

## What are social enterprises?

A social enterprise is a business that trades primarily for a social and/or environmental purpose.

The government has defined a social enterprise as:  
 “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners”.

*‘Social Enterprise: a strategy for success’ DTI July 2002*

There are three main characteristics of a social enterprise. Social enterprises:

- **are Businesslike**  
 They are businesses selling goods and/or services. They seek to make a surplus but any profit is reinvested in the business or in the community to meet its social objectives. They may still require some grant income but they seek to minimize reliance on grants.
- **have Social and/or Environmental Aims**  
 They have clear social and/or environmental aims and are accountable to their members and the wider community.

They can meet their aims in one of three ways:

- the **Product** may meet the aim, such as a care service, a credit union or a fresh food co-operative
- the **Process** may meet the aim, such as creating employment and training opportunities
- or the **Profit** is social in that the profits allow the enterprise to meet its social or environmental aims such as charity shops

A concept widely used in relation to social enterprise is the double (financial and social) or triple (to include environmental) bottom line. Social enterprises can undertake a ‘social audit’ to demonstrate the social benefits of the business. Further information on social auditing and accounting methods can be found on the Social Audit Network website, [www.socialauditnetwork.org.uk](http://www.socialauditnetwork.org.uk)

- **are Owned by their Members**  
 The members or trustees own and control the social enterprise. They have equal voting rights at the annual general meetings and elect the board. Boards play an important management role (See Sheets 8 & 9). Most enterprises have one type of member but some have more than one, for example employees and customers. It is important to define the criteria for membership when starting a social enterprise (See Sheet 5).

## Why are social enterprises a good thing?

Social enterprises are a very important element of our economy providing a large number of benefits including:

- making a direct contribution to the economy through job creation and business turnover
- involving local communities in making decisions about their lives
- providing goods and services to meet the needs of a community and sharing in the success of the business
- providing a range of social and environmental benefits

## What do social enterprises do?

Social enterprises operate across a diversity of business areas. Some typical areas of the economy where you find social enterprises are:

- Health and care services
- Community facilities and services
- Manufacturing
- Retail
- Training
- Environmental protection and improvement
- Food and agriculture

## Some examples

You probably know of a number of social enterprises from small community organisations to multi-national companies including:

- The Big Issue
- Divine Chocolate
- Co-operative stores

In Northamptonshire

- Daily Bread Co-operative
- Youth Works
- Country Fayres
- Adrenalin Alley

See case studies on ESN website [www.enterprise-solutions.org.uk](http://www.enterprise-solutions.org.uk) and [www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

## Legal structures

There is no single legal model for social enterprise. Legal structures are covered further in Sheet 6.

## Terms used by social enterprises

Many social enterprises do not use the term 'social enterprise' to describe themselves. Some of the terms that may be used include the following:

- **Community business** - A trading organisation that is set up, owned and controlled by the local community and which aims to enable local development and create self-supporting local jobs.
- **Employee-owned business** - These are owned by the employees and have a participatory work culture.
- **Social firm** - A business created for the employment of people with a disability or other employability disadvantage. Wages should be paid at a market rate and a minimum of 25% of the employees should be disabled people. Social Firms UK operates a resource centre and provides assistance (see Sheet 14).
- **Mutual Organisation and Co-operative** - See Sheet 3
- **Development Trust** - Development Trusts are organisations that enable a range of regeneration activities in a particular location such as managing workspace, providing recreation facilities, running childcare centres, running training programmes and supporting small businesses. Their boards include representatives from, for example, the local community, local businesses and community organisations. The Development Trusts Association represents and provides advice on Development Trusts (see Sheet 14).
- **Credit Union** - Credit Unions are financial co-operatives established to help people save and borrow money in a common fund. For more information on Credit Unions in Northamptonshire contact ESN.
- **Intermediate labour market organisation** - Intermediate Labour Market (ILM) projects provide training, personal development and work experience for the long-term unemployed to enable them to re-enter the labour market.
- **Trading arm of charity** - In pursuit of their aims, some charities establish trading arms. These range from restaurants and bookstores to supplying contract services. Charities themselves may also be social enterprises.

## Is social enterprise for you?

The following questions may help you to think through whether or not social enterprise is for you. You may want to look at some of the other sheets in the pack before looking at this again.

Can you agree with all the following statements?

- I/we want to start or develop an enterprise that will sell goods or services and seek to generate a viable income
- I/we do not want to rely on grant income
- The purpose of the enterprise will be to provide social and/or environmental benefits
- I/we are not doing it just to make money for ourselves
- I/we are committed to social control and management of the enterprise either by the members or on behalf of the beneficiaries (i.e. not private ownership).

If so, then a social enterprise could be right for your proposed enterprise.

Ask yourself and others who may be involved in managing the social enterprise the following. Can you say yes to most of them? If so a social enterprise may be right for you.

1. Do you really believe in what you are trying to achieve?
2. Are you willing to give what it takes to achieving your aims?
3. Can you 'sell' your idea to others?
4. Are you self-disciplined and well organised?
5. Can you motivate yourself and others?
6. Are you prepared to take and cope with risk?
7. Do you have support from others?

*All information was correct at the time of going to print and consequently Enterprise Solutions Northamptonshire cannot be held accountable for any losses sustained from the use of this pack.  
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