



BSSEC

resources

Developing a Social Enterprise - a resource pack

Developing a Social Enterprise - a resource pack has been produced by Birmingham & Solihull Social Economy Consortium (BSSEC) - a practitioner-led network that supports and promotes the social enterprise sector.

The pack provides guidance and information for those that wish to set up a social enterprise, but have little or no experience of business development. It comprises:

Part 1 - Are you ready for enterprise?

Part 2 - Producing a business plan

Part 3 - Creating a marketing strategy

Part 4 - Balancing aims and income

To download the full resource pack, free of charge, go to www.bssec.org.uk

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Part 1 - Are you ready for enterprise?

Social enterprises are businesses that trade in order to achieve a social objective, reinvesting their profits in the business and in achieving their social mission.

Social enterprises are sometimes referred to as delivering a 'double bottom line' - an economic and social return, and sometimes even a 'triple bottom-line: economic, social and environmental returns. This can mean that setting up a social enterprise requires even more preparation than setting up a conventional business.

Part 1 of our resource pack looks at the key issues involved in the very early stages of setting up a new social enterprise - sometimes referred to as the feasibility stage.

In the rest of this short guide we set out the main areas that you'll need to look at as part of your feasibility research. You may not be able to do all of this yourself and there are agencies that can help, often free of charge; however getting into the habit of thinking in terms of these key business issues will help you understand the business development process better and will also help you make best use of the free business support that is on offer.

Determining feasibility

You may have a brilliant idea for a social enterprise, but for it to be viable it must fulfil two fundamental criteria - be able to meet its social aims and have the potential to generate enough income to become sustainable.

All businesses need to undertake initial research to assess the feasibility of the business idea. This is the foundation on which successful businesses are built. Here are the key issues that feasibility research should examine:

Your marketplace

Whatever services or products you'd like your social enterprise to offer, all businesses should conduct initial market research to:

- Establish that there's a *long-term* need for what you intend to offer

"Establish that there's a *long-term* need for what you intend to offer"

- Find out what kind of competition you'll face, including other social enterprises - a social enterprise needs to offer something better to survive, just like any other business
- Ensure that your products/services are suitably and competitively priced
- Find out if there are other social enterprises offering something similar
- Learn more about who your potential customers are, how many of them there are, and what they'd expect from your enterprise and its services/products
- Understand what would make customers choose your enterprise over another business. For example, its social aims, value for money, or location
- Find out if demand for your proposed service/product is growing or shrinking
- Look at how your potential competitors and peers promote themselves and note what works and what doesn't
- Note potential risks or opportunities that your business could face due to external factors such as economic climate, growing competition, or increased awareness of social enterprise, for example
- Keep on top of what's happening within the social enterprise sector, both regionally and nationally - there may be worthwhile opportunities such as partnered working, franchising, or networking events.

Skills and resources

As well as assessing whether there's a place in the market for your social enterprise, you will also need to carry out a 'skills audit', to determine whether you have the necessary skills and expertise required to deliver your business idea.

"Keep on top of what's happening within the social enterprise sector - there may be worthwhile opportunities"

This will help you to begin to plan the training you need while also identifying specialist expertise that may need to be 'bought in'.

Skills needed could include:

- **Finance management** - bookkeeping, invoicing, chasing payments, handling VAT, paying wages
- **Staff management** - hiring and firing, conducting appraisals, enforcing employment legislation, providing employee support
- **Marketing and sales** - promoting your enterprise, tendering for contracts
- **Supplier liaison** - finding suppliers, managing accounts
- **Service/project management** - overseeing all trading operations, monitoring performance
- **Quality control management** - ensuring that all services/products meet or exceed customer requirements

You'll also need to look at what equipment you will need to be able to conduct your enterprise activity.

People power

A lot of time, effort, drive and commitment is required to set up an enterprise. Will you or your organisation be able to spare enough time to get the enterprise off the ground?

Beginning to look now at who will do what will be a great help when you sit down to write your action plan.

Considering the cost

Setting up a new business can be a costly exercise in terms of both money and time, and it's extremely common for businesses to make a loss in their first year - in fact, many don't even break even for several years.

It must also be emphasised that while there are some start-up capital grants for social

enterprises, they are much rarer than you may expect.

Full and detailed costings and profit and loss projections will be part of your business plan, but the sooner you can make some assessment of the costs involved, the better.

Gathering support

It's essential that you have the support from those that will be involved or effected by the business you hope to establish, particularly if you plan to set up a social enterprise as a trading arm of a third sector organisation. Support should be sought from:

Co-workers and colleagues

Tell trusted co-workers and colleagues about your enterprise idea to find out if they support it in principle. Positive peer reception can be extremely helpful when setting up a social enterprise as it can lead to other kinds of support such as help with promotion, networking, or sharing of useful resources.

Customers

Without the support of its potential customers a business will fail so it's important to consider whether they're likely to support both your social aims *and* your method of achieving them.

Speak informally to potential customers to find out if they'd be prepared to support your enterprise idea, at least in theory.

Beneficiaries

As the central purpose of a social enterprise is to generate income to support its social aims, your idea also needs the backing of those it seeks to benefit.

Again, ensure that you create a dialogue with possible beneficiaries to understand whether your enterprise idea and its benefits will be well-received.

Get help and support

Remember - you don't have to do this alone. There are a number of organisations that can help you and this help and expertise is often free.

Business advisors and support agencies can help with feasibility and market research, business planning and financial projections, specialist training, and getting started.

If you'd like to explore your social enterprise idea further, the main agencies that can help you are:

Business support and development

The Social Enterprise Hub Birmingham

A free support and development service specifically for social enterprises. If you plan to set up a social enterprise in Birmingham then the Social Enterprise Hub may be able to help. It draws together expertise from a number of specialist providers to ensure that you can receive free business support of the highest quality, tailored specifically to the needs of social enterprises.

For new-start enterprises, it has a comprehensive support and development package to help you every step of the way - right from the germ of a business idea, to registering the business and starting to trade.

Contact: David Lane, Programme Manager, David.lane@i-se.co.uk or Eleanor Cappell, Advisor, Eleanor.cappell@i-se.co.uk or call 0121 771 1411

“Create a dialogue with possible beneficiaries to understand whether your enterprise idea and its benefits will be well received”

Business Link West Midlands

Business Link West Midlands is the business support service for the region and should be regarded as the first stop for anyone seeking social enterprise support.

The organisation offers impartial and expert information, support and advice to help individuals interested in starting their own social enterprise and established businesses looking to boost income generation.

Contact: 0845 113 1234

info@businesslinkwm.co.uk

Access to finance

Aston Reinvestment Trust (ART)

ART is a CDFI (Community Development Financial Institution), based in Birmingham and established in 1997. ART exists to fill gaps

in the conventional finance market. It fills a niche between bank lending, grant funding and charitable donations. Its remit is to help create local jobs for local people.

Contact: Andy King, 0121 359 2444

ART@reinvest.co.uk

The Social Enterprise Loan Fund (West Midlands)

The Social Enterprise Loan Fund (West Midlands) was established in 2002 to provide loan finance for social enterprises and charities throughout the West Midlands in order to help create jobs.

Relaunched in 2008, it now offers three categories of loans: for property purchase/improvements (to £250,000); for other fixed assets (to £100,000); for working capital (to £50,000).

Contact: Avril Howker, 0115 974 6299

a.howker@tself.org.uk

Further reading

Starting Point Guide

An indepth guide to setting up a social enterprise, produced by Social Enterprise London.

Available to download, free of charge, at <http://www.sel.org.uk/docs/StartingPoint.pdf>

A business planning guide to developing a social enterprise

A PDF guide produced by Forth Sector.

Available to download, free of charge, at http://www.forthsector.org.uk/docs/New_BusPlanGuide.pdf

Starting a co-operative

A PDF guide produced by Co-operatives UK.

Available to download, free of charge, at http://www.cooperatives-uk.coop/live/images/cme_resources/Public/ots/Starting-a-Co-operative.pdf

Set up a social enterprise

An online guide developed by Business Link.

Go to <http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1077475650>

Setting up and financing a social enterprise organisation

An online guide developed by the Department of Health

Go to http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/Browsable/DH_074313