



# BSSEC

# resources

## Developing a Social Enterprise - a resource pack

### Part 4 - Balancing principles and profit

**Social enterprises are driven by social objectives and trade in order to achieve these objectives. But in order to deliver their social objectives, invest in their social mission, reward staff fairly and grow the business social enterprises need to make a profit. Keeping both social purpose and commercial reality in balance on a day-to-day basis is demanding work - and you should be prepared to have your social values and purposes put under constant pressure as you cope with the realities of life in a competitive marketplace.**

**This part of our resource pack is about what happens when “brute economics meet strongly held values”, as Liam Black and Jeremy Nicholls put it in their excellent book *There’s no business like social business* (see 'Other references' on page 4), and includes practical steps that will help your business balance principles and profit.**

### Introduction

It is vital for social enterprises to have a clear vision of how they will balance their social and commercial objectives at all stages of the business cycle - in the development stages, at start-up, during the early stages of trading, during growth and expansion, and of course during periods of contraction and recession.

Once operational, many social enterprises find that it is extremely difficult to deliver on their ‘triple bottom-line’ - their social, environmental and economic aims - while also maximising income, finding new customers and retaining existing ones, securing additional contracts, identifying new market opportunities and planning for growth and sustainability.

But this is the reality of being in business.

Being very clear about what you want to achieve - both financially and in terms of social, environmental and economic benefits - right from the outset will help you shape your ‘offer’, and how you deliver it.

**"Keeping both social purpose and commercial reality in balance on a day-to-day basis is demanding work"**

**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 and plan**

**Part 4 - Balancing principles and profit**

To download the full resource pack, free of charge, go to [www.bssec.org.uk](http://www.bssec.org.uk)

### Contact BSSEC

Alun Severn  
BSSEC Secretariat  
Tel: 0121 233 0278  
[alun@bssec.org.uk](mailto:alun@bssec.org.uk)

## Defining social objectives...

It is essential, then, to be clear from the outset about the social objectives of your enterprise, and be specific where possible - what does your enterprise seek to achieve, what are its key goals, and who will it benefit?

As well as forming the basis of your social mission, your social objectives should also be 'embedded' in the daily operation of the business - they should feature in your business plan, your memorandum and articles of association, and you may wish to incorporate them into your marketing plan to ensure that your objectives are communicated to others.

While some and probably most social enterprises deliver their social, environmental and economic objectives directly via the services they deliver - for example, refurbishing furniture and distributing this in disadvantaged communities - this is not the business model adopted by all social enterprises. Some provide goods or services that don't necessarily create social benefit in themselves, but the profits they generate are invested in supporting social aims. An enterprise that sells greetings cards and uses the profits to support community initiatives would be an example of this.

## ...And navigating change

All business models present different problems - a different balancing act - but again, this is the reality of social enterprise. Sometimes you will need to re-examine and refine your social aims, adjusting them to the realities of the marketplace.

**"Sometimes you will need to re-examine and refine your social aims, adjusting them to the realities of the marketplace"**

Do existing market conditions enable you to deliver on your social aims in the way you originally anticipated? Is your core social mission still appropriate - are you meeting real need? Have priorities shifted - is there something else you feel you should be doing that would deliver greater social value?

If so, don't be afraid to change. Social enterprise is about values, but it's also about how you do things. It requires idealism but it also requires pragmatism and sometimes your business model will have to change simply in order to ensure survival. This too is natural and almost certainly inevitable. The trick is to ensure that you can navigate change without losing your sense of direction and without inadvertently allowing either your social objectives or the commercial realities to be neglected.

## Measuring your impact

Deciding whether you are operating in the most beneficial way possible can be extremely difficult, however, if you have no evidence to demonstrate the impact of your work. You may remain committed to a particular activity - but what would you do if a more objective analysis showed you that a particular aspect of the business - a specific product or service - was no longer profitable or was failing to deliver the social value it once did?

There are various ways that impact can be measured - including recognised techniques such as Social Accounting & Audit (SAA), or Social Return on Investment (SROI). In different ways both of these methods seek to offer a more inclusive business accounting model that captures not just the financial facts but the other added value too - the full social, environmental and economic picture. The overall process of collecting, analysing and publishing impact measurement information is sometimes referred to simply as 'social accounting'.

These are methods that need to be learnt, of course, and they may also require a significant investment in terms of time, resources and commitment if you are to embed them successfully in your business. For these reasons, measuring impact is probably something to work towards rather than adopt from day one.

Although the use of impact measurement techniques such as SAA and SROI is still in its infancy in the sector, there is an increasing expectation (in government circles and amongst public service commissioners and others) that social enterprises should be able to evidence their social impact with cold, hard facts. And cold hard facts are also sometimes exactly what you need in order to make difficult business decisions - abandoning one product or service in favour of another that produces a greater social, environmental and economic return, for example.

There is an interesting case study of the use of social accounting on the BSSEC website: [www.bssec.org.uk/bcj.html](http://www.bssec.org.uk/bcj.html).

## Hard and fast rules?

---

So, are there are hard and fast rules which will guarantee that you can balance principles and profit? In a word, no. There are no guarantees. But there are some useful guidelines.

- Be clear about your social mission and its continuing appropriateness. Does everyone in the enterprise share the same understanding of the business's social mission and how it is to be achieved? If not, make sure they do.
- Do your social objectives support your commercial objectives and vice-versa? We all want the 'purest' social objectives possible, but if these can't be supported in the marketplace - if there are no paying customers, if they impede the effective operation of the business, if we can't generate profits to invest in them

- then we are dead in the water. Pragmatism and idealism have to go hand-in-hand. No profits, no business; no business, no social benefit.

- Be prepared to change - flexibility is key. But so is clarity and purpose. At some point you will have to respond to a crisis - a sudden change in the market, the loss of a key customer, a change in funding/purchasing patterns, a new competitor. How you navigate and manage such change is a vital skill, and it will be easier to accommodate change if everyone in the business is clear about the 'what', the 'why' and the 'how'. What changes are needed and why? How will you achieve these changes? And what are the implications for your social objectives?

- Responding to changes in the marketplace and the numerous other business challenges you will face is easier if you've got facts and figures to support your decision-making. This is where social reporting and impact measurement come in. The process of gathering data, assessing this, having it independently verified and using the results to judge your social, environmental and economic performance may sound too difficult, but greater numbers of social enterprises are now beginning this journey and in the future those with hard facts about their performance and achievements will be at the head of the pack. Being able to 'evidence' your impact could well be the competitive advantage you need to survive.

## 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:

## Specialist business support

### **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**

**Tel. 0121 771 1411**

**[www.i-se.co.uk](http://www.i-se.co.uk)**

### **Business Link West Midlands**

Business Link West Midlands is the business support service for the region and 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: [info@businesslinkwm.co.uk](mailto:info@businesslinkwm.co.uk)**

**Tel. 0845 113 1234**

**[www.businesslink.co.uk](http://www.businesslink.co.uk)**

## Help with 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**

**ART@reinvest.co.uk**

**Tel. 0121 359 2444**

**[www.reinvest.co.uk](http://www.reinvest.co.uk)**

### **The Social Enterprise Loan Fund (West Midlands)**

TSELF (West Midlands) was established in 2002 to provide loan finance for social enterprises and charities throughout the West Midlands in order to help help create jobs. Relunched 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**

**a.howker@tself.org.uk**

**Tel. 0115 974 6299**

**[www.tself.org.uk](http://www.tself.org.uk)**

### **UnLtd Millennium Awards**

UnLtd is a charity which supports social entrepreneurs - people with vision, drive, commitment and passion who want to change the world for the better. UnLtd provides a complete package of funding and support, to help these individuals make their ideas a reality.

There are two award levels: level 1 - up to £5,000; and level 2 - up to £15,000. To find out if you might be eligible for UnLtd's support - which in addition to financial support also includes ongoing mentoring and business support.

**Contact: Tony Clabby, West Midlands**

**Development Manager**

**TonyClabby@unltd.org.uk,**

**Tel. 0121 766 4570**

**[www.unltd.org.uk](http://www.unltd.org.uk)**

## Tools & resources

---

### Birmingham

#### BSSEC

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

BSSEC has produced a range of user-resources that are free to download. These include: Promoting Your Enterprise (a six-part pack on all aspects of marketing and promotion for social enterprises); Developing a Social Enterprise (a four-part pack providing support and guidance on all the basic issues involved in developing a new social enterprise):

[www.bssec.org.uk/toolsandresources.html](http://www.bssec.org.uk/toolsandresources.html)

BSSEC has also funded and produced the online Purchasing Guide to Social Enterprises & Trading Voluntary Organisations - if your social enterprise is based (or trades extensively) in Birmingham you can register in this guide free of charge. The guide is aimed specifically at public purchasers who are trying to find social enterprise providers:

[www.bssec.org.uk/purchasingguide.html](http://www.bssec.org.uk/purchasingguide.html)

#### The Social Enterprise Sector in Birmingham & Solihull: Key Facts & Figures

Be Birmingham / BSSEC (2007 baseline survey)

[www.bssec.org.uk/localsector.html](http://www.bssec.org.uk/localsector.html)

### Other sources

#### Starting Point Guide

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

[www.sel.org.uk/docs/StartingPoint.pdf](http://www.sel.org.uk/docs/StartingPoint.pdf)

#### A business planning guide to developing a social enterprise

Produced by Forth Sector

[www.forthsector.org.uk/docs/New\\_BusPlanGuide.pdf](http://www.forthsector.org.uk/docs/New_BusPlanGuide.pdf)

#### Starting a co-operative

Produced by Co-operatives UK

[www.cooperatives-uk.coop/live/images/cme\\_resources/Public/ots/Starting-a-Co-operative.pdf](http://www.cooperatives-uk.coop/live/images/cme_resources/Public/ots/Starting-a-Co-operative.pdf)

#### Set up a social enterprise

Produced by Business Link

[www.businesslink.gov.uk/bdotg/action/layer?topicId=1077475650](http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1077475650)

#### Setting up and financing a social enterprise organisation

Produced by the Department of Health

[www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/Browsable/DH\\_074313](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/Browsable/DH_074313)

#### Social Enterprise West Midlands

The regional strategic network for social enterprise.

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

#### Social Enterprise Coalition

The national body for social enterprise

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

## Other references

---

Social Audit Network - Mutual support network and resources for those interested in social accounting and audit.

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

SROI Network - Mutual support network and resources for those interested in social return on investment.

[www.sroi-uk.org](http://www.sroi-uk.org)

The SROI Network in conjunction with the Office of the Third Sector has just launched a free guide to SROI: *A Guide to Social Return on Investment*, available to download at:

[www.sroi-uk.org/content/view/5/65/](http://www.sroi-uk.org/content/view/5/65/)

*There's no business like social business*, Liam Black & Jeremy Nicholls, Cat's Pyjamas (2004)

[www.the-cats-pyjamas.com](http://www.the-cats-pyjamas.com)