

A new model for change

Social enterprise offers a wealth of opportunity for forward-thinking charities, says Mark Salway.

I HAVE THE great pleasure of leading MSc students through the social enterprise module at Cass Business School with Craig Dearden-Phillips, founder of the consultancy Stepping Out. It's interesting to see people exploring what social enterprise is, and how this thinking can help charities.

At the end of the module people have to do a 4,000 word assignment, and this year we asked them to come up with ideas for a new trading model for their charity. The ideas are magnificent. Community facilities for refugees, cash flow factoring for charities, working with businesses to create profit-driven social models. In each case, the social enterprise may need a grant or donation to get started, but as it grows and reaches break-even it is financially sustainable.

Responding to the challenge

Since the recession, we have seen the sector's income plateau, and donations fall in real terms. Grants have been rapidly replaced by contracts, ushering in the need for a different set of skills and resource needs.

Operational charities have been feeling the bite like never before, and the latest Acevo and CAF report *Social Landscape 2017* states that 20 per cent of all charity CEOs are worried about the future survival of their organisations.

With this negativity in my head, I came to read Chapman and Robinson's 2013 report on the sector called *On the Money*. They conclude that: "There is considerably more stability in sector income than might be imagined and organisations are

generally quite adaptable and resilient when faced with change". I have come to think that while the sector is under intense pressure from rising demand and changing income, we are coming up with new models of how to work.

What is social enterprise?

The technical definition of a social enterprise effectively revolves around a clear social and/or environmental mission set out in an organisation's governing documents. They generate the majority of their income through trade, reinvest at least 51 per cent of their profits in the business to help more individuals (but unlike charity can distribute income back to shareholders or communities), are majority controlled in the interests of the social mission, and are accountable and transparent.

“ Social enterprises allow organisations to develop different governance models ”

A good example is the Clink Charity. They associate themselves more as a social enterprise than as a charity. They have four top quality restaurants in four prisons – High Down in Surrey, Brixton in South London, Cardiff in Wales and Styal in Cheshire – staffed by offenders who learn skills and reduce their chance of reoffending by up to 75 per cent.

The Clink takes great care to provide end-to-end care for the new chefs, helping to find accommodation and jobs for them. The idea also

meets the chronic need for good quality chefs in the UK's restaurants.

Often many people look straight towards charity shops when they think of social enterprise in charities. They say that charity shops are social enterprises because they provide money for the cause. I think money alone is not sufficient to qualify. The best shops, often run by hospices, see themselves as a way to galvanise volunteers, provide a place to meet, market services to the local community and facilitate conversations around why charity is so important.

A different outlook

Social enterprises allow organisations to develop governance models other than just having trustees, for example bringing together non-executive directors and company directors. They facilitate a focus on generating revenue and delivering social value for clients. Social enterprises may use grants in the early stage to grow, but then do so from sustainable trading models. They also allow investment funds to be brought into an organisation and distributed, which charities can find hard to do.

However, the key difference for me is that they feel hungry and innovative. People want to change the world, while also delivering financial returns and using investment tools. We don't have to do that in a charity alone – maybe social enterprise could provide a more flexible model for us to do business, as well as create greater social change. ■



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