <p>Café Nights is the flagship program of Venture Café Foundation designed to connect entrepreneurs, investors, and innovators.</p> <p>https://vencaf.org</p> |