

## What are social enterprises?

Social enterprises are businesses set up to tackle a social and/or environmental need.

Many commercial businesses would consider themselves to have social objectives, but social enterprises are distinctive because their social or environmental purpose is central to what they do. Rather than maximising shareholder value their main aim is to generate profit to further their social and environmental goals. Well known examples of successful social enterprises are The Big Issue, Jamie Oliver's Fifteen and fair-trader Divine Chocolate.

The social enterprise movement is inclusive and extremely diverse, encompassing organisations such as development trusts, community enterprises, co-operatives, housing associations, 'social firms' and leisure trusts, among others. These businesses are operating across an incredibly wide range of industries and sectors from health and social care, to renewable energy, recycling and fair trade.

Social enterprise is a business model which offers the prospect of a greater equity of economic power and a more sustainable society; by combining market efficiency with social and environmental justice.

## Is it important for social enterprises to make a profit?

Social enterprises are businesses. They need to make a profit to compete in the market, to ensure their continued survival and to invest in their social or environmental aims. Any profits are largely reinvested in the business or in the community, rather than given to shareholders and owners.

For many social enterprises, being sustainable - in every sense of the word - enables them to become more independent and to reduce any dependency on public grants. It also ensures they can continue to bring about positive change to people and communities which can be enormously rewarding.

### Legal structure - steps for social enterprise start-up

- Identify your board members
- Decide on aims and objectives
- Decide on legal structure of Social Enterprise
- Draft your governing documents (Memorandum and Articles of Association)
- Register the company – if appropriate
- Open bank account (you will need to present an Incorporation Certificate and Memorandum and Articles of Association)

## Financing your social enterprise

When you start to look for sources of investment finance, it is advisable to write a business plan so that you can formally present your case to potential investors or loan providers.

Social investors seek a blend of social and financial return on their investments. The range and number of financial institutions that lend to or invest in social enterprises has increased in recent years.

[www.businesslink.gov.uk](http://www.businesslink.gov.uk) provides a list of local funders/investors; from traditional financial providers or Community Development Finance Institutions to Adventure Capital Funders.

## Social enterprises and the public sector

Social enterprises are being encouraged more and more into public service delivery as they are recognized for their pioneering approach and benefits to the local community or environment.

There are a wide variety of opportunities in the delivery of public services including health and social care, transport and sports and leisure services.

## Steps to starting a social enterprise

- **Consider what is the main purpose of your social enterprise**  
What services or goods will you be supplying and to who?
- **Think about where you will get most of your income from**  
Will your income be from grants, fundraising or selling of goods and services?
- **Establish who will be your key stakeholders**  
It is your choice; do you want it to be employees [and volunteers], customers or service users, local community or invited individuals?
- **Choose who you will make your services or goods available to**  
Will you be accessible to anyone or restrict your services to members only or contracted customers and local authorities?
- **Decide how your social enterprise be governed and owned**  
What will you do with any profits made? You can choose to retain within the business, give as a donation to a social or charitable cause or pay out dividends to shareholders/ bonus to members.

### Further help and information:

Contact Manjit Johal, Community Development Officer at SUSTAiN on 0121 711 3148 or [iag@solihull-sustain.org.uk](mailto:iag@solihull-sustain.org.uk)

### Useful websites:

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

[www.businesslink.gov.uk](http://www.businesslink.gov.uk)

[www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

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

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