

# SEDETT

## Social Enterprise Development, Education and Training Tools 2016-2018

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


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### Module 3 Finance, Revenue Generation, Networking and Capacity Assessment

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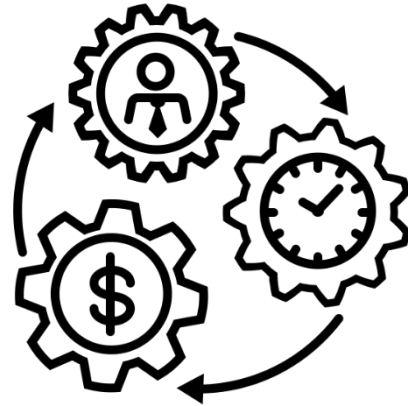
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## Generally

The term 'social enterprise' came about from the widespread recognition that there were organisations using the power of business to bring about social and environmental change without a single term that could be used to describe them. The term started being more widely used in the 1990s and since then there has been debate about what a social enterprise and social entrepreneurship are, and whether the social enterprise label itself could be 'hijacked' by businesses that aren't really, but are keen to pretend they are.



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Social enterprise and social entrepreneurship are terms that tend to be used interchangeably. O'Broin (2012) indicates that social enterprise can be considered as a broad approach to economic development based on economic and social solidarity and a more democratised society, whereas social entrepreneurship is a term more recently used in relation to the marketization of the management and delivery of what were previously considered to be public services funded and delivered by national, regional or local governments.

This final module adds to the material previously developed in module 1 and module 2 in order to consider, initially, some of the core issues that face any social enterprise seeking to grow and become sustainable as an enterprising business. The core issues addressed in this module concern (i) how an organisation finds the required financial resource to maintain its operations, (ii) the key features that need to be addressed by an organisation seeking to manage its finances and generate surpluses, (iii) how a social enterprise can maintain its financial sustainability, generate revenues and be able to assess its impact in order to demonstrate the achievement of its mission, and (iv) how a social enterprise can promote itself and its offerings through effective marketing and networking to raise its profile. In addition the module material provides a rationale for how the differing factors identified in the learning materials identified in module 1, 2 and 3 can be used in practice by key actors within a social enterprise to (v) use the SECAT inter-active web enabled framework to self-assess their own organisational profile and the potential for it to develop further organisational capacity.

## Module Aims

At the end of this module you will be able to:

- identify the core issues involved with the financial planning, budgeting and appraisal processes and associated sources of funding for social enterprises
- appraise the significance of financial operational management and surplus generation for social enterprises
- recognise the key issues involved with revenue generation, financial sustainability and social impact assessment in social enterprises
- consider the issues involved in how a social enterprise can promote its goods and services to potential clients and develop its profile through the use of differing types of networks
- understand how capacity for future organisational development could be assessed by key actors in social enterprises through an appreciation of the development and use in practice of the SEDETT social enterprise capacity development tool (SECAT).

The sub-units for this module are;

1. Financial planning, budgeting, sourcing and appraisal processes
2. Financial operational management and surplus generation
3. Financial sustainability, revenue generation and social impact assessment
4. Organisational promotion, marketing and networking
5. Capacity assessment for organizational development

## Approach

Detailed treatments of the processes and sub-processes involved in setting up financial management systems in social enterprises can be found in standard textbooks by Doherty et al (2009, - Ch.5 pp.111-134)), Fisher (2016 – Ch. 7 & 8 pp.71-97), Ridley-Duff and Bull (2016, - Ch. 5 & 6 pp.155-203) and Atril (2017, ch. 2-7 pp.33-337). The learning materials in this module will only consider key concepts in outline form related to financial management before exploring the evidence gathered from the analysis of the practitioner interviews from the SEDETT case study organisations to identify relevant significant issues from a practitioners' as lived experience of financial management, enterprise and capacity development in social enterprise.

Other detailed materials related to the financial management of social enterprises that is relevant to SEDETT partner countries include

Romania – Credit Unions in Romania – a strong social enterprise model to combat financial exclusion and over indebtedness – <http://www.ciriec.ulg.ac.be/wp-content/uploads/2015/12/WP15-11.pdf>



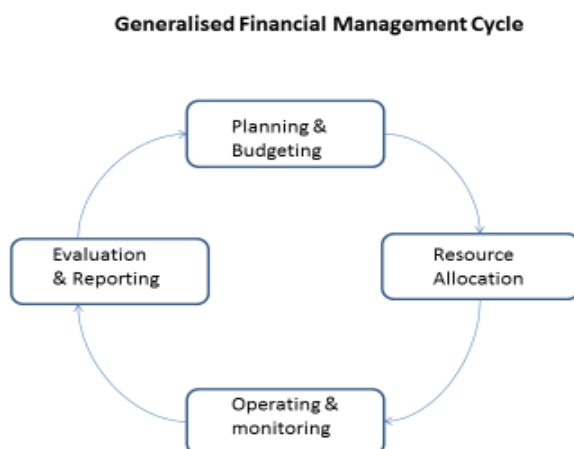
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# Financial Management Processes in General

Financial Management means the processes involved in planning, organizing, directing and controlling all the financial activities in a social enterprise. Knowhow Non-Profit (2017) indicate that sound financial management processes enable,

- regular and adequate supply of funds
- effective and efficient use of resources
- achieve objectives and fulfil commitments to stakeholders
- adequate surpluses to be generated
- become more accountable to donors and other stakeholders
- gain the respect and confidence of funding agencies, partners and beneficiaries
- gain advantage in competition for increasingly scarce resources
- business decision making that facilitates long-term financial sustainability

See Fig. 3.1 below for a diagram that illustrates the general processes such as planning and budgeting, allocating resources, operating and monitoring performance and evaluating and reporting performance that are involved in any organisation's financial management cycle.



The financial circumstances of any enterprise have a fundamental impact on its success.

For commercial organisations, success is measured very directly by financial return alone.

For a social enterprise, its financial situation will be a key enabler for it to achieve its social mission and deliver impact.

In general terms financial management can be said to be,

“the processes involved in the planning, allocating necessary resources, monitoring operations and evaluating and reporting all financial aspects of an organisation or enterprise so that surpluses can be generated and sound future business decisions can be made” (Fisher, 2016, p.35)

Fig. 3.1 above indicates that, basically, financial management can be seen to be about the processes involved in anticipating and tracking how money comes into the organisation, how it is used within the organisation and how / what any surpluses generated are used for/ by the organisation.

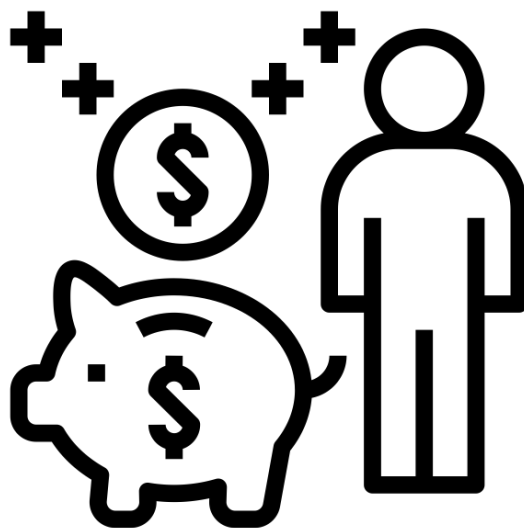
# Financial Management Processes in General

Fisher (2016) suggests that many social entrepreneurs lack any formal experience in managing finances. As a result the management teams of many social enterprises tend to avoid going too deeply into the 'numbers side' of the business and as a result the business could run out of cash which in turn could cause the organisation to cease operating. Organisations with a pro-active active approach to financial management can be provided with information that enables enhanced strategic business decision making.

Such a pro-active approach to financial management requires data being generated that evaluates and reports both historical financial performance (financial reporting) as well as future planned financial performance (budgets, projections, forecasts, etc.). Both cycles of performance analysis are significant in enabling enhanced strategic business making.

A broad treatment of the topic area can be found through the following links:  
<https://unltd.org.uk/portfolio/3-9-getting-started-with-financial-management/>  
[http://atb.com/business/resources/Documents/ATB\\_business\\_growth\\_guide.pdf](http://atb.com/business/resources/Documents/ATB_business_growth_guide.pdf)  
<http://atb.com/business/experts/Pages/ATB-Social-Enterprise.aspx>

Each main section of Fig.3.1 (see above) that illustrates at a generalised high level financial management system is now taken in turn in order to establish a framework that enabled the topic to be further explored within the interviews conducted with the SEDETT case study organisations.



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# Sub-Unit 1 Financial planning, budgeting, sourcing and appraisal processes

## (i) Evaluation and Reporting

### (a) Historical Performance – *financial statements and financial reporting*

Recording the historical financial performance of the organisation involves the periodic generation of financial statements that are typically produced at monthly intervals. The contents of financial statements depend on the legal structure of a social enterprise but in general the following apply, namely:

- **The profit and loss account:** this statement relates to the organisation's operations over a specific period of time and will generally capture all of the regular income including any ongoing grant income and expenditures relating to the enterprise.

Any irregular receipts such as equity of debt investment or payments such as repaying a loan and are recorded on the balance sheet for the organisation.

The difference between your total income and your total expenditure is your surplus or deficit for the period, also known as the profit or loss depending on the organisation's legal form.

- **The balance sheet:** this statement reflects the overall financial position of the enterprise at any one point in time. Generally speaking, the organisation's financial position will be reflected as a set of assets and liabilities.

Typical assets include:

- o Property and equipment
- o Stock not yet sold
- o Customers that have been invoiced but that have not yet paid
- o Cash in-hand – note if overdrawn at the bank, then this becomes a liability

Typical liabilities include:

- o Suppliers that have provided an invoice but have not as yet been paid
- o Reserves of grant funding not yet spent
- o Investments by equity / debt investors
- o Profit / surplus that has been generated but has not as yet been distributed.

The 'balance' element of the balance sheet is the feature that at any one point in time the total assets must always equal the total liability. Therefore, a key feature of financial reporting for organisations is that they are seen as stand-alone entities, recording liabilities towards anyone who invests in them such as funders, equity investors or debt investors.

- **The cash-flow statement:** this final statement shows the relationship between the organisation's profits or loss situation and its actual cash position. The income statement surplus or deficit (profit or loss) is adjusted to account for three elements, namely:



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- o Items recorded as income or expenditure in the income statement but for which cash has not yet changed hands. This would include things such as sales that have been recorded in the income statement but the organisation is yet to receive payment.
- o Receipts and payments in relation to investment (equity investment received, loan repaid, etc.)
- o Investment in / sale of assets that have a useful life of more than one year.

The purpose of the cash flow statement is to give a clear view of how the cash balance (which, ultimately, is the thing that determines whether the organisation can continue to operate) increases or decreases over a period of time. It is of critical concern to start ups, when cash is usually very tight, and often new social enterprises will use the cash-flow statement (or some version of it) as their only relevant financial management tool.



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Historical financial reporting is important for various reasons such as:

- It allows an organisation to see whether you have met its (financial) objectives.
- It will enable the analysis of the organisation's performance. This can help it to consider ways in which it can improve its performance or boost growth.
- It provides an element in any discussions an enterprise might have with current and potential funders, investors and other stakeholders who may be influenced by its financial position.

Financial reports cannot be generated from scratch at the end of a financial year. Successful record-and book keeping will be very much dependent on the day-to-day systems and processes that record all organisational transactions as they happen on a regular basis which is typically monthly.

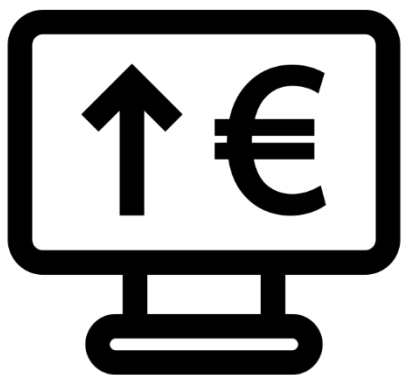
### **(b) Looking forwards – financial projection, budgeting and financial statements**

The other critical form of financial management relates to looking to the future and thinking about how an enterprise wants to develop and grow in a sustainable manner. Such projections are expressed as budgets for specific categories of costs/spending that are associated with specific activities and they allow an organisation to set targets, for example in relation to revenue, funding and investment and also allow it to plan for its expenditures and other costs associated with its operation.

The financial projections and budgets of an organisation should reflect its ambition. Therefore, the financial targets in each of its budget headings should be driven by the social impact and operational targets that have been set for the next period of operation. So issues that need to be considered include;



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- How much revenue will the organisation generate?
- How many staff does the organisation need?
- What size of office accommodation will be required ?
- How many computers does the organisation need ?
- How much grant income needs to be found in order to bridge any funding gap?

Note that an organisation's financial projections and budgets should generate financial statements in line with those introduced earlier. Such outputs are the results of the organisation's financial projections and include any assumptions made about its operational and any other costs.

### (c) Financial statements

Financial statements enable organisations to periodically report or forecast their finances to their decision makers. At a very broad level the purpose of financial statements can be summarised as follows:

- An opening balance sheet sets out the financial position at the start of the year
- All transactions of the organisation will impact the income statement and /or the cash-flow statement
- The 'output' of the income statement and cash-flow statement will provide the information for adjusting the opening balance sheet to generate the closing balance sheet.

Financial statements need to be periodically analysed to determine how the organisation is performing against its planned performance levels. For instance, the percentage of gross profits achieved compared to the budgeted percentage needs to be determined so as to evaluate any financial plans or budgets as well as the need to access any funding options to make up any negatives or shortfalls in cash flow.

### (ii) Financial Planning

Financial Planning is the process of estimating the capital required and determining its competition. It is the process of framing financial policies in relation to procurement, investment and administration of funds of an enterprise. An essential step in financial planning is seeking out potential sources and obtaining sufficient finance.

#### (a) Sources of Finance for Social Enterprise

A social enterprise needs to be aware of the various funding streams available to the organisation. A social enterprise has the capacity to reinvest its traded surplus into the company and it can also gain access to a wide range of non-repayable and repayable financial options. Examples of non-repayable finance include: government grants; EU grants or institutions; and corporate and personal donations. Examples of repayable finance include: loans from banks / credit unions and social lending providers.

One of the key issues for social enterprises is to be aware of the differing types of capital finance. Choosing the right sources of capital is a decision that will have a significant influence on a social enterprise. It is necessary for social entrepreneurs to be creative and be aware of where to look for sources of capital.

Information sources on the internet should be consulted and social entrepreneurs should not underestimate the importance of making sure that there is a good match between themselves, their social enterprises, and their funding sources.

# Sub-Unit 1 Financial planning, budgeting, sourcing and appraisal processes

## Types of capital

### (i) Equity capital

This type of capital represents the personal investment of the owner(s) in the enterprise. It is called risk capital because investors assume the risk of losing their money if the enterprise fails. This type of capital does not have to be repaid with interest like a loan does. However, this type of capital means that an entrepreneur must give up some ownership in the company to outside investors.

### (ii) Debt capital

This type of capital can be (i) fixed or floating and (ii) over a long or short term. As interest needs to be paid on debt the enterprise should use it as little as possible and there is a need to match the term of the loan with the type of asset

The main sources of finance for a social enterprise include

State Grants	Other Sources of State Funding
Crowdfunding	Microfinance loans
Personal Savings	Banks
Charitable body / association	Co-operative memberships

### (iii) Crowdfunding

Crowdfunding is a way of financing a project by raising many small amounts of money from a large number of people. This approach has the advantage of being able to access capital without sacrificing equity or complying with rigid bureaucracy. The main disadvantage of crowdfunding relates to the time it needs to set up a campaign in relation to the real potential of a project never happening.

### (iv) Micro finance loans

Micro Finance loans are a way for small businesses to access capital that it would normally have no opportunity to obtain by going through a large financial institution or it might struggle to achieve by going through crowdfunding. The advantage of this approach includes the ability to access capital without stringent criteria. The disadvantage of this approach includes the tendency for rates of return can be high as a result of the borrower generally having a higher risk profile.

### (v) Personal savings

This approach is the main financing option for those social entrepreneurs who do not qualify for other sources of funding. In addition finance can often be obtained from the savings of family and friends. There are inherent dangers in obtaining finance from this source especially for those enterprises that fail.

### (vi) Banks

Social Enterprises may seek a loan from a traditional credit institution such as a bank, building society or credit union. However, not all traditional sources of finance are prepared to lend to social enterprises and if a loan is taken out then there needs to be a strict adherence to the agreed repayment schedule.



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## (vii) Co-operative memberships

A co-operative is an enterprise which is owned and controlled by its user members and operates for the benefit of its user members. This type of social enterprise can raise finance through its members by making a call for additional funding through the issue of shares. The [ICOS website](#) provides information related to co-operative principles; and the requirements for the establishment of a co-operative.

Other examples of funding sources include

[Ethical Banks](#)                      [Co-operative Banks](#)  
[Venture Philanthropy](#)           [Angel Investors](#)

For more information on funding opportunities and financial instruments for social enterprise, please consult:

### UK

[Thornton, J. & King, D. \(2017\), 'Financing Social Enterprise in the Very Long Run' CRN Oxford Journal of Finance and Risk Perspectives 6\(3\), pp. 29 – 70.](#)  
[Tulchin, D. & Yi-Han Lin, S. \(2012\), \*Capital Sources for Social Enterprises, Emerging Topics Paper Series Working Paper #16\*, Washington D.C.: Social Enterprise Associates.](#)  
[How to raise capital as a social entrepreneur?](#)  
[A New Approach to Funding Social Enterprises](#)  
[EU Programme for Employment and Social Innovation \(EaSI\)](#)  
[The Social Impact Accelerator \(SIA\)](#)  
[European Social Entrepreneurship Funds \("EuSEFs"\)](#)

Other sources of funding for social enterprises in the SEDETT project partner countries include:

### Ireland

Enterprise Ireland	<a href="https://www.enterprise-ireland.com/en">https://www.enterprise-ireland.com/en</a>
Community Finance Ireland	<a href="https://www.communityfinance.ie">https://www.communityfinance.ie</a>
Local Enterprise Office	<a href="https://www.localenterpriseireland.ie">https://www.localenterpriseireland.ie</a>
Micro Finance Ireland	<a href="http://www.microfinanceireland.ie/">http://www.microfinanceireland.ie/</a>
Strategic Banking Corporation Ireland	<a href="http://www.sbc.gov.ie/">http://www.sbc.gov.ie/</a>
Clan Credo	<a href="http://www.clancredo.ie/">http://www.clancredo.ie/</a>
Social Entrepreneurs Ireland	<a href="http://www.socentrepreneurs.ie/">http://www.socentrepreneurs.ie/</a>
Irish Social Enterprise Network	<a href="http://www.socent.ie">http://www.socent.ie</a>
Local Development Companies	<a href="http://www.ildn.ie/">http://www.ildn.ie/</a>
Irish Social Enterprise Network	<a href="http://www.socent.ie">http://www.socent.ie</a>
Local Development Companies	<a href="http://www.ildn.ie/">http://www.ildn.ie/</a>



# Sub-Unit 1 Financial planning, budgeting, sourcing and appraisal processes

## Italy

Ministero dello Sviluppo economico	<a href="http://www.sviluppoeconom.it/">http://www.sviluppoeconom.it/</a>
Lazio Inova Microcredit grants	<a href="http://www.lazioinnova.it/">http://www.lazioinnova.it/</a>
Unioncamere	<a href="http://www.unioncamere.gov.it">http://www.unioncamere.gov.it</a>
Iris Network	<a href="http://irisnetwork.it/">http://irisnetwork.it/</a>
Association Impresasociale.net (Isnet)	<a href="http://www.impresasociale.net">http://www.impresasociale.net</a>
EURICSE	<a href="http://www.euricse.eu/it">http://www.euricse.eu/it</a>
AICCON	<a href="http://www.aiccon.it">http://www.aiccon.it</a>

## Lithuania

Management Innovation Agency	<a href="http://www.innovate.lt/english/">http://www.innovate.lt/english/</a>
LEADER – EU initiatives	<a href="http://www.leaderlietuva.lt/en">http://www.leaderlietuva.lt/en</a>
Business Support Organisations	<a href="http://www.chamber.lt/en/hoelinks/business-support-organisations">http://www.chamber.lt/en/hoelinks/business-support-organisations</a>

## Poland

Ministerstwo Inwestycji i Rozwoju	<a href="http://www.funfuszeeuropejskie.pl/">http://www.funfuszeeuropejskie.pl/</a>
Samorząd Województwa Wielkopolskiego	<a href="http://wrpo.wielkopolskie.pl/">http://wrpo.wielkopolskie.pl/</a>
Visit.pl zo.o	<a href="http://wrpo.wielkoppolskie.pl/">http://wrpo.wielkoppolskie.pl/</a>
Towarzystwo Inwestycji Społeczno-Ekonomicznych TISE SA	<a href="https://tise.pl/target/ngopes/cala-poloska/">https://tise.pl/target/ngopes/cala-poloska/</a>
Regionalny Fundusz Gospodarczy S.A	<a href="http://rfgsa.pl/">http://rfgsa.pl/</a>
	<a href="http://www.ngo.pl/">http://www.ngo.pl/</a>
Fundusze Norweskie	<a href="http://funfuzenorweskie.pl/">http://funfuzenorweskie.pl/</a>

## Romania

Innovative ways of financing Social entrepreneurship –	<a href="ftp://ftp.repec.oprg/opt/ReDIF/RePEc/rau/journal/W13S/REBE-W13S-A49.pdf">ftp://ftp.repec.oprg/opt/ReDIF/RePEc/rau/journal/W13S/REBE-W13S-A49.pdf</a>
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## Corporate financing

This could become an important route for financing social initiatives if entrepreneurs are attracting corporations as investors in their projects, as a way to demonstrate corporate social responsibility (CSR). For instance, in Romania Unicredit Business Integrated [Solution](#) & NESsT launched three social enterprise projects in July 2013 and OV PETROM is financing different projects based on social impact.

NESsT Romania –	<a href="https://www.nesst.org/romania/">https://www.nesst.org/romania/</a>
Erste Private Banking –	<a href="http://www.ersteprivatebanking.ro/ro/despre-noi">http://www.ersteprivatebanking.ro/ro/despre-noi</a>
Arthur Guinness Fund –	<a href="https://www.guinness.com/?gfg">https://www.guinness.com/?gfg</a>
Social European Fund – Priority 6 Promotion of Social Inclusion, Development of Social Economy –	<a href="http://old.fonduri-ue.ro/posdru/images/doc2013/g61s.pdf">http://old.fonduri-ue.ro/posdru/images/doc2013/g61s.pdf</a>

## Spain

Camara de Comercio	<a href="https://www.camara.es/creacion-de-empresas">https://www.camara.es/creacion-de-empresas</a>
Business Angels	<a href="http://aeban.es/sector">http://aeban.es/sector</a>
Banca etica: Tridos Bank –	<a href="https://www.fiarebancaetica.coop/">https://www.fiarebancaetica.coop/</a>
Banca Etica: COOP57 –	<a href="http://www.bancaetica.cat/es/ntidades-finanzas-eticas/coop57">http://www.bancaetica.cat/es/ntidades-finanzas-eticas/coop57</a>

## SEDETT Case Study Interview Data (1)

Evidence from the SEDETT project case study organisations is now considered in relation to their financial planning, budgeting, sourcing and appraisal processes.

### Sources of Finance

It was found that finance for the SEDETT case study organisations came from a variety of sources such as:



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- Selling shares to the community
- Grants (the percentage of grant compared to start-up costs varied, for some organisations the funding covered 100% of the start-up costs)
- Regional development funding (Source no longer available)
- Private funding / institutions
- Self-funding/personal funding
- Funding from overseas sources
- Environmental funding
- Local Government/Regional funding
- Municipality/Local Government/EU funding
- Bank loans / credits

The data collected from the SEDETT project has identified that practitioners placed an important emphasis on accessing finance, particularly at the initial enterprise start-up phase. This was deemed to be a critical activity for their organisations. For instance, at the start-up stage some social enterprises had to be self-financed or partly financed by the community concerned. This is illustrated by the following comments;

“The initial start of the enterprise was financed by myself” (Lithuania)

“So we spent 12 months working on it preparing and putting in our funding application ..... They gave us 75 % funding to do this. We had to come up with the 25 % ourselves. So we formed a cooperative and asked the members to buy shares.” (Ireland)

“The community wanted the pub to be re-opened and so they got a big campaign going that made clear the pub was for the community to be run by the community and they raised money for the pub through selling shares for £100 to become a part owner in the business. Then the community group applied for grants from the national lottery and won £40,000.” (UK)

Other case study organisations obtained start-up financing from other sources;

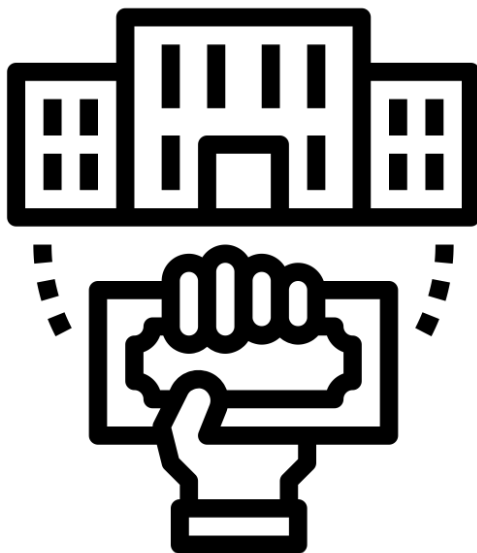
“To be honest when we started off we used to have a grant of £100,000 from the Borough Council however, that has all gone today. Now we get no financial help at all from the Borough Council.” (UK)

“There are several sources of start-up finances, the projects can be funded by private donors and EU funds or by bank credits as well as being self-financed.” (Romania)

## Grants

It was found that many of the participating case study organisations had initially received grant funding to start their operations. For the majority this had been a 'one-off' essential cash boost and they were now entirely reliant on their enterprising income. It is worth noting that some of the organisations still had a reliance on grant based income, however, in most cases this dependence had significantly reduced over the years.

The social enterprises interviewed indicated that they had received grants from a variety of sources, including:



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- Local Councils and Municipalities
- Lottery funding
- POBAL (Ireland)
- LEADER (Ireland)
- Regeneration Partnerships
- Health Authorities
- Education Boards
- Government Agencies
- European Projects
- Barka Foundation (Poland)
- Norwegian Government (Norwegian Financial Mechanism)
- EAA Grants
- Mai Bine Foundation
- Green Innovation Programme (Romania)
- Communities First Programme (UK)
- European Social Fund
- Co-operative Bank (UK)

The amount of money received, per grant, varied from €23,000 up to €500,000. One organisation estimated that over the years the amount of grant aid received would have totalled millions. It was acknowledged, by many, that they knew that this level of funding could not last indefinitely.

## Issues with Grants

The enterprises felt that the grant application process was a long and drawn out process, often requiring specialist skills. Smaller organisations felt that they did not have the time to look at what grants were available. Participants recommended that grant funders consider a shorter application and evaluation timeframe, adhering to definitive dates. Examples of evidence drawn from the interview data analysed includes

“when you’re applying for grant funding it’s a long drawn out process and then you’re waiting a long time to get the funding itself so now it’s very difficult.” (Ireland)

“Grants .... We would get help from the City Council Regeneration Programme ... you know they’re very important we just wouldn’t keep going without some of the grants you know.” (Ireland)

“First money came from participating in European Union projects for social entrepreneurship, there are also project subsidies from the Government” (Poland).



## Sub-Unit 1 Financial planning, budgeting, sourcing and appraisal processes

“Yes the availability of grant funding was a major factor affecting our growth, we have been able to access millions of pounds worth of funding over the years, but I would say that the change of outlook and the development of a social enterprise focus was also a significant factor that has enabled the organisation to diversify its funding base and become sustainable over the years.” (UK)

“This grant was a very important factor in getting the community enterprise off the ground, as a result this initial grant funded three posts for us in the first year. The manager, the chef and the cleaner ... the theory was that we would use year 1 to get up and running, find our feet and get to be financially balanced... however it did not quite turn out that way.” (UK)

“when I came here we were operating as a traditional charity so for example in the nursery we already had a crèche that was fully funded by the Europe and so quite often we would have four members of staff and perhaps only two babies to look after. This was seen as not being a problem as it was all funded and at that time the organisation had big reserves and we were getting around £300,000 from the ESF per year – it was happy days! The only problem was spending it all and very often we were hectic between Jan and March so as to make sure all the grant money was spent.

I knew that this grant funding could not last so the trustees were always supportive of us looking at the future and anticipating that the gravy train of grant funding was going to come to an end at some point into the future.” (UK)

### Bank Loans

The evidence suggested that very few of the SEDETT organisations had considered taking out traditional bank loans. Only two of the social enterprises discussed loans; one spoke about taking out a loan from another social entity:- examples of such evidence are as follows,

“We don’t have to go to a bank, because there are other entities, which support social cooperatives with loans on different conditions.” (Poland)

“We have a healthy bank balance, but, I wouldn’t want to use it all because of the risk factor. We are looking at the Borough Council, who have said that they may be interested in providing a low cost loan, but I am looking at other things as well. I have spoken to Finance Wales too.as they understand the needs of a social enterprise”.(UK)

“Other banks want security, this means that the directors of the organisation need to give personal guarantees and we are not prepared to do this. We give our time to the organisation on a voluntary basis. No. Banks make the noises, but, they don’t understand the needs of the sector.” (UK)

“The only thing we can do now is to plan that we stand on our own.” (UK)

### Philanthropy

The data analysed provided some evidence of the SEDETT organisations relying on philanthropy either from individuals or from other commercial organisations seeking to discharge their corporate social responsibility policies to receive needed finance for their operations. Some examples of philanthropy from individuals and private companies / institutions include;

## Sub-Unit 1 Financial planning, budgeting, sourcing and appraisal processes

“And if it gets very bad Linda will go and see if someone will help us .. so for example we were short eight or nine thousand ... so I said you better ring him and just tell him anyway and so she rang him and he said “that’s fine” .... the following day the cheque came in for the money.” (Ireland)

“We have private investors ... to help us with some renovations. But not with health care contributions.” (Italy)

“This accommodation was owned by a Catholic foundation, they gave it on a free loan .... we were also supported by some French industrialists that they are aware of the project ....the combination of professionalism and heart is rewarded by private philanthropy. It is absolutely not rewarded by the public”. (Italy)

### European Funds

Some of the SEDETT organisations were still considering European project funding in order to support their operations, but, many realised that managing such funding is difficult. Examples of such data include;

“The other problem is the type of funding that we manage to access. For instance European funds have become expensive in terms of time: we have a call under examination with 6 months of delay compared to when the project should have started. Fewer and fewer are the things that you can do with that money: reporting it is increasingly pressing.” (Italy)

“Money has to be managed with caution: Brussels is prudent to assign it and the national agency is prudent in the way it is then distributed.” (Italy)

Yes, it is very difficult to keep jobs for people in vulnerable groups, particularly disabled in jobs without subsidies from the state budget and also to be competitive on the market as price and quality. Even if you get a high figure for the volume of business and a great volume of work, profit is very small and does not allow you as much as you want to invest in creating new jobs and developing new social services. Therefore, we need to access also European funds, especially to achieve the social dimension of our business. It is very difficult to grow as in number of social beneficiaries based only on profits made by the social enterprise.” (Romania)

“If we are talking about European funds, they should be specially designated for our use otherwise they can be accessed by other types of willing organisations.” (Romania)

### Other types of public funds

Many of the SEDETT case study organisations acknowledged that the availability of financial support for social enterprise through other types of public funding is being significantly reduced:- examples of such practitioners ‘ views included

“Weaknesses are related to the fact that the migration phenomenon is always growing, however, public funds are less and less within budgets of a state. And because part of our funding is from government, we are at the mercy of state budgets .... there is always as a part on the state budget dedicated to social enterprise but it's like Cinderella, it is the first thing that is cut. The cuts are serious for us because, in the meantime, we have grown as an organisation: we now have 50 employees in Rome.” (Italy).

“the Community First Funding budget from the Welsh government was being reduced and now once again we are about to lose a significant amount of funding from this source. If this reduction had happened six years ago then it would probably have finished us – if it had happened 3 years ago then it would have crippled us .. as it is happening now it will be painful but we will survive .. so those are the type of threats that could be break or make moments for a social enterprise trying to become sustainable.” (UK)



## Sub-Unit 1 Financial planning, budgeting, sourcing and appraisal processes

### Summary

The generalized financial management cycle illustrated in Fig. 3.1 indicates that for an enterprise to move forward it needs to assess the linkage between its planning and budgeting and the evaluation and reporting processes. The material considered in relation to evaluation and reporting indicated that sub processes related to a forward and backward looking cycle of analysis involving tools such balance sheets, cash flow statements, financial statements were at the core of how an enterprise can properly assess its current and future financial position.



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It is interesting to note that the case study organisations involved with the SEDETT project did not address issues related to the principal processes of planning and budgeting and evaluation and reporting as indicated in Fig. 3.1 – the generalised financial management cycle. Rather the data generated concerned itself with the issues associated with identifying and accessing the sources of finance that any enterprise needs if it is to operate on a sustainable level. This emphasis indicates that for the social enterprises involved in the SEDETT project the principal concern is accessing external sources of finance rather than internal processes and sub processes of financial management.

Of the sources of finance indicated in the initial material considered above it is noticeable that the evidence provided by the analysed data from the SEDETT project case study organisations provided support for all potential sources with the exception of crowdfunding.

Given the above findings it is clear that further data collection is required from research with social enterprises on the actual processes and sub processes in-use within their organisations so as to fully ground their as lived practices related to budgeting, planning, evaluation and reporting.



According to Knowhow Non-Profit (2017), social enterprises need to implement appropriate financial management systems in order to:

- make effective and efficient use of resources
- achieve objectives and fulfil commitments to stakeholders
- become more accountable to donors and other stakeholders
- gain the respect and confidence of funding agencies, partners and beneficiaries
- gain advantage in competition for increasingly scarce resources
- prepare for long-term financial sustainability

Some of the key concepts related to financial performance management include control and audit, costing, pricing and break-even analysis and each are now considered in turn.



### (a) Control and audit

A social enterprise needs to develop appropriate controls in order to combat against risk and to ensure compliance with laws and statutory policies and regulations in the location in which it operates. An effective internal control system has the capacity to significantly reduce fraudulent activity and if it does occur, it gives the organisation the capacity to detect it. The financial controls an organisation should be able to detect dishonest, incompetent employees / management /board members; mistakes; poor or inaccurate reporting; and unsustainable cash-flows.

According to Heneghan (2006), a social enterprise needs to develop an internal control system in order to mitigate its risks. This entails the following components:

1. an effective leadership team that develops a controlled environment
2. a risk assessment identification, mitigation and implementation plan
3. a management approach that control activities
4. a robust information and communication system that acquires and analyses information / data to facilitate timely decision making.
5. An effective monitoring process that involves key actors such as members of boards of directors / trustees responsible for undertaking the monitoring of the social enterprises' financial performance and sustainability.

In addition to the internal controls indicated above a social enterprise may need a regulatory/statutory external evaluation / audit of its financial accounting and governance procedures. The auditors need to be independent of the organisation so as to determine whether the accounts produced by the social enterprise provide a 'true and fair' reflection of its activities.

According to Heneghan (2006, p. 266), an auditor has to report whether:

- The auditor has had access to all records and information considered necessary.
- The balance sheet and profit and loss account are in agreement with the accounts in the general ledger.
- The accounts give a true and fair view of the state of the enterprise's financial affairs at the end of its financial year and of its profit and loss account for the year ended on that date.
- The balance sheet and profit and loss account comply with the legal requirements contained in the various Companies Acts.
- Proper books of account have been kept.
- The auditors' report is usually included within a financial statement which presented to shareholders at the annual general meeting.

For more information on control and audit in the SEDETT project partners' countries, please consult the following:

### **UK and Ireland**

[Six Steps to an Effective Continuous Audit Process](#)

[Control Systems and Controls Testing: General Review](#)

[The Auditor and the Audit](#)

### **Poland**

Webinariu: Jak skutecznie zorganizowac compliance i audit wewnetrzny w firmie

<https://www.pwc.pl/wydarzenia/webinaria/webinariu-jak-skutecznie-zorganizowac-compliance-i-audit-wewnetrzny-w-firmie.html>

Jak skutecznie wdrozyc systemy auditow? <https://www.aniba.pl/blog/jak-skutecznie-wdrozyc-system-auditow>

### **Romania**

The development of the social audit concept in Romania – <https://researchgate.net/publication/308768786-The-development-of-a-social-audit-concept-in-romania>

Bottom-up social enterprises in Romania. Case Study Retirees' Mutual Aid Association – <https://www.tandfonline.co/doi/abs/10.1080/03906701.2016.1181388?src=recsys&journalcode=cirs20>

### **Spain**

Audidores <https://www.aobauditores.co/auditar>

Normas de Auditoria Generalmente Aceptadas  
<http://www.tuguicontable.org/app/article.aspx?id=119>

### **Italy**

Iris Network <http://irisnetwork.it/>

EURICSE <http://www.euricse.eu/it>

AICCON <http://www.aiccon.it>

### **Lithuania**

Social audit development in Lithuania. <https://doi.org/10.15544/ssaf.2012.05>



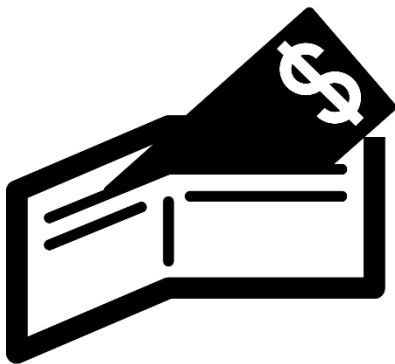
### Costing, Pricing and Break Even Analysis

The key issues to be considered in this topic include a consideration of relevant costs and price determination and the establishment of an enterprise's breakeven point.

Costs include direct and indirect materials, labour and overhead costs involved in the production of the goods or services offered.



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Overhead costs for products and services can include:

1. All labour, material and expense costs which cannot be identified as direct costs are termed indirect costs
2. Indirect materials, indirect labour and indirect expenses are collectively known as overheads
3. Premises – rent, repairs and maintenance, light and heat, insurance, cleaning
4. Transport and Travel – estimate mileage travelled for business
5. Selling and Promotion – what methods will you use for promoting your business? How much will they cost?
6. General Expenses – telephone, postage, administration/office, subscriptions to business related magazines/networks etc., accountancy services,
7. Finance Cost – interest on loans
8. Depreciation – annual reduction in value of fixed assets

A social enterprise needs to consider the above issues before it decides on the pricing level for its goods and services. Therefore it should calculate the total of its costs for its materials, labour and overheads before it reviews its competitors' prices and determines its pricing point for its goods and / or services.

In addition the finalisation of the decision making process in relation to the determination of a pricing point for a social enterprise's goods or services needs to consider a breakeven analysis that takes the following issues into account, namely

- How many units must be sold to breakeven?
- How many units must be sold to achieve a target profit?
- Should a special order be accepted?
- How will profits be affected if we introduce a new product or service?

Break-even analysis reflects on and considers the relationship between costs, revenue, output levels and profit to determine a pricing point at which the social enterprise makes neither a profit nor a loss. Once this position is established a social enterprise can make a strategic pricing decision that enables it to generate its forecasted income / revenue for a set period.

For more information please see:

[Getting your Pricing Right](#)

[Pricing your Products or Services](#)

### **SEDETT Case Study Interview Data (2)**

Evidence from the SEDETT project case study organisations is now considered in relation to their financial operational management processes and surplus generation.

#### **(a) Financial operational management**

The data analysed from the SEDETT case study organisations indicated that many of the organisations involved in the project emphasised the importance of having sound financial management systems. Although some contributors classified the provision of financial management systems as an expensive challenge. Other SEDETT case study organisations stressed that having such sound financial management procedures provided them with transparency, as to where money was being spent.

It was found that the financial management procedures, in place within each of the organisations varied, generally according to the size and the level of maturity of the organisation itself. A small number of interviewees indicated that their organisation relied on traditional basic book keeping systems, supported by an annual external audit. In some countries, such as Poland, the organisations were legally required to document all financial records, this meant that it was easier to work/ co-operate with an external accountant to ensure that such legal obligations were met. It is worth noting that external accountants could also provide support and advice. Similarly contributors from Romania emphasised that transparent financial management systems were needed to ensure corrupt practices were held in check.

Some organisations had a variety of procedures for verifying their current financial position; these included the provision of weekly information to the CEO, followed by a monthly balancing of the books.

A financial management package such as SAGE was considered by one of the organisations to be expensive in terms of purchase and staff training costs. Some organisations found EXCEL spreadsheets to be sufficient. Others used specific packages such as WinMentor and Contaplus, whilst some used a balance of accounting software and manual tasks.



One of the organisations that was using the traditional 'book keeping' approach was however hoping to get all of their accounting information into EXCEL by the end of 2017. The participants alluded to the fact that in the longer term financial packages/computer based accounting would make their life easier.

Examples of supporting evidence for the above findings are as follows and reflects systems that are less complex than others that need to comply with respective national legislation, such as

"My role is really to keep all the finances in order as best I can. That would entail taking in all the invoices or expenditures, sorting out invoices, balancing and paying all the bills. And keeping the books in order for the auditor at the end of the year.

At the end of every month we balance the account and we balance it with the bank statement. The accountant comes once a year. We had him all last week and he's coming back next week. So he does the final audit reports then.

We had considered the SAGE 50 system when we started up here but then we decided no as we went into the cost of getting it, and having them train us and we found that it was very expensive." (Ireland)

This reluctance to fully engage with financial management systems was also echoed in the comments made by social entrepreneurs operating in smaller sized organisations, for instance,

"We use books. Our red books are precious right. We use books but I have been trying to get time to put everything on the computer. So we're hoping this year with the help that I'll be able to do all that..... we've just employed an accountant and I'm hoping by the end of the year we'll have everything up on computer." (Ireland)

"The accounts are managed with the software but other day to day activities are done manually." (Italy)

"So we have financial audit, every year for four or five years now so that as an organisation we have clear picture of our finances" (Lithuania)

"this is one of the responsibilities of the manager of the café to produce current financial statements – but we also co-operate with an accountant as we're obliged by law to record everything in terms of our accountancy." (Poland)

"We have a contract of mandate with an accountant. She comes to us twice a month. But she is very supportive. Whenever we have a problem, we can always call her." (Poland)

The approaches indicated above contrasts sharply with an approach adopted by another SEDETT partner organisation, for instance,

"The financial and accounting legislation in Romania requires the Foundation to use a specialized accounting software called 'WinMentor' where all records are made. All the accountancy details are worked on separate analytic charts, divided in nonprofit and economic activity. All documents related to financial management need to be archived electronically and kept a repository. All projects are audited according to the demands of the donors. The whole organization is audited annually and the balance is signed by an external auditor – as a result we employ a team of 9 accounting staff to support the requirements of the organisation." (Romania)





Another of the larger sized organisations that contributed to the SEDETT project recognised the need to have a dedicated accountant/financial expertise within the organisation. However, it also acknowledged that this recognition had taken some time to actualise; this organisational journey is summarised by one Chief Officer who commented:-

“We managed this core activity really badly until quite recently – when I arrived I recruited a finance manager who was really good at keeping track of our spending and used to produce really good finance reports that were essentially backward looking... in the early days this was not such a big issue as we were mainly funded through grants and the main issue was to ensure that all the grant money was spent by the end of the allocated time period.

However, as we got more and more involved with bidding for, winning and delivering contracted projects it became important to be able to access financial forward looking plans .... This called for additional financial skills that the original finance manager did not possess.

The original finance officer left and we recruited a replacement that we put through a university accountancy course. However, when they left it became clear that this person was not quite up to the demands of the post. We then had a period with no finance manager in place and only recently have we employed a fully trained accountant who is making a big difference to the financial information now being made available to the Board in terms of projections and cash flows – it has taken us a long time to get to this level.

The spreadsheets being used now are as a result of funding provided through the Welsh Coops to produce a bespoke software package that provides additional information over and above the information that can be produced by the SAGE software.

So it maybe that we could have been even more successful if we could have got to this level of financial situation reporting earlier but as usual the problem is that you do not know what you need until after it is needed.”

“Nonetheless, we have survived as an organisation, maybe we could have produced more surpluses on our past activities if we had been more switched on in terms of our financial management and maybe we could have stopped our loss making activities sooner but you know sometimes not having correct information also helps in that it provides a time lag in which issues can resolve themselves .. so for instance last year .. which was a worst year in terms of financial control was the year in which we generated our largest surplus ...

.. so I would say that having sound financial management systems in place is an important issue for a social enterprise looking to become sustainable but I think it need not be ‘a make or break matter’- provided you have a grip on where you have been in terms of spending.

However, having said all that it is clear that now having a 360 degree view of the organisations finances allows a feeling of confidence to be generated when making organisational strategic decisions across all seven of our currently active social enterprises – indeed without such a forward looking financial perspective I would be more concerned – it allows us to take more risks on issues such as taking on more projects such as those that were formerly local authority care services or housing repairs and other new areas of business... risk taking is becoming more part and parcel of what we do – without access to such sound financial projections and advice then business becomes more risky and we are likely to remain doing what we do and less likely to seek to move forward into new areas of service delivery.”  
(UK)

In another organisation a governor talked about the benefits of moving the organisation's accounting technology forward in the following manner:-

"We have the ability to manage this place as easily and accessible as possible. The till in the café, which I insisted upon buying was quite expensive in the first place, but it is online, so I can go on my phone and look at sales. I can go onto an EPOS system and see exactly what is happening.....All the other Board members were against it. They said we could buy a till for £600 and this one was just over £1,000 .. in reality it has been a real boon, not just in terms of access, checking and security, but also in terms of the staff being able to know instantly if they are having a good day in terms of knowing what they are selling ... I can also instantly look and analyse data related to the sales figures for 12 or 18 months ago".

"We really needed this level of information because we are managers on a part time voluntary basis. The accounts are in SAGE at the moment, which is fairly old fashioned and I would like to move towards a cloud based system, so that I can sit at home and access the relevant information, like I do with the organisation's bank account." (UK)

### (b) Surplus generation

Successful financial operational management will generate surpluses or profits for the social enterprise. Not all social enterprises may want to generate surpluses. However, for many social enterprises any profits made were to be re-invested in the organisation; this is an important point for all organisations. Some social enterprises have future plans with respect to the distribution of a proportion of their surpluses to local charities or other initiatives in the community which would help them to discharge their social mission. Some social enterprises even have rules for the distribution of profits written into their constitution.

Examples of analysed data from the case study organisations that contributed to the SEDETT project indicate a spread of issues related to the generation of surpluses and include the following, namely

"We're not here to make a profit." (Ireland)

"Our costs are high and we have a lower profit margin than many of our competitors. The business is starting to work, ... and this summer got into profit." (Romania)

"What we do with the profit we make is another thing, we can reinvest it or we can give it away to local charities, but, we have to make money." (UK)

"So all of the monies which are generated, all profits generated in the social enterprise are reinvested." (Ireland)

"All the profits we generate are reinvested." (Italy)

"Actually according to our constitution, we can spend up to 100 percentages of our profit to achieve our social mission." (Lithuania)

"Well, we are the only bistro social enterprise in Romania. All profit is reinvested in social activities or social projects." (Romania)

"Right now by agreement of the governing council and the Assembly of partners we are in total reinvestment (100%) of our surpluses into the organisation." (Spain)

"All of our surplus is put back into the organisation . We have core staff and if our projects are successful they contribute to the costs of the core ... it is now beginning to work and our projects are contributing to the financial wellbeing of the organisation." (UK)





### Summary

The generalized financial management cycle illustrated in Fig.3.1 above indicates that for an enterprise to move forward it needs to make use of sound resource allocation and operating practices so as to enable it to generate surpluses. The material considered in relation to financial operational management practices of resource allocation and operating practices highlighted that having effective control and audit, costing and pricing processes as well as making use of break-even analysis were at the core of how an enterprise can manage its operational finances.



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from Noun Project

It is interesting to note that the evidence presented above as data analysed from the case study organisations involved with the SEDETT project did not address issues related to audit, costing and pricing or the use of break-even analysis as approaches to effective financial operational management. Rather the data generated concerned itself with the issues associated with identifying differing levels of sophistication related to their internal financial control processes and generated surpluses usage.

This emphasis indicates that for the social enterprises involved in the SEDETT project the principal concern with the financial operational management phase of the generalised financial management cycle as illustrated in Fig. 3.1 was in considering their practices of control in order to provide transparency in their financial management processes so to avoid corrupt practices and the ability to demonstrate that any generated surpluses were used in appropriate ways.

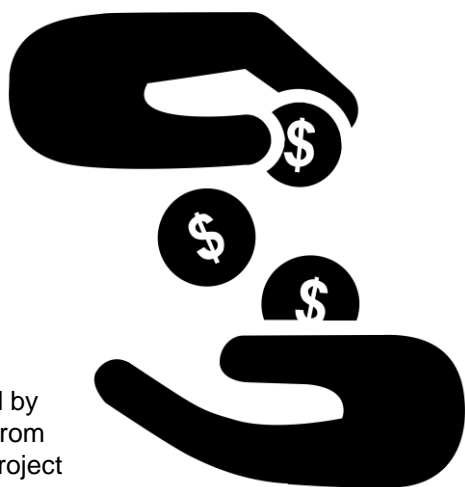
It is clear that further data collection is required from additional research with social enterprises on the actual processes and financial tools in use within their organisations so as to fully ground their as lived practices related to financial operational management.

## Sub-Unit 3 Financial sustainability, revenue generation and social impact assessment

The initial material considered as part of the process of developing the generalised financial management cycle – Fig. 3.1 indicated that a consideration of issues related to operating and monitoring were a feature of that cycle. Evidence from the data generated from the interviews with key actors in the SEDETT project case study organisations is now considered so as to ground practices related to operating and monitoring in the as lived experiences of the practitioners involved.

### (a) Financial sustainability - fundraising

Some organisations talked about their fund raising activities. Two organisations had operated shareholder schemes to raise funds at the start of the social enterprise and as a means of generating a cash injection for growth/new development. Another organisation discussed more traditional activities such as community events as a way of raising money.



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MRFA from  
Noun Project

Issues identified with fund raising included matters such as; competing against other good causes in the area, not being able to employ a full time fund raiser, not being a very marketable cause and a lack of investment in terms of fundraising activities. Many enterprises did not discuss the issue of fundraising and one acknowledged that they had not had to rely on fundraising in the past, but, this may well have to change in the future. Some examples of data that supports the above findings include

“We haven’t a great experience of working to fundraise .... as we are part of an European network of similar religious backed organisations we have been able to go on without fundraising. Now we have reached a moment that means we need to reflect on raising our own funds ..... but until now we have not invested in marketing teams.” (Italy)

However, other organisations involved in the SEDETT project are’ further along the line’ in terms of being involved in fundraising as is evidenced by the following,

“We have to be involved with fundraising ... this is something I never wanted to do but we have to do now because we’ve over €700,000 or €800,000 of a deficit in our budgets. So yeah we’re fundraising now all the time .... it’s very difficult in the times we’re living in to fundraise because everybody is in the same arena trying to fundraise from the same people all of the time. So it’s trying to constantly come up with different elements of fundraising activity .. such as organising fun runs, to try and attract people and raise the funds but as we’re a social economy business we can’t afford to bring in a full-time fundraiser or anything like that ... so all this work has to be done with the resources within our organisation.” (Ireland)

“The positive thing is that now our work on fundraising is producing dividends but the competition is strong. Our approach is not always the most marketable from the point of view of communication and donors. So we continue to rely on who knows us. We have so many small donors” (Italy)



## Sub-Unit 3 Financial sustainability, revenue generation and social impact assessment

Two organisations had operated shareholder schemes to raise funds at the start of the social enterprise and as a cash injection for growth/new development. Another organisation discussed more traditional activities such as community events as a way of raising money.

Issues identified by the interviewees with fund raising for financial sustainability included competing against other good causes in the area, not being able to employ a full time fund raiser, not being a very marketable cause and a lack of investment in terms of fundraising activities. One organisation admitted that

“We haven’t a great experience with fundraising.” (Italy)

Many enterprises did not discuss the issue of fundraising and one acknowledged that they had not had to rely on fundraising in the past, but, this may have to change:-

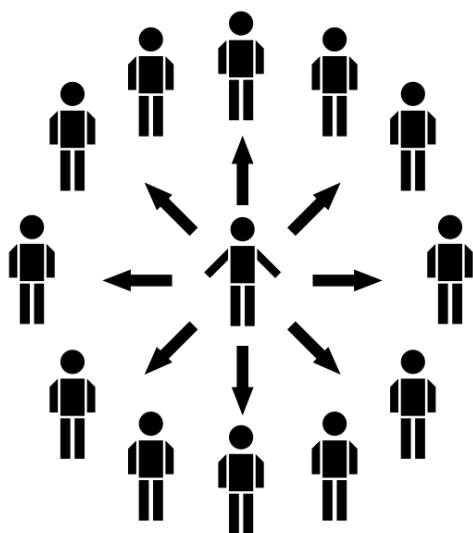
“we are part of an European network and so up until now we have been able to go on without fundraising. Now we have reached a situation that means we need to reflect on getting involved with fund-raising”. ( Italy)

Other organisations found that they were already much further down the line of having to engage in fundraising to maintain their financial sustainability. This can be illustrated in comments such as

“We have to fundraise ... that’s something I never wanted to do but we have to now because we’ve over €700,000 or €800,000 of a deficit. So yeah we’re fundraising now all the time. However, It’s very difficult in the times we’re living in to fundraise because everybody is in the same boat trying to fundraise from the same people all of the time. So it’s trying to be creative so as to constantly come up with something different.” (Ireland)

### (b) Financial sustainability - social impact reporting

In a social enterprise, it is critically important to strive for economic, environmental and social sustainability - see Fig. 3.2. A financial report can record and quantify the economic sustainability of an enterprise but it fails to capture the social and environmental activities of an enterprise. Therefore, a social enterprise needs to address this deficiency by actively recording the social and / or environmental aspects of their organisation’s activities. This can be achieved through many tools / techniques. The most commonly advanced tools are the use of triple-bottom line reporting; and Social Return on Investment (SROI).



According to the Group of 100 Incorporated (2003, p.12), triple bottom line reporting can be defined as ‘corporate communication with stakeholders that describes the company’s approach to managing one or more of the economic, environmental and / or social dimensions of its activities through the provision of structured data and information’. By actively promoting and recording these dimensions, a social enterprise is able to show that it is adhering to the principles of sustainable development.

Created by Stephen Borengasser  
from Noun Project

## Sub-Unit 3 Financial sustainability, revenue generation and social impact assessment

The following YouTube video clips provide a detailed overview of the concept of Triple Bottom Line reporting:

[Triple Bottom Line Accounting](#)

[Corporate Social Responsibility: Elkington's Triple Bottom Line](#)

More information can be obtained from the following references that provide a more detailed treatment of the concept of Triple Bottom Line reporting:

[Jackson, A. et al. \(2011\), 'Sustainability and Triple Bottom Line Reporting – What is it all about?', \*International Journal of Business, Humanities and Technology\*, 1\(3\), pp. 55 – 59.](#)

[Sridhar, K. & Jones, G. \(2013\), 'The three fundamental criticisms of the Triple Bottom Line approach: An empirical study to link sustainability reports in companies based in the Asia-Pacific region and TBL shortcomings', \*Asian Journal of Business Ethics\*, 2\(1\), pp. 91 – 111.](#)

### (c) Social Return on Investment

Social return on investment (SROI) is a model used to quantify the social, environmental and financial (economic) benefits and value of a service, programme, policy or organisation - including a social enterprise) to society across the broad dimensions of social, economic (financial) and environmental impact – see Fig.3.2

Fig. 3.2 Main features to be considered in SROI



SROI is based on seven principles that have emanated from social accounting and cost benefit analysis. These include:

- Involve stakeholders.
- Understand what changes.
- Value the things that matter.
- Only include what is material.
- Do not over-claim.
- Be transparent.
- Verify the result.

## Sub-Unit 3 Financial sustainability, revenue generation and social impact assessment

The six key steps associated with the implementation of a SROI assessment include:

1. Identify social mission / scope and key stakeholders.
2. Map outcomes and determine relationship between inputs and outputs
3. Provide a 'value' for the outcomes
4. Establish the impacts (both positive and negative).
5. Calculate SROI: add up all the benefits, subtracting any negatives and comparing the result to the investment.
6. Report findings and evaluate

SROI is suggested as being a very useful tool for a social enterprise wishing to raise its profile and add value to its funding applications and tenders. It is inappropriate to use SROI if:

- the strategic planning process has already been undertaken and is already being implemented;
- stakeholders are not interested in the results; or
- it is being undertaken only to prove the value of a service and there is no opportunity for changing the way things are done as a result of the analysis'

(see the British Cabinet Office: Office for the Third Sector, 2012, p.9).

The following you tube video clips provide a more detailed overview of the concept.

[Measure Your Impact with Social Return on Investment](#)  
[Nexii Webinar Series: Understanding SROI](#)

### SEDETT Case Study Interview Data (3)

Evidence from the SEDETT project case study organisations is now considered in relation to their approaches to social impact measurement and revenue generation.

#### Social Impact Measurement

Some of the social enterprises that contributed to the SEDETT project discussed how they measured their impact. Of those who spoke about measuring impact, it was only one organisation that considered the collection of the needed qualitative data to be a difficulty. For instance, a social enterprise in Lithuania commented,

“We have regular measure with our target group, so it's like a questioner we have researcher who is employed on the short term contract, in the end of the year she does qualitative research, is like focus groups or interviews with those who got our help and support.”

In contrast other social enterprises based in Lithuania adopted a more statistical approach to record keeping in order to generate the data that needed to be collected,

“We are watching statistics what we have done and what is the situation with our services, if it's transportation, how many persons are using our services, to know it's good or bad it is necessary or not. Also starting from this year we are looking what happening and looking at those numbers which is shown by our municipality, and if the municipality say that some numbers is increasing because of the services of something, we have situation that probably it is our services that's making those increase. We are watching at the situation we are watching the situation of municipality and international as well.”



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“We prepare reports what was done, how much money collected, where spent.

“The easiest way is to count how many children had ability to get our charity. But also we could count artists involved and people who are aware about problems in poor families. We measure an impact of the project according to how many people we can help. Also it's based how much money we receive that we could help them.”

In Romania and Spain, it was found that social enterprises adopted the following similar approach in collecting data to justify the impact of the services that they provided and their local and regional impact:-

- “publishing on own website the annual activity reports and a handbook of ethics and transparency in the decision; and promoting the platform of the foundation and periodic social networking etc.,
- recording all study visits at the foundation and presentations made at various public events;
- conducting quality audits every three years with a company contracted specifically for this purpose;
- making a record of all Interviews and films made about the foundation and whether they were promoted on social networking sites and platforms of other organizations
- collecting testimonials of those who visited the enterprise and/or who are beneficiaries or customers of the organization.” (Romania)

“We have some indicators that we collect and promote such as the annual number of beneficiaries assisted; the number of jobs created and maintained and from those, how many are for people in vulnerable groups, including disabled; number of people sustained for employments on the unconventional labour market; revenues raised from grants and community; our turnover and profit realized / reinvested; the taxes paid to the state budget; the number of established innovative services; number of clients of social enterprise etc .. we measured it by the appearance in the media, also by the visits we have: we understand that if people come to see us it is because we are known outside. By visits obviously we understand someone who represents an entity or institution and goes there to see how we work. Afterwards, we also incorporate satisfaction surveys ... It's something that matters to us. We contemplate it every year.” (Spain)

In the UK, a social enterprise discussed a more complicated picture relating to the difficulties in measuring social impact and the complexities of existing tools:-

“Yes this is an issue that we have not yet got on top of. We organised a local Wrexham wide conference on the topic that was well attended and this demonstrated that all local social enterprises were struggling with the issue of measuring their social impact. We have tried lots of tools such the SROI, the Santander tool, the Social Impact Assessment Tool and others, there have a number of Welsh Government initiatives to develop a use a common impact assessment tool ... all of these initiatives and tools have failed either because they are too detailed or high level or because the funding bodies have not been consistent in their use of a particular tool. So in terms of measuring impact we are not in a great place but I don't feel too bad about it because I know that we are in the same boat as many other organisations both locally and nationally. We like many others are too busy trying to keep everything going to worry about going to a social impact measurement workshop but it is an important issue and one of the things we would like to come up with the WSEN is a tool that could be used in a consistent manner by all organisations across the Wrexham borough area.



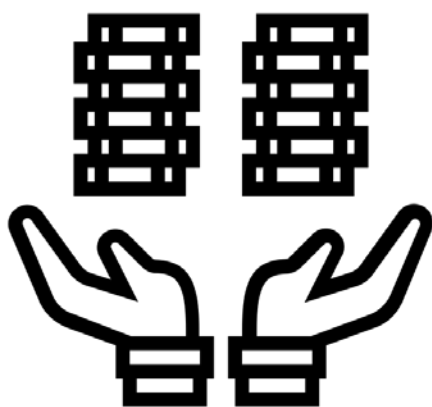
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We would need support and funding to develop this sort of flexible tool that we could all use. The problem for all social enterprises delivering services such as older persons' day care is that the outcomes for the individuals concerned just cannot be counted or written down, the benefits of such services just cannot be equated to a monetary value .... For instance if you are involved in providing mental support and through that support an individual is able to in effect rescue and redirect their life then you just cannot say that for every £1 spent you have achieved £x amount of benefits ... you just cannot bring all such achievements down to money .. this is an argument that needs to be won with the funding bodies. It maybe in time that social enterprises like ours become more financially independent that we do not even try to demonstrate this sort of impact and we operate on the basis that if the trustees are OK with a project's outcomes then that is sufficient ... to do anything more requires resource to capture information and transcribe it into something meaningful that the funding body itself then needs resource to interpret and use the provided information. This may be too much to ask for on both sides of the service contract divide and so I sense there is a need for something different to be developed that is less resource intensive in its application.” (UK)

### Revenue Generation

#### Introduction

The organisations that took part in the SEDETT project were relying on a variety of income streams to generate revenue. This section discusses the income that the social enterprises have been able to generate from enterprising activities, based on selling their goods and services.



Created by I Putu Kharismayadi  
from Noun Project

This part of the module is divided into three sections:-

- Approach to revenue generation
- Growth and development of the social enterprise
- Risk and threat recognition

#### Approach to Revenue Generation

Although many social enterprises still rely on some grant based income streams, the reliance on this form of finance appears to reduce as the organisation grows and develops and become an 'enterprising' social enterprise. However, the interviewees, within the SEDETT project revealed that they had a number of different pre-start up challenges to overcome, before the social enterprise even started to operate.



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The pre-start up challenges experienced by the participants included:-

- The need to fully engage with the community
- The time frame for the operation to come to fruition
- Having sufficient cash flow
- Finding a suitable site/premises
- Increased start-up costs
- Waiting for grants to come through
- Unenterprising attitude of the governing body
- Persuading the owner of the site to let you open as a SE
- Obtaining sufficient business support
- Turning a common goal into a business activity

### Examples

“we’re hugely invested in the community that was very important for the organisation and that was long before I started, this project has taken ten years to come to fruition. A lot of hard work has been done by a lot of people in the past and currently as it exists right now and yeah, absolutely we have engaged fully with the community they have worked with us around fundraising because we have a shortfall in our project. And it has brought a great awareness for us as a social care economy based on the project that we’re currently doing in.” (Ireland)

“I worked on this project almost two years before opening it: I wrote a business plan with which I applied to the NESsT national social enterprise competition and I was among the 3 finalists. We started on the road with about 8,500 euros, we searched the space a lot, arranged it in about two months with volunteers” (Romania)

“At the beginning, it was difficult to find a good place for a café – we wanted one in the centre and without any architectural barriers. It took us a year to find an affordable place like that. Of course, the cost was extremely important.” (Poland)

It is worth noting that three of the Polish organisations, which took part in the study spoke positively about the support that was available in their region. This did not come across so clearly in other countries.

Within the Poznan area the organisations were able to access:-

- Training courses
- Business analysis
- Access to support from a mentor
- Access to subsidies
- Access to financial support to buy equipment

### Supporting Text

“first we took part in a training course in a different social cooperative, which ran a laundry. It was a social cooperative called Arka. We took part in this training course with the whole team we wanted to involve in the creation of our own cooperative. The course was organized by the foundation in cooperation with the Association for Social Cooperatives. We went to this laundry to see if this could be a good idea for us, because it did somehow fit our own idea of what we could do. But it turned out that we couldn’t use this model. The workshops were fine, they lasted two days.” (Poland)





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“The association I mentioned helped us to conduct a very business-like analysis of possible threats and potentials, partners we would have to win to do something like this. So we made a step backwards, once again analysed our potential and decided to base on it.” (Poland)

“It’s a bit easier now, mostly because new social cooperatives are supported by social economics support centres. This means that if a social cooperative is started, they get a subsidy – it’s about 24 thousand PLN per person – which lets them operate peacefully for at least this first year. They can collect whatever capital they earn, as they simply have money for these first salaries. I know that there are also some allowances, I guess from district employment agencies, that social contributions are refunded. So at least the first year of the operation of a social cooperative is currently significantly financially supported.” (Poland)

As the social enterprises started to operate the organisations which participated in SEDETT highlighted a number of other challenges which they had to overcome:-

- Small margins on products and services meant operations had to complement each other and staff know how to deal with all aspects.
- Moving from a reliance on volunteers to paid staff
- Trepidation – a vision becoming a reality
- Detaching yourself from negative attitudes and not giving up
- Realising when things weren’t working
- Resilient staff
- Perceived lack of support (training)

Many stories of overcoming challenges related to overcoming changes to funding:-

- Becoming more professional
- Investing in people
- Surviving on an almost “zero budget”
- Dealing with funding delays
- Not being able to cover costs
- The effects of the financial crisis
- Being prepared for grant cuts
- Almost running out of money (Lack of experience of the Governing body)

The interview text below particularly highlights the issues surrounding finance and cash-flow challenges:-

“we looked as if we could fold maybe in 2012. Like we were making losses last year and the year before. It’s very difficult to make money but you have to be enterprising. But that’s where I feel you know there is not a lot of supports out there for social economy businesses. There’s Pobal and all that. But all they do is give money and then have workshops about how you’re managing your accounts in their template – nobody gives you any training on marketing or sales development or entrepreneurship” (Ireland).

“During the crisis we really saw ourselves in low hours. We had to decide whether to dismiss a few people from the cooperative. We finally decided to lower our salary. That brought incredible work power. It made us much more resilient.” (Spain)

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“The organization has had two turning points in over 14 years: one in 2010 when payments to Romania on European funds were interrupted and there were delays in reimbursement on European projects of about 8 months. The organization ran out of cash flow and past due in payment of salaries and taxes. At that time we went out into the street and we protested urging the government to allocate money from its own funds for beneficiaries. In parallel we accessed a credit to a bank in Poland for cash flow (unfortunately banks in Romania were NOT funding NGOs at the time); the second one was in 2013-2014 when ADV Romania has finalised a large project on social economy and decided to maintain the existing team, even if the corresponding revenues didn't cover the costs. Thus, in 2013 - 2014, the foundation has spent all the reserves funds, being in a position to enter into default (not being able to pay for anything). At the beginning of 2015, the Foundation has brought in an external expert team member, specialized in trade policy, which has optimized processes, created new procedures and changed pricing policy and marketing. Thus, in half a year, the foundation has fully recovered sums lost in 2013-2014 and brought profit to the organization.” (Romania)

“we still have quite a big dependence on Welsh Government funding so for example 6 years ago and then again 3 years ago the Community First Funding budget was being reduced and now once again we are about to lose a significant amount of funding from this source. If this reduction had happened six years ago then it would probably have finished us – if it had happened 3 years ago then it would have crippled us. As it is happening now it will be painful but we will survive” (UK)

In order to adopt a more enterprising approach, the participating organisations have undertaken a wide variety of revenue generating activities. Ways in which social enterprises have been enterprising include:-

- Having an enterprising approach
- Developing the range of products offered
- Being more business focussed
- Higher price points (people willing to pay more)
- Attracting/facilitating different groups to use the space available
- Running events to attract potential suppliers (and customers)
- Reinstating community services that have been lost
- Horizon scanning/keep looking for opportunities/seeing gaps in the market
- Acting quickly (can annoy others)
- Providing services at cheaper prices
- Providing services locally; resulting in services being used more frequently
- Offering a different approach to service provision
- Changing the focus of sales (from wholesale to direct sales)
- Influence of the leader
- Cooperation; working with other organisations
- Being unique
- Meeting community needs
- Allowing staff to be enterprising
- Winning tenders

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This enterprising approach is summarised in a quote from a Lithuanian organisation which took part in the project:-

“You can organize charity, but you can do the same things through the entrepreneurship; and even better.”

Additional supporting quotes included:-

“I think this key, that when they came to see me one of the participants said that we “want to set up a Social Enterprise, but it’s not for making money; we don’t want to make any money.” I immediately said that there is no point talking to me then, because unless you are making money, the enterprise is not sustainable.” (UK)

“Other turning points were: the transition from conventional to organic farming (1991-1996), transition from wholesale to direct sales. We produce organic vegetables and cereals. For years, we have cultivated only chard: the supermarket decided everything. (Italy)

“Direct consumer, we have 2 sales points inside the company, we have three sales points to local markets and then sell the cheese to Natura Sì (organic supermarket). We won four awards for our products over the last few months. Now we are organizing with the buying groups.” (Italy)

“Yes, what we do is social innovation, we are pioneers in many aspects, approaching topics that weren’t approached before such as fair trade, slow food, community supported agriculture, circular economy, zero waste etc.” (Romania)

Other examples of an enterprising approach specifically related to seeing opportunities/gaps in the market (possibly as a result of new legislation):-

“Originally there was an EU white paper that was focusing on two things simultaneously. A shortage of services in rural areas and a shortage of employment and looking to know whether if you were to explore this could you find an issue that needed to be dealt with and generate employment and provide a service. So that white paper seemed to be presenting opportunities and from that the EU put in place an Article 10 and Article 6 as a response to it. I was working in Regional Development and we saw that and saw the potential opportunity. And we were very aware of this particular gap.....so we brought together a small group down there, set up the initial pilot and then once we saw this had some potential we helped that group to form a company in its own right” (Ireland)

“We have been innovators for some things (providing food and accommodation to refugees when there wasn’t an appropriate law) then we adapted to the needs of refugees.” (Italy)

Below is a more detailed case study from one of the Romanian organisations which took part in the study:-

“In the first 6 years of operation, we offered social and educational services, but needs have changed and we realized that it would be useful to develop also employment programs for people with disabilities. So, in 2008 we set up vocational workshops, which later became skill qualification workshops. We then obtained legal accreditation for employment services and we started looking for unconventional labour market jobs for our beneficiaries. Unfortunately, the economic crisis came and we failed to succeed. Then we decided to create new jobs and thus was born the social enterprise, originally licensed as a sheltered unit, the only legal form possible at the time. Later we worked with the Ministry of Labour and other NGOs at the Social Economy Law, which after five years of work, was approved in 2015.



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The organization has increased as number of employees, volunteers and beneficiaries, with an upward trend. For 15 years, the Foundation has developed over 75 projects/programs with funding of international organizations, local authorities and own funds. The Foundation programs were conducted at local, regional and national and cross-border/transnational level in domains such as social services and social economy. Over time, we developed new innovative services for inclusion and employment of vulnerable groups, especially young people. In parallel, we developed also the lobbying and advocacy area for the NGO sector, promoting and defending the rights of our direct beneficiaries - vulnerable groups of people. Also, we provided a component of development assistance for NGOs in Moldova, Ukraine and Nigeria.

Today, we have 80 employees, including 36 with disabilities. The enterprise is authorized as a unit protected workshop in Iasi, Constanta and Tg. Mures and is the largest social enterprise in Romania. It provides archiving and storage of documents; printing and personalization services; Tailoring services (specializing in the production of protective equipment); corporate tourism -I and a Charity shop online Cash & Carry. We have a portfolio of more than 1,500 companies - customers who purchase from their disability tax due from the state budget and beyond!

Annual sales increased from year to year: in 2013 - almost 2.5 million Euros in 2014 - 4.5 million Euros, 2015 - 5900000 Euros. Net profit was 270,000 Euros last year, and paid taxes to the state budget were approx. 430 884 Euro.

Business development was mainly achieved with European funds and bank loans. European funds were used for the training of human resources for the purchase of equipment for sewing workshops, printing, bookbinding and manual archiving, and the construction of the headquarters in Iasi. The two loans were obtained from a bank in Poland (100,000 Euros, used as cash-flow start) and BCR (150,000 Euros, used to build warehouse archives)."

### Growth and Development

#### General Comments

In terms of growth and development of revenue generating activities the organisations, that took part in the SEDETT project, were considering starting to provide services beyond their original area/region of operation. Such services include the provision of meals on wheels services and basic elderly care provision. Other social enterprises wanted to grow the diversity of services being offered, for the benefit of the community. Many saw the opportunity to grow as a result of reduced local authority/municipality service provision. However discussions with such organisations proved difficult.

It was recognised that there is a need to balance what the community needs in both short term and longer term planning. Also that growth needed to balance the social (community) and the enterprise side of the business, yet, still relying on the core ethos/vision of the organisation and have perspective. More established enterprises were able to make plans for the future, without relying on other organisations or grant/project based funding streams.



Created by Gregor Cresnar  
from Noun Project



## Sub-Unit 3 Financial sustainability, revenue generation and social impact assessment

The services offered were being promoted by the use of social media, websites, flyers, invitation and visibility. By being recognised, organisations were having the opportunities to work with other social enterprises and organisations such as education providers (universities) and the private sector.

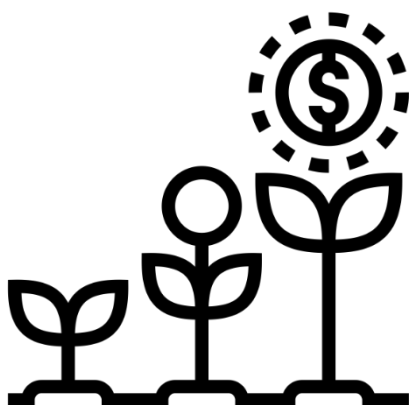
Organisations were considering growth by replication; the same innovative idea in a different geographical location. Furthermore, they were also considering international growth through social franchising (Social Promoter). One organisation, in Romania, was considering further international expansion. Two social enterprises were considering finding a partner organisation to allow growth.

It was also noted that having a proven track record of delivering quality services was also allowing organisations to grow. New legislation could also provide growth opportunities, such as the Social Care and Well Being Act (Wales) 2012.

To grow, it was recognised that organisations needed staff, rather than volunteers to take ideas forward as it can become too much for volunteers alone to achieve. Organisations needed to be aware that ideas will not always fruition, but, they needed to be prepared to take the risk.

The following areas, relating to growth and development were also highlighted:-

- Allow time to develop an idea before taking it forward
- The social enterprise needs to adopt an external perspective, when considering growth
- Many growth ideas related closely to the central business service/function e.g. café dobra is a café, they have a restaurant and are considering a bakery.
- It was key to involve the right people at an early stage when considering growth.
- As the organisation grows there is a need to consider the internal structure; can the internal structure cope with growth? Does it need to change?
- Is additional support needed in order to be able to grow
- Growth obviously requires resources, however, being small generally means less overheads and greater flexibility. Access to resources may come through bids for funding.
- Enterprise/new growth, requires effort, willingness and skills (Business skills).
- Growth is aided by having a strategic plan in place.
- Growth could be used to deal with the issue of seasonality e.g. promoting community use of facilities during the winter months.
- Some organisations considered that their growth was limited by location/premises.



Created by Nithinan Tatah  
from Noun Project

Many of the organisations were always looking for ideas to take the enterprise forward. One organisation referred to this as an enterprising mind-set that scanned horizons to identify what grants are available and when. What to do if local authority/ municipality support is no longer available. During difficult times social enterprises need to be even more alert at horizon scanning and anticipating change.



## Sub-Unit 3 Financial sustainability, revenue generation and social impact assessment

### A Note of Caution

However, expansion and growth can cause tension:-

“And the opposition came from groups. What really upset us down through the years was the opposition that came from other centres. Now, we never interfered with other centres but the opposition, now we set up meetings.” (Ireland)

Expansion may also exclude the community:

“If it got too big then there would be a danger of spoiling the community aspect of its operations as it still belongs to the community and we would not want the community to be shut out if they could not get in because of its popularity.” (UK)

Also, there may be a lot of opportunities, but, they may not be a priority:-

“There are many opportunities and it's always about the priorities, we are going to take or not” (Lithuania)

For many, expansion can only occur if they were selling more products and services. However, it can be difficult to compete with the private sector. Social enterprises evaluated that having a social focus, counts for little:-

Question “How much does the social message count in the business, in attracting customers?

Reply: Not enough. Not as much as it should. It is very difficult to focus on the social purpose itself.” (Romania)

Expansion is clearly affected by the availability of and access to assets:-

“It's hard because you are on an equal footing with other companies that have no social component. And competition is not always loyal in terms of respecting all rights and rules for employees. Or, in our case, these things are very important - the employee is respected and engaged with all the legal forms properly established.” (Romania)

The organisational Leader only has so much time to take opportunities forward:-

“I am sure we could access the needed money and secure additional projects that would allow us to pay back the loan and still have a surplus to pay back to the centre. However, there is only one of me and I cannot be involved in the production of the trugs and at the same time become involved in the negotiations to access new plant and equipment and so I cannot commit the additional time to making my case internally for the additional funding.” (UK)

Being part of an umbrella /overseeing organisation can hamper growth and development:-

“The situation we are in with being our umbrella organisation prevents us from having our own individual web site and this is a real constraint on our ability to develop our capacity and maintain our business. This is limiting our opportunities overseas as well as at home as we are not on the high street as it were.” (UK)

It can also be a mistake to rely on unpaid/voluntary labour:-

“It is a fact that, in the social, there is a strong component of priests and nuns. But this is counter-productive from labour costs point of view. Those no used to commercialising their social work do not understand that you need to be paid for your work.” (Italy)

### Contracts and Tenders

Participating organisations were asked if they had tried or were thinking of applying for contracts and tenders, particularly those being offered by public bodies. The conclusion reached was that being a social enterprise is not an advantage and there is little support for social enterprises to bid for and obtain such tenders and contracts.

“It’s actually a hindrance being a charity or not for profit or social economy business it’s actually a hindrance with regards to procurement. it’s very ... HSE would want to outsource all of this work to commercial businesses ... “ (Ireland)

The ability to bid for contracts and tenders was also influenced by organisational size. One organisation considered that there had been issues with smaller, social business organisations winning contracts in the past and this now meant that health organisations, local authorities, municipalities etc. wanted to procure organisations which operated in wider geographical areas:-

“Because obviously there’s been a lot of issues with charities and not for profits down through the years and we’re small really, so we’re in one area whereas if you’re a multinational and you’ve come in and you’re spread over a whole range of places ... we’re regional whereas they want national.” (Ireland)

Having to operate in wider geographical areas has meant that, in some instances, social enterprises have had to work together:-

“I suppose our main challenge is winning another tender. We had to go and tender with Clare Care... so as a social economy business in this sector you’re being tightly squeezed all the time. So we’ve a very strong network of others, 23 other social economy businesses that would work in home care. because you see, home care ... like there’s a lot of these businesses in say running ... you’ve a lot of social economy businesses doing community halls and different things, whereas homecare is relatively new in Ireland.” (Ireland)

However, social enterprises feel that it could be of benefit to divide contracts into smaller tenders:-

“What our interaction with any kinds of policies usually boils down to is persuading specific officials and clerks to support our cause – to make it easier for us for instance by dividing tenders into smaller ones. Being such a small enterprise, it has been hard in some instances to accept the entire tender on our own, especially when it applies to the entire Province. We wouldn’t be able to manage that even if we co-operated with other social enterprises.” (Poland)

### Social Clause

Participants also drew attention to the fact that there is rarely a ‘social clause’ in the procurement process:-

“there is no social clause in the procurement. So it’s not there. It’s a hindrance.” (Ireland)

“But from the point of view of other social enterprises benefitting and buying in, we haven’t talked about that and we’re very conscious of the fact that there’s a gap nationally in the whole tendering, the national tendering should have a clause in it that was giving social benefit clause and that that’s not there nationally. But locally I can’t say that we’ve had a strong focus on other social enterprises.” (Ireland)

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“If there is a tender to which a social clause applies, then institutions like ours are in a sense privileged, i.e. institutions which don't just generate profits, they are not businesses but they do something for the society, like we support the unemployed. Such entities are then privileged, so if there are two entities offering the same prices, the social entity is preferred. But it doesn't happen in Poznań. I've never encountered a tender like that. That's why it's not easy for us to bid in tenders, although we're good with respect to the quality of our work. But we don't bid in big tenders. I don't think we'd stand a chance.” (Poland)

“It would really be a good opportunity all this is being tried now in some municipalities with the theme of "social clauses". That is, a way to limit by stages who is presented to each public contest. So the participation in them is graded according to the size and turnover of the company.” (Spain)

“They are auctioning certain types of services and we can participate exactly like any other business. Under the new public procurement law, there is a new deadline, that of a reserved contract. There are still some for the protected units but now they have social inclusion companies included. As an economic operator, if you want to bid for a service or product that you want to purchase, and if you know that an insertion social enterprise can offer you what you need, you can choose the form of contract purchase. In this case, only firms that are registered social enterprises or workshops may participate in the tender. Here we try to promote and sensitize economic operators or public institutions, to resort to this type of auction. We think it is fair, especially in the case of large contracts (those over €30,000) where we can never beat a larger, direct importer. If it were a protected contract, then we would compete with such new ones, other social enterprises.” (Romania)

Law 448/2006 on protecting disabled people was introduced and enables purchasers to acquire services from authorized units (social enterprises) on a partnership basis in an amount equivalent to the amount due to the state budget under certain stipulated conditions. However, the government in Romania repealed this facility by emergency ordinance in August 2017. This decision was made with little consultation and as a consequence many social enterprises in Romania experienced difficulties that caused them to re-think their overall economic strategies to reduce services and activities.

The documentation associated with tenders was evaluated as being complicated. The holistic process of tendering was regarded as stressful and social enterprises were in a very competitive environment for example one social enterprise had submitted a tender to a bid in which there were 92 other submissions.

Social enterprises recognised that price was still the deciding factor:-

“Today the price is the decisive factor and prices in Poznań can vary so much. I sometimes wonder how companies are able to maintain their workers. It's incredible but these are the companies that win. So the only tender that we succeeded in was the one in Suchy Las. I didn't even expect that. They themselves asked if the social clause applies to us. We said “yes” and then we won. It wasn't a big order but a permanent one for the horticulture workshop. So Poznań pretends to be pro-social and pro-social economics but apparently not everywhere. I hope this will change. Especially that the social clause would apply also to social cooperatives, which would make operating in the market easier also for them. No social cooperative will ever grow as big as some companies, so it also won't be able to have extremely low rates.” (Poland)



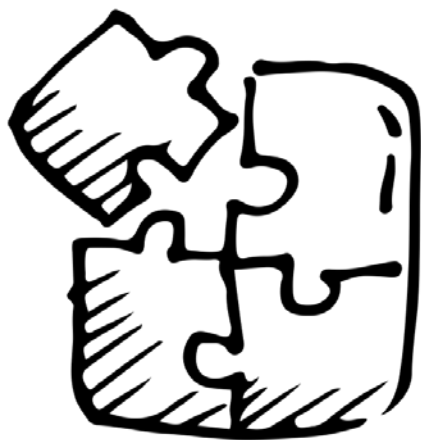
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“It’s like with tenders. Sometimes when I see the bids of some businesses, their rates are so cheap that I can’t really figure out how it is possible. Sometimes, the rates are ridiculously low.” (Poland)

“For the new procurement law, the primary criterion is indeed the lowest price, but there is also the quality-price criterion. Buyers can reserve their contracts to specific social enterprises. But for this criterion, the procedures are more complicated and then it is much simpler for many economic operators to choose only the lowest price.” (Romania).

### Co-operating with Other Organisations

The two care based social enterprises that took part in the project spoke about working with other organisations, this was usually to enable them to bid for tenders and contracts. One organisation also considered that having to collaborate had resulted in them becoming more professional, in terms of their operation.



Created by Saeful Muslim  
from Noun Project

Some of the social enterprises which participated in SEDETT were collaborating with other companies in order to source work placements and internships, both organisations seemed to be progressing well. Others were working with private sector organisations, with an aim of fulfilling the private sector company's CSR obligations. However working together was not always easy:-

“We have companies who approach us (to help us) but this relationship needs two structured counterparts. The company does not know how to take the first steps towards social but must have an equally organized counterpart with which to establish a work plan. For small and medium enterprises, this work schedule is in addition to the enormous amount of work that they already have. A family-like atmosphere structure does not interface well with a real company. So in the end this kind of situations do not take off. Because on one hand, there is a structural requirements of the company, on the other there is the social enterprise that fails to take shape.” (Italy)

### Risks and Threat Recognition

The participants of the SEDETT project were aware of a variety of risks and threats to their revenue generating activities:-

“Even though we are a social enterprise, we have the same risks that business companies have!” (Romania)



## Sub-Unit 3 Financial sustainability, revenue generation and social impact assessment

Assessing the risks and threats highlighted below, the above statement appears to be correct:-

- Buying products that don't sell
- Making enough money/profit to keep the enterprise going
- Dealing with seasonality
- Short leases on properties
- Developing sufficiently trained staff to support the leader
- Meeting customer needs
- Decision making for social as well as commercial reasons, which may affect profits
- Unsustainable projects (these continue as the organisation wants to change attitudes). These projects, with minimal funding are also expensive in terms of staff time and energy. Demand for such projects can also be overwhelming.
- Limited markets/ mass production at lower costs
- Success can be dependent on the economy of the country
- Growing too quickly can be a risk, as it can take too many resources
- Maintaining product quality
- Keep finding volunteers
- Being able to find permanent staff
- More competition; being aware what the competition is offering
- Lack of tax incentives (which results in an increase in the retail price)
- Customers not understanding the social story
- Using eco products is more expensive
- Purchasing from small suppliers is more expensive
- Being dependent on a few main clients
- Internal conflict
- Political environment (Change of local government)
- Relying on others for the provision of essential equipment
- Increasing production costs balanced with the need to keep contracts
- Reluctance of Governments to support investment
- Lack of funding
- Keeping up to date
- There was interesting debate about taking risks, in small SE's. Some considered that they didn't take risk, whereas others felt that they needed to take risks in order to be competitive
- "We don't take risks to be honest because you can't afford to take too many risks." (Ireland)
- "We don't really take any risks." (Poland)

As opposed to:-

- "We have to take risks we have to be competitive in the market, sell our goods and we need to plan our investments." (Lithuania)

Although there were a variety of risks and threats facing each organisation, the overall attitude was positive, as summarised by a Spanish based social enterprise:-

"Threats I think we have them under control. I believe that the economic situation (dependence of the administration that is our main client), the internal conflicts that there may be for being a cooperative society ... I think we have identified them and that we are working to improve them. So we have threats, but none that scare us."



### Summary

Standard textbooks addressing issues in the management of social enterprises have a tendency to ignore issues related to financial sustainability and revenue generation. The emphasis given to these matters by the practitioners involved in the SEDETT project case study organisations reflects their real world as lived experiences. As a result a consideration of financial sustainability, revenue generation and impact assessment needs to be reflected in the emergent social enterprise capacity assessment tool (SECAT).



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from Noun Project

Fig. 3.1 – the generalised financial management cycle illustrated above identified key internal organisational features that needed to be considered in the development of effective processes. However, in a competitive business environment there is a need to also develop an externally recognised presence in order to promote the goods and services on offer to potential clients and customers so that the necessary revenues can be generated. The interviewees from the SEDETT project case study organisations highlighted two areas in particular that were related to this activity that they considered to be significant, namely (i) marketing and (ii) use of networks. These two issues are now considered in more detail below:

### **(a) Marketing in Social Enterprise**

Most of the social enterprises that participated in the project had a website and it is considered that this and social media were their main marketing tools rather than conventional marketing and advertising through established media. Facebook appeared to be the social media of choice with a few of the social enterprises that contributed to the project making any use of Twitter, in combination with Facebook.

The data analysed suggested that the interviewees perceived some of the advantages of social media as a marketing tool for social enterprises as being:

- Up to date promotion of existing and new services
- Allows customers can comment on the services/quality of services provided
- Offers a connection to customers
- Discuss/evaluate social impact
- Able to explain how money is being spent, particularly monies raised via donations.
- Able to keep in touch with the local community, but also able to attract a wider national and international audience
- Inexpensive
- Spreads the message quickly
- Potentially allows the development of other small businesses

Some of the larger social enterprises were using their websites to sell their products. One organisation had used another platform, Etsy, to market their goods. However this had not been successful as it was found they did not follow the legal requirements of the site, for instance.

“No we have not used E-bay we have used a crafts based website to add to our sales (etsy) However, we had to leave this web site as we did not follow the rules for trading on it and there were complaints about us and as a result we were asked to leave the web site.” (UK)

Some of the smaller organisations that contributed to the SEDETT project still make use of local, regional and national newspapers, through promotional articles written by journalists and press releases to market themselves. Conventional newsletters and flyers are also being used by some of the project's contributors to market their products and promote their profile.



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*Other marketing methods include:*

- Promotion through other social enterprises
- Participating in events/trade fairs
- Promotion through staff and volunteers
- Working with other organisations, such as schools, local authorities
- Eye catching logo
- Word of mouth
- Personal recommendations
- Internal design of shop/café



Created by Vector Market  
from Noun Project

The following are some examples of analysed data that provide support for the findings set out above, namely:

“Right now we only use traditional media when we hold an event. The contact with our people through the press nowadays is much less than in previous years.

However, we still send press releases frequently to the media but we make much more use of our website. We do not have facebook, or twitter.” (Spain)

“We keep the local community informed through the local newsletter, facebook and Twitter. We put out good news stories about our services. It took us a while to get into the social media for our marketing ....it is really important to keep everything up to date.” (UK)

“It was a journalist that came here for a coffee one day when we were only opened a month or two and we were chatting to him and telling him what we had done ... he did the first article on us and from that it was picked up nationwide and from that the whole thing ballooned.” (Ireland)



“We have not done a lot of conventional marketing rather what we have done is use facebook. The take up of this source has quite surprised me and we know have over 3200 followers. This form of marketing has reached well beyond the immediate locality which only has around 250 people and there is some evidence that it is having an impact on the take up of our services.” (UK)

“Of course we have our web page, our Facebook page and the newest thing is our Facebook page for the services, this is where you can find information about us, where you can comment and chat with others about the quality of services. It’s interesting to have a connection with our customers, who just try our transportation or wants to get a feedback for us and it also helps us to demonstrate the impact that we are having in the locality.” (Lithuania)

“The design of the web site is nice and what is important nowadays is having a nice logo.” (Poland)

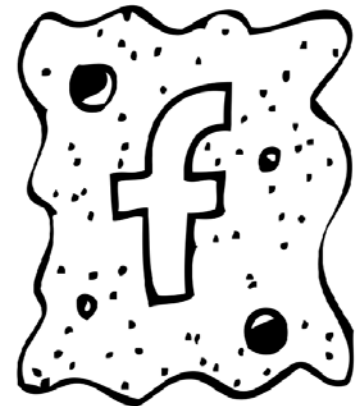
“Recently we launched an online website where our products can be purchased. This means that we can be appreciated by people outside of our immediate area and some foreign tourists have also found out about us online. (Romania)

However, some interviewees had negative experiences with respect to social media, especially due to adverse comments and devoting too much time to maintain up to date profiles etc . The following are some examples of data that illustrate these points,

“yes it’s on Facebook but you know not everybody is on facebook.” (Ireland)

“On facebook various people have expressed their surprise at being served by someone with Down syndrome and there have been some silly comments too, suggesting for example that if an intellectually disabled person serves you some cake, you might become intellectually disabled yourself – but all in all the overwhelming message is that there really is nothing to be afraid of. “ (Poland)

“Yes, we used facebook to promote our employee who had baked a cake and there was plenty of comments that ranged from being warm and supportive to being slightly rude, especially those comments that seemed to have been made by young male people which were very discriminating against disabled people.” (Poland)



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from Noun Project

Other more general issues raised by the SEDETT project interviewees concerned having a lack of budget for marketing initiatives as well as there being a lack of in-house expertise on which to base their marketing efforts. Some examples that support these findings include,

“So we have only a minimal budget for conventional advertising and that is something that I am pleased with as I do not think conventional advertising works anymore.” (UK)

“In our experience we have had no choice but to become more professional in our marketing abilities.” (Ireland)

“But until now we have not invested in marketing.” (Italy)

“it’s not professional, there’s no marketing there’s no in-house marketing expertise”. (Ireland)

Some organisations have started to train their staff in marketing, and this has been provided through mentoring, and educational courses at higher education institutions. One social enterprise was also encouraging staff to undertake social media training with the aim of marketing their goods and services. The following is a key example;

“we now have a member of staff going on a marketing course and the person most engaged in marketing for us has also been mentored by an external organisation, another senior manager is undertaking a post graduate programme at a local University. Informally we encourage staff to take up social media training so as to help with marketing their own area of operations.” (UK)

### Unique Selling Point

The SEDETT project case study organisations mentioned what they thought were the unique selling points (USP's) of their enterprises. Such organisational strengths would be a central part of the marketing of any enterprise and in the context of the social enterprises contributing to the SEDETT project included,

- Atmosphere, people, hospitality and friendliness
- Selling quality products/ seasonal products/ unique products
- People will travel for niche
- Customer Service
- Providing an Experience
- Individualised services/ appreciating that it is “not the same for everyone”
- Creating real jobs (for people with disabilities)
- A customer felt that by using the social enterprise, they had supported the local community and the local economy.

*Key examples from the SEDETT project case study organisations include:*

“It’s just a beautiful place to work. The atmosphere is lovely. Everybody is so nice. And what I love about it is the people that pass through its doors you know from one end of the year to the next is so interesting.” (Ireland)

“the shop is run very very well. Top quality stuff – it’s doing well selling local products. People like to come, they’ll travel for niche”. (Ireland)

“we are an individualised service that goes out to the community, whereas when you are a permanently based service you’re going to have to maybe contract in different local enterprises.” (Ireland)

“We always try to make individual planning decisions depending on the characteristics of the person, we look for solutions with the user.” (Italy)

“In these years we have hosted about 70 mothers and we have learned that autonomy is not the same for everyone”. (Italy)

“There are lots of activating projects, which cost lots of money but the end point in the evaluation of these projects is not whether these people have found employment – it’s whether they have completed the project.” (Poland).

“But I got used with the things I can find here and makes me feel proud somehow that I contribute to the local community and local economy in my own little way. I still love the fact that they are not using plastic at all, that the water is free for all and that if you come by bike you get a discount.” (Romania)



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### (b) Networks and Social Enterprise

Social enterprise networks or umbrella organisations play an important role in terms of supporting social enterprises, particularly in countries where there is limited or no publically funded support. The role of networks can range from acting as a mutual support mechanism offering guidance and advice, or acting as an advocate for the sector, negotiating contracts, exchanging good practices, to interacting with public bodies for the construction of specific public programmes. These networks and umbrella organisations are emerging across Europe and exist in almost all countries and such networks often exist at both the national level and the regional/ local level. (EC, 2015)

Doherty et al. (2009) and Hazenberg et al., (2016) assert that being active members of a wide range of networks which include potential customers as well as competitors, at local, regional and national level can ensure good, up-to-date intelligence about the markets in which a social enterprise functions.

In Italy, Ireland and the UK social enterprise/social cooperative networks are well established and offer a broad range of support services and commercial opportunities to social enterprises. Within the other countries that took part in the SEDETT project local, national and regional support networks are beginning to develop.

For more information on this matter in terms of individual European countries then follow the links below:-

#### **U K**

[Country%20reports/SE%20Mapping\\_Country%20Report%20Italy.pdf](#)

[SE%20Mapping\\_Country%20Report%20UK%20\(1\).pdf](#)

#### **Lithuania**

A map of social enterprises and their eco-systems in europe, Country report Lithuania,

<http://ec.europa.eu/social/blobservelet?docid=129948&langId=en>

#### **Ireland**

[https://www.tcd.ie/business/assets/pdf/centre-social-engagement/23072013-](https://www.tcd.ie/business/assets/pdf/centre-social-engagement/23072013-socialenterpriseinIreland-sectoral-opportunities-and-policy-issues-publications.pdf)

[socialenterpriseinIreland-sectoral -opportunities-and-policy-issues-publications.pdf](https://www.tcd.ie/business/assets/pdf/centre-social-engagement/23072013-socialenterpriseinIreland-sectoral-opportunities-and-policy-issues-publications.pdf)

Irish Social Enterprise Network <https://socent.ie>

#### **Poland**

Social Economy in Poland <http://www.ess-europe.eu/sites/default/files/read-more.pdf>

Department of Social Economy and Public Benefit  
<http://ekonomiaspoleczna.gov.pl/surveys,andanalyses,3416.html>



### Spain

Social Economy in Spain <https://www.cepes.es/social/econ-social-que-es>

Global ranking of social economy Enterprises in Spain <https://www.cepes.es/social/ranking-global>

National Law of Social Economy Enterprises in Spain  
<http://www.boe.es/boe/dias/2011/03/30/pdfs/BOE-A-2011-5708.pdf>

### Romania

Romania Country Report – <http://www.Ec.Europa.eu/social/blobServlet?docid=13095&langId=en>

Many of the social enterprises interviewed, as part of the SEDETT project, were members of localised networks whilst others were also involved with regional, national and/or international networks. Wider geographical networks were generally associated with the field in which the social enterprise operated, for example networks of organisations involved with environmental issues or working with migrants.

### Local Networks

At a local level social enterprises were meeting to discuss a variety of issues including training, funding opportunities and joint working. These local networks were mainly comprised of other SE's. Examples from SEDETT included:-

“Another important thing is to develop connections, networking and, where there is not, create it. We have developed a network of services for mothers and children.” (Italy)

“We meet with social enterprises and share our experiences.” (Lithuania)

An Example of a local social enterprise network is the Wrexham Social Enterprise Network (WSEN). The network was formed in September 2016 and is currently coordinated by one of the larger social enterprises in the locality. There are approximately 20 social enterprises actively involved in the network, from both the Wrexham and Flintshire areas. Support is also provided by Wrexham County Borough Council and Wrexham Glyndwr University. In the future the WSEN aims to:-

1. Attract finance and funding to support the setting up and growth of social enterprise in Wrexham
2. Increase number of young people involved in social enterprise in Wrexham
3. Raise the profile of Social Enterprises with the public and private sector and the general public.



### Regional/National Networks

Some of the case study organisations in the SEDETT project were members of regional and national networks. Examples of regional network included,

#### U K

Talwrn (UK) (<http://talwrn.org.uk/en/what-we-do/>),

Development Trust Association Wales (UK) <http://www.dtawales.org.uk/> .

National networks included the Irish Social Enterprise Network (<https://www.socent.ie/>) and

Social Enterprise UK (<https://www.socialenterprise.org.uk/>).

#### Ireland

Bnest(social enterprise incubator) <http://bnest.ie>

#### Poland

PL Stowarzyszenie na rzecz Spoldzielnini Socjalnych <http://www.spoldzielnie.org/>

Zwiazek Pracodawcow Zakladow Aktywnosci Zawodowej [zazpolska.pl](http://zazpolska.pl)

#### Lithuania

Valdymo inovacijų agentūra. [http://innovate.lt/verslo\\_konsultacijos/parama-socialiniam-verslui/](http://innovate.lt/verslo_konsultacijos/parama-socialiniam-verslui/)

#### Spain

Observatorio de Economicia Social <http://www.observatorioeconomiciasocial.es/>

Confederacion Epresarial Espanola de la Economia Social <https://cepes.es>

Within the SEDETT project, one of the Romanian participants was a member of the Romanian network of work integration social enterprises ('Asociatia RISE Romania'21). The network involves eight non-governmental organisations (NGOs) operating with the objective of supporting work integration of disadvantaged individuals. The social enterprise uses this support network to:-

“Lobby and advocacy for the development of national and European social economy. Exchange of information, training and opportunity to develop projects in partnership.” (Romania).



Another case study organisation from Romania was a member of an international networks such as;

FONSS – <http://fons.ro/acasa/>

RISE – <http://www.kingsonrise.org/>

Dizabnet – <http://disabnet.ro>

European Network of Social Integration Enterprises – ENSIE – <http://www.ensie.org/>

Easpd Brussels – <http://www.easpd.eu/>

One of the Lithuanian organisations was a member of Soci Faction, aimed at younger entrepreneurs and part on another ERASMUS project (<http://socifaction.com/>).

Being a member of a national or regional network is likely to involve a basic membership fee that can be an issue for some small sized organisations.

### International Networks

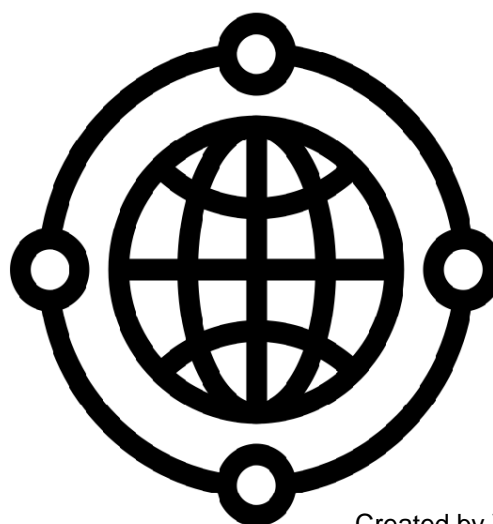
Only three of the social enterprises in the SEDETT project discussed being members of International networks:-

“As a religious organisation, we are part of an European network.” (Italy)

“We are a member of the ENSI Europe,” (Romania) (<http://www.ensie.org/>)

“We are well known in the field of social economy in Romania and we are part of many national or international networks involved in the main areas of interests as ours. We are affiliated with The Coalition for Environment of Romania, Romanian Federation of Organizations for Development and co-founders for Zero Waste Romania.” (Romania)

The other SEDETT case study organisations did not discuss the benefits of being involved in international networks.



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### Initial Support Offered by Social Enterprise Networks

Most SEDETT organisations had received some form of initial support to bring their ideas to fruition. Support was provided by a wide variety of organisations - for example from European funded programmes, such as the LEADER programme; or facilitated by Pobal in Ireland, or from philanthropic foundations such as the Plunkett Foundation, Barka Foundation (<http://www.barkauk.org/about/>) as well as local, regional and municipal councils and authorities. Other organisations which provided financial support also offered additional support, such as the 'Big Lottery' in the UK. Support could also be forth-coming from charitable/third sector organisations, for example from the Association of Voluntary Organisations in Wrexham (AVOW's) third sector doctor programme. For instance, In Ireland support for social enterprise was obtained through the LEADER programme,

"It was a little boost you need to start and they throw up the reins and it's up to you now after that now. Then they were great people, passionate people that were running the projects. And the money wasn't just covering the books, they were exceptional help." (Ireland)

In Poland and Romania social cooperatives are also started with the help of supportive organisations. Examples of this support include,

"Our partner was the Association for Social Cooperatives. Without their support, we would not have been able to take this challenge. An e-course would not have been enough" (Poland)

"We have been developed by the Better Association with the support of NESsT - an organization involved in the development of social enterprises worldwide." (Romania)

Some Local Authorities and other institutions also provide additional online support, such as the 'social enterprise toolkit' by Wrexham County Borough Council:-

"Yes, we worked with AVOW and an organisation from Liverpool (Vision21). It is a detailed document and this toolkit has been used by organisations in Venezuela and India..... For small organisations to work, they need to be realistic and use the guiding principles from the toolkit and the people on the Board, sitting around the table have to be on the same playing field. The toolkit can be too big, that where the DTA framework can be more concise. The two can also be combined." (UK)  
([https://www.wrexham.gov.uk/english/business/social\\_economy/se\\_toolkit.htm](https://www.wrexham.gov.uk/english/business/social_economy/se_toolkit.htm))

"In terms of mentoring we have been to other organisations such as the Robert Owen Bank when we have made applications to borrow money." (UK)



### Ongoing Support Offered by Social Enterprise Networks

The data analysed from the case study interviews found that as the social enterprises became established and began to grow they were still using support networks for:-

#### *(i) Professional Support*

For example;

“We use the ETAP association. They offer legal advice. Whenever we have a problem, we turn to them and they always help. It doesn’t happen often but sometimes we need them.” (Poland).

“I really felt that organisations like the big lottery really wanted us to succeed. When they set a target and we were struggling to achieve it, you could pick up the phone and there was a human being at the other end. I know we were lucky the support officer that we had was very helpful and supportive.” (UK)

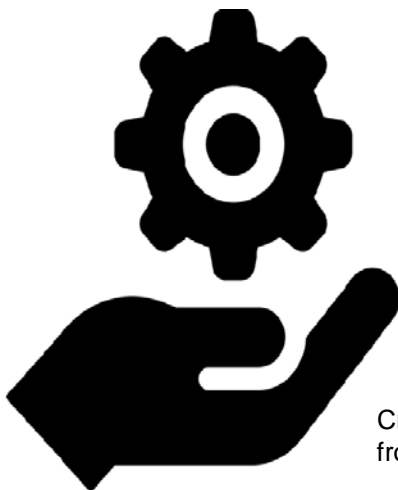
“Support has been gained from the coop, the Plunkett and the Big Lottery you can get consultation on issues such as finance and HR. this has resulted in revised and updated policies and customised handbook for employees. In addition this help has allowed us to develop proper contracts of employment, introduce pension schemes, and ensure all are paid a living wage.” (UK).

#### *(ii) Service development through mentoring and training - for example;*

“we have re structured internally as a result of having access to a business support / mentor.” (UK)

#### *(iii) Lobbying regional and national government, - for example;*

“We have been developed by the Better Association with the support of NESsT - an organization involved in the development of social enterprises worldwide.” (Romania)



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from Noun Project

### Sharing the vision

Generally, as a result of being a member of a social enterprise support network, at local, regional, national or international level, the social enterprises involved in the SEDETT project have begun to take advantage of a variety of opportunities:-

*(i) Working with Universities, Education and Training providers.*

For example,

“The students did some of their project work for their course on it. So I think it was beneficial for the students and it was for us as well.” (Ireland)

*(ii) Working with other social enterprises*

For example,

“We work a lot with other cooperatives that are part of our network. We have a rapport of friendship. With them, we do projects together or training courses....We try to work with the region to develop a network. ” (Italy)

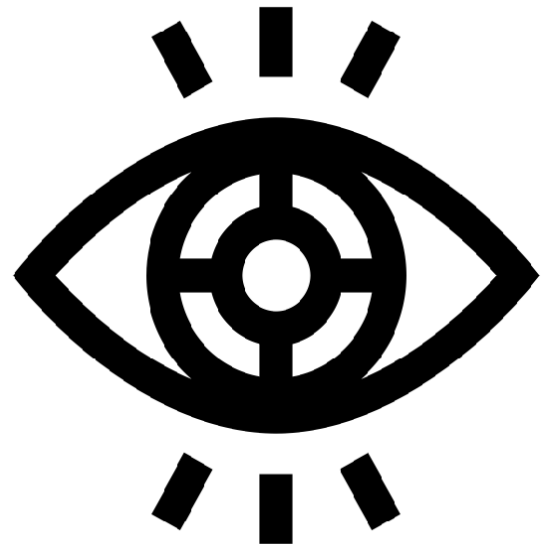
“the WSEN enables contacts to be made with other organisations and you never know where such connections can prove to be helpful in the future.” (UK)

*(iii) Acting as Exemplars*

For example;

“What I see here is so many people come in through our doors and they're asking how did you set up and they are saying “we're thinking of doing something similar”. (Ireland)

“I've done everything for them. I have bought them here, shown them what we did here. I showed them how to develop a business plan, from our business plan, took samples. Spoke at public meetings.” (Ireland).



Created by Vector Market  
from Noun Project

Other organisations had also had visits from national and international organisations wishing to see how the organisations worked and looking to set up similar initiatives.

For example;

“Every group that comes to visit the City Manager comes to visit us.....we had them from Europe the last time.” (Ireland).

*(iv) Promoting the Message.*

For example;

“We produce organic vegetables; we work with the buying groups and families. We try to discuss with them, to educate them, somehow, on some specific issues such as the ethical development, organic, respect for the land, the placement of people with difficulties. So our support networks are the municipalities, the families, buying groups, other cooperatives like us.” (Italy)

“Our interest in developing such economic activities lies in the recognition of the fact that in order to build societal trust and to determine behavioural change, we need a proactive attitude rather than a reactive one as well as being able to prove that another world is possible and to develop economic activities with a triple bottom line approach – people, planet, profit.” (Romania).

*(v) Sharing ideas and good practice is not considered to be a threat*

For example;

“my dream is to help other people which we have done with the others in our area.” (Ireland).

“they saw our organisation as being one of the stronger social enterprises in the care sector..... Now our SE is a bit ahead of most of the rest, but sharing back into the care community would not be a problem.....we would be operating for the good of all.” (Ireland).



Created by Vector Market  
from Noun Project

### Issues with Networks:-

Organisations raised a small number of concerns about being part of a social enterprise network. The first issue raised was the lack of time to attend meetings:-

For example;

“The key thing for many social enterprises is somehow finding time and space for a key player in the organisation to go out and take advantage of the opportunities provided by being active in a support network not just locally but also on a pan national basis.” (UK).

“I went to the first couple of meetings, but to be honest, I don’t really have the time. I still get the emails, but I haven’t been involved lately.” (UK)

Another issue raised was staff changes, at the support organisation, rather than the social enterprise.

For example;

“In the last three years there has been a continuous turnover of staff, councillors, and managers. People still contact the institutions but they do not know who and how to help them. Despite having built over the years a network of qualified interlocutors is all very complicated.” (Italy)

Two interesting issues were raised by two UK based social enterprises that contributed to the SEDETT project, namely

For example;

“One of our problems is that we like to be self-sufficient and we haven’t looked what support is available” (UK)

“We have been a little involved and we have been to one of their meetings but we haven’t been pushy and I don’t feel that we have been very proactive and I am not sure how it can help organisations such as ours as I feel that it is set up for larger organisations” (UK).

### Achievements

Participants were asked what they considered to be the achievements of the organisation, some answers detailed recognition at National and International awards, others spoke of the day to day achievements of helping clients.





### Awards Received:-

The social enterprises involved in the SEDETT project had received a wide variety of awards, far too many to mention all of them in this section. Examples of the awards that have been won are detailed below:-

“We actually won the Irish Times Best Tearoom in Ireland Award. We won the CAVA award for community work. We won the Get Involved programme last year for sustainable businesses, won two sections in that; One for the whole thing of setting up the business and the other for it being a sustainable business.” (Ireland)

“We won Pride of Place. We were the first ones to bring that to Limerick.” (Ireland)

“The business plan for the social enterprise was awarded a prize in the Social Enterprise Contest organised by NESsT in 2011-2012. In 2013, we were awarded with Your Choice Your Project Unicredit.” (Romania)

“Activities within ADV Romania have been recognized and appreciated both locally, nationally and internationally, the Foundation receiving over 25 awards” (Romania)

“We were awarded the best centre for seniors in Andalucia”, according to the Junta de Andalucía.” (Spain)

### Operational Achievements

Other organisations considered that their organisational achievement focussed on operational achievements rather than awards and so some examples of this type of award include;

“If we are talking in terms of getting some kind of the prize or medal, no, we have not but I think the greatest achievement is the recognition by our target groups by our donor sponsors.” (Lithuania)

“One of my most memorable achievements probably was giving shoes for the family in need. It was the moment when you can cheer a person and see his sincere smile. I believe that the achievements of our project are the biggest in providing a joy for people, as well as ourselves.” (Lithuania)

“As our social business is young, we cannot mention a lot of achievements. We helped to several children. But it also is very important for us. Even if we could help at least one child, it is also significant achievement for us.” (Lithuania).



“I consider it a big success of our organisation that there is a visible increase in the interest in disabled people in the job market – a greater recognition of the fact that these people can function normally in the society, not just within specialist institutions. There also seems to be a general breakthrough in terms of overcoming the fear of the disabled. At the beginning a great number of people came to our café with great interest but also visible anxiety – they didn’t know how to behave, to the point that they asked direct questions as to how they should behave towards our disabled employees, how to address them. It was interesting for me personally to find out that there is still a need to educate people in this regard. At the beginning for many clients it was fascination of sorts, but with time this transformed into normal functioning – perceiving us as just another café with good coffee and good cake.” (Poland)

### Summary

The data generated above from the interviews with the SEDETT project case study organisations confirms that in considering the financial management processes associated with the development of sustainable social enterprises there is a need to consider issues related to the external promotion of the organisation through marketing and networking activities.

## Generally

An output from the SEDETT project was the development of an inter-active framework of factors that practitioners identified as being significant issues for social enterprises seeking to develop, grow and become sustainable as business organisations. This inter-active framework was identified as being a social enterprise capacity assessment tool (SECAT). This tool was developed following the analysis of over 60 interviews taken from key stakeholders involved with 22 case study organisations located across Europe in countries such as

*Ireland, Italy, Lithuania, Poland, Romania, Spain and the United Kingdom*

This sub unit brings together the material previously developed in modules 1, 2 and 3 as a result of the consideration and explanation of the supporting evidence emerging from the SEDETT case study organisations' interview data analysis processes and subsequent illustration through the series of diagrams of partly grounded factors found to affect social enterprise growth and sustainability. The sub-unit considers the practical use and interpretation of the SECAT framework so that learners can gain an understanding and awareness of the issues involved in the development and use in practice of the different elements and component features that make up the (SECAT) inter-active framework.

### **(i) Guidelines for use and Interpretation of the SECAT inter-active framework**

#### **(a) What is the SECAT ?**

The SECAT is a generalised web enabled inter-active framework developed for social enterprises to create a profile of their own organisational capacity through the establishment of a current profile of activity. The organisational profile developed through the use of the SECAT will enable social enterprises to assess their own capacity level and if appropriate, help them decide whether any further development is required to enable them to deliver their own stated mission.

The SECAT sets out the eight main elements that have been identified in the emergent learning materials in modules 1, 2 and 3 as making up the capacity framework i.e.

- strategic direction (see module 1)
- management and operational context (see module 2)
- leadership (see module 2)
- financial management (see module 3)
- revenue generation (see module 3)
- networks (see module 3)
- governance (see module 1)
- human resources (see module 2)



Each element was either originally identified in the initial general treatment of what is known about a factor through a review of relevant texts and journal papers and / or it has been identified as a result of a consideration of the evidence gathered from the SEDETT case study organisational interviews.

Each element of the framework has its own section in the emergent inter-active framework within which a number of components have been developed. Each component of each element of the framework has either been identified from existing material located in relevant texts and / or has emerged from the data analysis of the interview data. A series of phrases that indicate common features of related organisational activity associated with each component of the framework has been developed to enable differing organisational profiles to be developed by the framework's user (profile A, B or C) – see [www.sedett.eu](http://www.sedett.eu) further information

### **(b) Why use the SECAT ?**

The inter-active web enabled framework can be used by differing actors within a social enterprise to identify :-

- elements of capacity that have the most features within each component of each element of the framework (profile C - orange) as well as those elements where the organisation has the fewest features of each component of each element of the framework (profile A - yellow)
- any capacity overall or elemental change of profile over a time period can be captured by repeated usage of the framework across a time line.
- different views on organisational capacity from key actors in different parts of an organisation or with differing roles and responsibilities within an organisation can be generated through use of the framework so as to facilitate discussion and strategic policy formulation

It must be noted that the SECAT framework

- is neither sector specific nor a scientific tool.
- cannot quantify the dimensions of each capacity profile / level and to do so would require additional research.

The descriptive phrases within each element's components are not meant to be exact or reflect any ranking or scoring but need to be loosely interpreted for application to the contextual situation of a user.

### (vi) How to use the SECAT

The tool is to be used electronically either through the SEDETT.eu web site or downloaded in an excel file format and it is has been protected to prevent formulas being deleted or modified.

An organisation needs to decide on who, when and for what purpose the capacity assessment is to be undertaken.

- It must be noted that the SECAT framework could be used
- if an organisation wants to assess its capacity development over a time period or it may be used if an organisation wants to take a snapshot of its current situation.
- ideally by key actors within the organisation and that have a good overview of the organisation i.e chief officers, senior managers, governors etc.

### Application

1. *Consider each element (see above) of the SECAT framework in turn for its relevance to your social enterprise.*

For each component of each element within the framework, that is appropriate to the context of your social enterprise, determine the descriptive phrases that are most reflective of your organisational situation and click on in the relevant text box which will then become highlighted and provide a coloured visual profile (Yellow – profile A, Blue – profile B or Orange – profile C) of the users view of their own organisational capacity

Please note: If either a particular element of the Tool or a particular component of an element of the Tool is not relevant to the user of the framework then there is no need to make a response.

The descriptive and generalised phrases in the text boxes aligned under profile A, B or C headings for each component of each element of the framework need to be interpreted loosely to best reflect the relevance of the component to the context of the framework user.

The use of colours to provide an elemental and overall visual profile does not imply any level of ranking or scoring in terms of the perceived optimal organisational position.

2. *If appropriate use the spaces provided in the 'additional comments' text box at the end of each element of the SECAT framework to record relevant information that may be used to aid further discussions within the social enterprise when considering the framework outputs.*

3. After considering each of the components of the Tool in turn and clicking on the most appropriate descriptive phrase for their own organisation the user must press the ENTER button to finalise the organisational capacity profile and generate the coloured elemental and overall organisational profile.

The responses for each individual component statement will become highlighted in a relevant neutral profile colour (yellow, blue, or orange).

An indicative profile colour will appear at the end of each of the eight main elements of the framework and an overall organisational profile colour / type will be produced that can be used for consideration/ discussion within the organisation so as to determine its future directions.

4. The file can be saved and printed with your written comments if required.

5. To reset the Tool, press the RESTORE button and the Tool is cleared of previous entries and is ready to be restarted.

### (vii) How to interpret the SECAT output

1. The overall organisational profile (profile A- yellow, B –blue and C- orange) – see below provides a generalised organisational view of its capacity development status and the elemental colouring within the framework (yellow, blue and orange) provides an indication of the organisation's particular positioning at the time the self-assessment(s) were taken.

#### Capacity Level

Organisation Capacity Level	Organisation Capacity Level	Organisation Capacity Level
Profile A	Profile B	Profile C



2. The resultant overall and individual element capacity profile - A, B or C (yellow, blue or orange respectively) provides a tool that can be used for strategic discussion within the social enterprise concerned.

Please note

- the SECAT output does not measure organisational performance and no inference should be made as to the merit of one profile over another. The output of the tool is for internal organisational reflection / discussion and consideration only.
- Each social enterprise that makes use of the SECAT framework may well be at a different level of maturity, size and contextual situation in the sector within which it operates.

Therefore an overall profile of A (yellow) or B (blue) or C (orange) does not imply any overall ranking or scoring or any ranking or scoring for the elements of the framework as it may be that the elemental profiles established by the framework user reflect the capacity level that the organisation decides that it wants to achieve.

To actively use the SECAT inter-active framework and develop an understanding and awareness of the implications of using the tool in practice then do now go to [www.SEDETT.eu](http://www.SEDETT.eu)

Each of the principal sections of the framework, namely (i) the financial planning, budgeting, evaluation and reporting processes, (ii) the financial operational management systems and (iii) the financial sustainability and social impact assessment tools are considered for relevant supporting evidence from the interview so as to partly ground what the SEDETT practitioners view as the more significant aspects of the proposed framework in actual practice. In addition other issues that are of significance to the case study organisations involved with the SEDETT project are also identified.

### Summary

The development of the social enterprise capacity assessment tool (SECAT) has been based on the as lived experiences of practitioners associated with the SEDETT project case study organisations. In the consideration of the financial management and revenue generation processes that are central to the sustainability of a social enterprise then it is clear that an assessment of how and where an organization can alter its capacity profile is needed. The use of the SECAT provides a mechanism for key actors within such organisations to establish an evidence base from which discussions and eventual capacity decisions can be taken.

However, it must be noted that the SECAT has been developed from data gathered from social enterprise organisations of differing sizes, types and levels of maturity and which were based in differing home locations across Europe with differing legal structures and regulations and which operated in differing sectors. In such circumstances the use of such a generalised SECAT can only be for guide purposes as more research is needed with particular types of sector specific social enterprise organisations to enable more robust dedicated frameworks to be established.



### Conclusions

The generalized financial management cycle illustrated in Fig.3.1 indicates that for an enterprise to move forward it needs to assess the linkage between its planning and budgeting processes, its resource allocation processes, its operating and monitoring processes and its evaluation and reporting processes. These generalized processes provided the background for the data analysed from the SEDETT project case study organisations. The data presented above reflects the real world, as lived experiences of practitioners involved with the strategic direction and management of differing types and sizes of social enterprises located across differing nations within Europe.

As a result a richer deeper picture of the emphasis given by the practitioners interviewed as part of the SEDETT project the following sub-processes became apparent, namely

Funding sources	Financial operational management
Surplus generation	Financial sustainability
Revenue generation	Marketing, networking and impact assessment

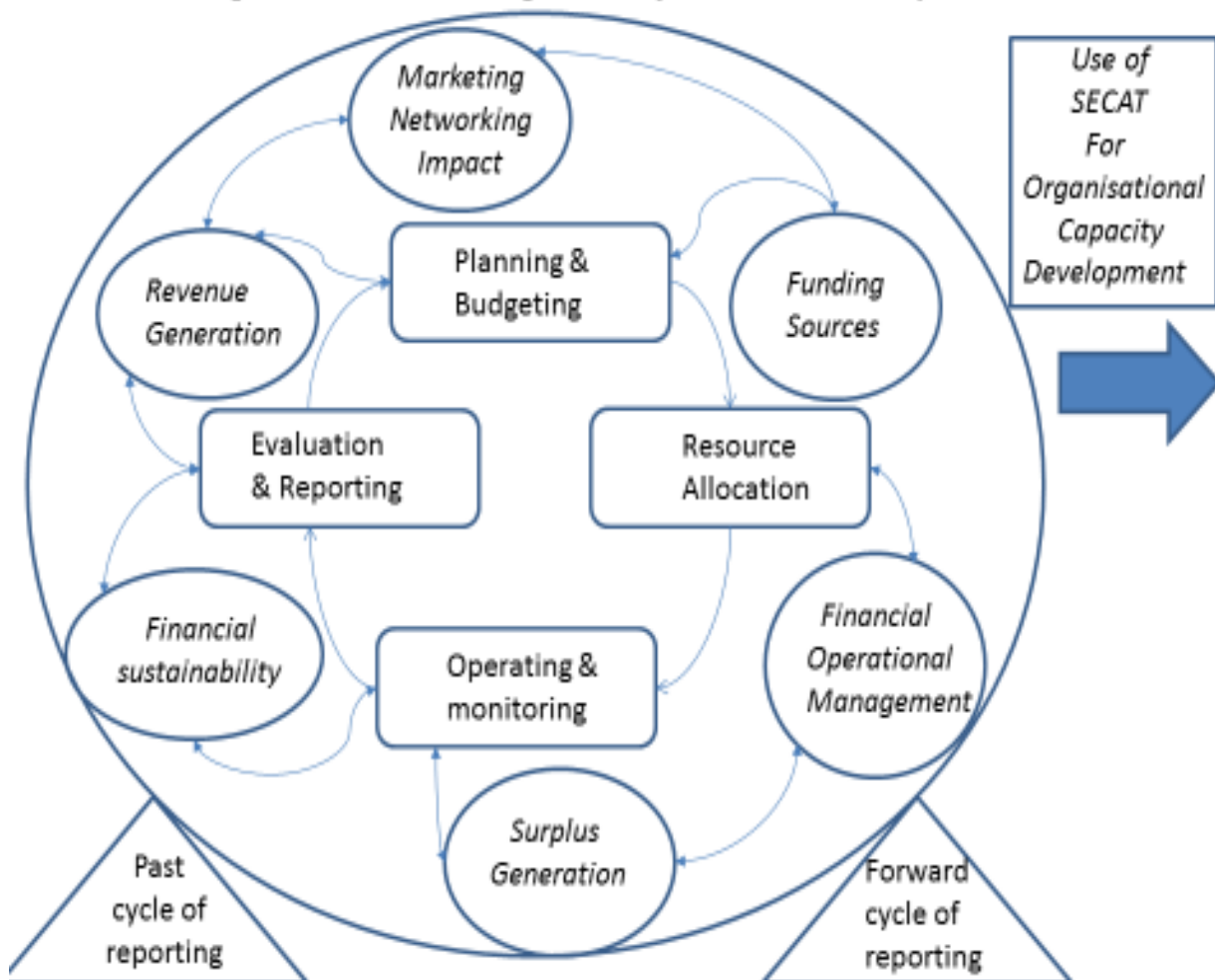
The identification of the above sub-processes has facilitated the enhancement of the generalized financial management cycle to show the processes and sub-processes that are of significance to the real world situation that social enterprise practitioners occupy – see Fig. 3.3. The linkages shown between the processes and sub-processes need to be further explored to confirm their robustness by collecting more data from the field.

The development of the social enterprise capacity assessment tool (SECAT) has been based on the as lived experiences of practitioners associated with the SEDETT project case study organisations and which have been considered and identified in the learning material s developed in module 1, 2 and 3.

3. In the consideration of how and where an organization can alter its capacity profile is needed. The use of the SECAT provides a mechanism for key actors within such organisations to establish an evidence base from which discussions and eventual decisions on how and where an organization can alter its capacity profile can be taken.

However, it must be noted that the SECAT has been developed from data gathered, analysed and presented in the learning materials developed for module 1, 2 and 3 are from social enterprise organisations of differing sizes, types and levels of maturity and which were based in differing home locations across Europe with differing legal structures and regulations and which operated in differing sectors. In such circumstances the use of such a generalised SECAT can only be for guide purposes as more research is needed with particular types of sector specific social enterprise organisations to enable more robust and focused processes and sub-processes and dedicated capacity assessment tools to be established.

**Fig. XX Financial Management Cycle in Social Enterprises**



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