# *A POINT TO PROVE*: A SOCIAL ENTERPRISE FRAMEWORK FOR THE WEST MIDLANDS

Final version – March 2004

This document has been prepared by Limited, economic consultants, on behalf of Advantage West Midlands

# Table of contents

# 1

# Social enterprise matters

The social enterprise sector makes a significant and increasingly important contribution to the economy and quality of life within the West Midlands region. Through enterprise, innovation and entrepreneurship for the public good, social enterprises can play an important and necessary role in achieving a vibrant, balanced and inclusive economy. In spite of this, it is a sector that is often misunderstood and its contribution is not always fully appreciated.

The West Midlands Economic Strategy ("Delivering Advantage – the West Midlands Economic Strategy and Action Plan 2004 – 2010") recognises the potential of social enterprise to promote economic growth and address social and economic exclusion. Since the publication of the first regional economic strategy in 1999, the West Midlands has benefited from an increase in social enterprise related activity. In addition to the West Midlands Economic Strategy, the six Regeneration Zones are seeking to use social enterprise as a vehicle to drive regeneration and renewal.

The region is committed to supporting and equipping the social enterprise sector to develop and grow into a self-directing and mutually supporting network of social enterprises, support agencies, intermediaries and other key partners.

As a first step to achieving this goal, this framework identifies the key imperatives for the sector's future growth and development. The framework has been built on an evidence-based analytical and a transparent process driven approach.

## The framework

The framework presented is intended to act as a route map, catalysing, co-ordinating, shaping and guiding the work of regional stakeholders as they seek to work together to stimulate the development of a competitive and forward-looking regional sector, that will underpin regional wealth generation and social good in the long term. It is a long-term plan that identifies objectives that can be achieved over a period running until at least 2010 – aligned with the timescale of the revised West Midlands Economic Strategy.

*A Point to Prove* is also a framework for the whole of the West Midlands region. Advantage West Midlands has taken a leadership role in commissioning the plan and is committed to working with partners to bring its vision about. A wide range of funding is already being directed towards the social enterprise sector in the region. *A Point to Prove* is principally intended to add coherence and focus to these funds rather than to develop a new layer of support and investment. Nevertheless new resource requirements may emerge from the commitments made in this framework.

Advantage West Midlands will play its part in facilitating activities and interventions flowing from this framework and will encourage other investment opportunities to be explored. *A Point to Prove* is a strategy for the region and all partners must play their part in ensuring it is delivered.

This framework is also designed to raise the profile and awareness of the sector and at the same time, to provide clarity on component parts and current status of the sector in the West Midlands.

## What is social enterprise?

The Department for Trade and Industry's strategy document "Social Enterprise Strategy for Success" defines a social enterprise as "a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners." Whilst this definition covers a wide variety of different types of organisation, most social enterprises share three main features.

Firstly, they will be viable **trading ventures** that produce goods or services within a market and earn most or all of their income from sales. However, some enterprises may be in an early stage of start-up or be voluntary organisations beginning to move towards a trading environment.

Secondly, they will have clearly expressed **social aims** or ethical principles that are expressed through a commitment to ensure that the social, environmental and economic impact of their activities contributes positively to their wider community.

Thirdly, they will be **socially owned** and will distribute any surpluses amongst their members, users and other stakeholders for the benefit of the community.

There are many different types of venture that meet these criteria and are encompassed within the overall definition of Social enterprises. These include:

- Employee owned businesses – including worker cooperatives – that provide employment for their members

- Consumer cooperatives that provide goods and services for members

- Community Businesses – supplying goods and services that meet the needs of a particular local area

- Development Trusts and other community-based regeneration groups

- The trading arms of charities that supply goods and services to meet their objectives or generate revenue to fund charitable activities

- Social Firms – small businesses providing integrated employment and training mainly for people with disabilities

■ Organisations helping unemployed people make the transition back into the workforce – typically by providing temporary waged employment

■ Credit Unions – supplying low cost savings and loans to specific communities

■ Community Development Finance Institutions providing access to finance for other social enterprises and small businesses

Social enterprises will have many different forms of legal entity but are usually companies limited by guarantee, registered charities or industrial and provident societies. Subject to separate forms of regulation, these offer social enterprises different types of corporate structure, governance rules and limited liability. By early 2005, legislation should be enacted to establish a new legal form – the Community Interest Company – which will permit social enterprises to enjoy the flexibility and certainty of a private limited company but with features to ensure they are working for the benefit of the community.

The DTI's Social Enterprise Strategy also states that "successful social enterprises can play an important role in helping deliver on many of the Government's key policy objectives" by:

■ helping to **drive up productivity and competitiveness** in many third sector organisations by encouraging people to have a stronger commercial awareness and rigour. It is through this transformation that a larger number of suitable social enterprises will become sustainable and self-financing

■ contributing to **socially inclusive wealth creation** by redistributing profits and redirecting them towards the greatest areas of need. The UK is currently one of the worst performers in Europe in terms of income inequality and in recent years the gap between the rich and poor has widened significantly. Social enterprise offers an excellent opportunity to redress this balance

■ enabling individuals and communities to work towards **regenerating their local neighbourhoods**, by equipping them with the necessary tools, knowledge and financial resources to make a lasting impact

■ showing new ways to **deliver and reform public services** through innovative and fresh contracting and procurement routes, resulting in high quality relevant services, delivered at competitive prices that are responsive to local dynamics. There is a recognition that many of our public services are being delivered through antiquated models using outdated methods, systems, approaches and technologies. Social enterprises have the flexibility and the resources to develop novel solutions to some of these problems

■ helping to develop an **inclusive society** and **active citizenship** through the promotion of strong social values and the active engagement of local communities. Across the UK, there are numerous examples where social enterprises are successfully managing to connect and interact with local people, resulting in an improved quality of life.

Social enterprises in the West Midlands region already engage in a wide range of activities. Often their focus is on helping engage socially disadvantaged people in the workforce and enabling them to seek employment opportunities or start their own businesses. They also provide business support services and facilitate new skills development. Social enterprises can play a pivotal role in implementing the West Midland's Regional Economic Strategy. This has four specific aims:

- Developing a diverse and dynamic business base

- Promoting a Learning & skilful region

- Creating conditions for growth

- Regenerating communities

The Strategy identifies that social enterprise can make specific contributions to developing the business base of the region and to regenerating communities. It also shows that social enterprise is also well aligned with the two fundamental commitments underpinning the West Midlands Economic Strategy:

- **Sustainable development contributing to long-term improvements in the quality of life in the region:** by providing the right support, social enterprises can support entrepreneurship, form sustainable businesses and generate significant wealth for the region;

- **Equality, diversity and economic inclusion – providing appropriate access to opportunities and valuing the region's diversity**: driven by social inclusion values, social enterprises will deliver high quality services and products, at competitive rates, coupled with an inherent appreciation of the social good to improve the quality of life for all communities.

From the available research and analysis, it is evident that the region's social enterprise sector has real growth potential if supported, united, co-ordinated and guided in the right manner. The strategic framework contained within this document is an initial route-map, designed to release this latent growth potential in the West Midlands, over the next 5 to 10 years.

# The strategic development process

The process that has led to this framework has fallen into three discrete, but reinforcing phases. Each phase involved a partner workshop, at which the findings and recommendations were presented to regional partners for calibration and verification, before moving on to the next phase. During the second phase of work 5 thematic workshops were held.

The development process was conducted in an open and transparent fashion, giving partners the opportunity to influence, buy-in and contribute at each of the three stages. This approach has been adopted to ensure that the final output is both

accurate in its representation of the situation on the ground and realistic and representative of the challenge that the sector faces. It is only by gaining real partner commitment to delivery of the resulting actions that the process will deliver the effective and co-ordinated change required to develop a fully networked, successful and prosperous sector. Each phase sought to answer three questions:

■ **Phase 1:** Where are we now?

■ **Phase 2:** Given where we are, what are the clear imperatives we need to address?

■ **Phase 3:** What is going on, and what needs to be commissioned, to address these strategic imperatives?

Further important questions, such as: "How do we organise ourselves to deliver the strategy's actions?" and "How will we know that the actions are working?" will need to be addressed when thinking through implementation, monitoring and evaluation, and delivery.

Phase 1, the state of the sector analysis, was presented to partners at a calibration workshop event held in February 2003 at Advantage West Midlands, with over 35 attendees. Partner feedback has been incorporated and the finalised document circulated to partners. Copies of the summary paper are available upon request.

This document reports on the second phase of work, addressing the question *'Given where we are with the sector, what are the clear areas of imperative we need to address?'* It builds on the findings of research by West Midlands Social Enterprise Partnership (WMSEP) and the SQW summary *State of the Region* paper. All of the emerging strategic imperatives have been collated to create a social enterprise development framework, comprising nine strategic ambitions and four permeating themes (see Section three for details).

# 2

# A platform on which to build

## What have we got to work with?

There are a substantial number of innovative and exciting social enterprises, intermediaries and support organisations scattered throughout our region, both in an urban and rural context. However, at present it is extremely difficult to accurately quantify the size and scope of the sector. Traditional measures and datasets often fail to capture or differentiate social enterprises from mainstream businesses. Nevertheless, despite a lack of robust intelligence over recent decades, the sector has recently attempted to address this intelligence issue, both at a local and national level. The following section provides a summary of social enterprise activity in the region. Indeed, improved information and exploitable intelligence on the sector and market opportunities will serve to strengthen social enterprise in the West Midlands and across UK.

## Business

### Scale & turnover

The social economy, measured by registered Companies Limited by Guarantee and Industrial & Provident Societies in the West Midlands comprises of some 3,311 firms, which represents 2.8% of all incorporated organisations in the region. This figure clearly incorporates many organisations that do not form part of the social enterprise sector, largely as they do not generate significant proportions of their income from trading activity and are instead heavily reliant upon grants.

The WMSEP survey found that 32% of the 3,311 registered organisations it had identified as part of the wider social economy sector generate their income purely from "earnings". Almost half of the total organisations surveyed receive at least 90% of their income through earnings and just 19% of the organisations surveyed were totally dependent on grants and donations.

WMSEP research also indicates that 20% of organisations had an annual turnover of less than £50,000. A further 11% of the firms interviewed had a turnover between £50,000 and £100,000 and 27% of the firms had a turnover between £100,000 and £500,000. Only 14% of the interviewed firms had a turnover of more than £500,000. The remaining 27% of the interviewed firms refused to provide any figures.

The Birmingham and Solihull Social Economy Consortium (BSEC) estimates that there are at least 200 social enterprises trading in the city whilst a report by Co-

Enterprise Birmingham mapped out 'at least' 50 active 'trading community businesses'.

The Institute of Social Entrepreneurs, which uses a slightly different sector definition, identified 49 existing or emerging social enterprises in the West Midlands. More than a quarter of these firms were based in the urban core of Birmingham. Less than 10% of the enterprises it identified were based in rural Herefordshire, underlying the initial view that social enterprises tend to congregate in urban areas.

The Social Firms UK website maps out 37 existing, emerging or potential social firms in the West Midlands region. Social Firms UK defines a social firm as a social enterprise where the objective is to provide a supportive workplace for people with disabilities in commercially viable businesses.

WMSEP suggest that net assets of 67% of the organisations in the social enterprise sector in the region have increased since 2000 (two year period) and indicates that there are 58 registered credit unions in the West Midlands. The Birmingham Credit Union Development Agency has information on 31 credit unions with over 17,500 members and £12m in assets (in 2002) in the city alone. The recent growth in the credit union sector is evident by comparing these figures to those of 1987, when Birmingham's credit unions had 800 members and assets worth only £150,000.

Within the Black Country, in 2000, there were 56 social enterprises, which provided paid employment to 337 people and had a combined turnover of £3 million. Most of these enterprises, especially the ones in Sandwell and Dudley, were started with support from Tipton Community Enterprise (TCE) and Co-operation Black Country. In 1998/99, the TCE alone directly employed over 40 people. The combined income of TCE and the enterprises that were developed with its support in 1998/99, was in excess of £1.2 million.

## Targeting clusters and sectors

The findings of Co-operation Black Country's baseline research, published in April 2000, identify 13 broad areas of activity in which social enterprises in the sub-region operate. These include business services, retail, local resource centres, credit unions, health care, childcare, sports and culture.

BSEC believes that the social enterprise sector is continuing to grow in size and diversify. The sector in Birmingham covers a multitude of different industries and sub-sectors, including financial services, childcare, print and media, environmental enterprises, cafes, recruitment services, firms focusing on employment and training opportunities for disadvantaged and an Islamic funeral parlour.

However, other pieces of research on the social enterprise sector in the region claim that the majority of social enterprises are currently operating in a small number of sectors: 65% of the trading community businesses identified by Co-Enterprise Birmingham were operating in the field of childcare. Another 11% of these firms were associated with the healthcare sector. The remaining 24% were involved in the areas

of culture and recreation, development and housing, environment activities and religious services.

WMSEP found that social enterprises in the region, active in the museums, environment, health, advice, community, sports, housing, regeneration and care sectors, make up almost one third of all social enterprises. These sectors in the West Midlands and have experienced higher levels of growth compared to social enterprises active in other sectors. However, at present, there is little evidence of high quality sector specific business support being delivered to the region's social enterprises.

## Average size of social enterprises

Results from the same WMSEP survey show that 33% of the organisations in the sector in the region, employ 5 or less people and that 54% of the organisations in the sector employ between 5 and 50 people. Only 13% of social enterprises in West Midlands employ more than 50 people, indicating that the majority of these organisations are relatively small operationally. A further analysis of the findings shows that there are high levels of part time employment in the sector and a high level of input from volunteers.

## Types of organisation

The WMSEP survey of companies limited by guarantee and Industrial & Provident Societies used a series of categories to describe organisational form of the wider social economy. Their findings reveals that the *not-for-profit* model (62%), followed by *voluntary organisation* (31%) and *social or community enterprise* (20%). The less common organisational forms in the sector appear to be development trusts, co-operatives and private sector firms. Clearly these categories are not mutually exclusive and do not provide a robust illustration of the actual extent of trading upon which each relies.

## Legal structure

Social enterprises have a range of legal models from which to choose ranging from companies limited by guarantee to co-operatives. Of the 3,311 social economy organisations identified in the region, 74% are Companies Limited by Guarantee; 22% are co-operatives and the remaining 85 were credit unions, friendly societies or building societies.

## Investing in the sector

In May 2003, the Bank of England published its investigation into the financial barriers facing social enterprises in the UK. This is a key element of the DTI's social enterprise strategy published in July 2002. The Bank's review provides a comprehensive picture of the debt and equity financing that is on offer to community businesses from mainstream banks, Community Development Finance Initiatives (CDFIs), business angels and venture capitalists. Firstly, it identifies the need to

develop forms of "patient capital" amongst lenders that are prepared to accept, in the short term, lower returns and greater uncertainty. Secondly it argues for improvements in the "demand-side" to ensure a greater degree of investment readiness amongst social enterprises.

The continuous development and support of the CDFI sector, particularly through the newly formed Community Development Financial Association (CDFA) is expected to enhance greatly the provision of accessible finance for social enterprises.

Recent research undertaken by the New Economics Foundation for the Countryside Agency, suggests that there are fewer opportunities for social enterprises in rural areas to access loan finance. The Plunkett Foundation has recently launched the first rural CDFI, called Wessex Recruitment Trust. The foundation is currently setting up a seed-corn fund for rural social enterprises.

Recent WMSEP research reveals that the most commonly used free or in-kind resources used by social enterprises in the region are:

■ Volunteers for work and for the Board

■ Free accommodation or subsidised rent.

## Delivering business support

Although there is a wide range of regional, sub-regional and local bodies, with an interest in developing and growing the social enterprise sector in the region, the provision of support in the region is felt to be inconsistent within the sector. Historically, social enterprises have been perceived unfavourably by support organisations like the Learning and Skills Council and Business Links. Despite recent improvements in perception and overall service levels, there remains a legacy that is reflected in a low level of engagement with social enterprises. This is identified as a key barrier to growth.

These support providers include many organisations that are principally devoted to meeting the support needs of mainstream businesses. WMSEP have identified dedicated social enterprise support on training, feasibility studies, marketing, business planning, incubation facilities, research support, mentoring and provision of finance. Urban areas, such as Birmingham and the Black Country, are better serviced by a range of networked support providers and strategic bodies. In contrast, support provision in rural counties is extremely fragmented and more limited.

The establishment of the Social Enterprise Unit (SEnU) within the DTI is a clear indication of the Government's intention to develop the sector in the UK. The Unit has undertaken a number of priority areas of work that include mapping the sector, access to public procurement, identifying financing, training and business support requirements.

## Urban locations

The predominantly inner-urban character of much of the region's social enterprises reflects the scale and extent of need that is mainly found within the conurbation. Many enterprises, such as credit unions, have been established in urban areas as part of anti-poverty strategies. Others, such as industrial cooperatives, have flourished in areas close to their markets whilst many voluntary organisations have emerged around particular population groups in areas with a larger population base. The tendency towards urban location has also been reinforced by the potential for mutual support networks and inter-trade around clusters of organisations, which exist in the more densely populated urban areas.

Until recently, the availability of regeneration funding has also been a dominant factor influencing the growth of many social enterprises – and this inevitably led to a concentration in areas that qualified for support. Although regeneration funding has tended to be concentrated in geographical areas of highest economic and social need, nonetheless, the scale of public funding earmarked for regeneration in urban areas may have skewed the development of social enterprises.

## Rural social enterprises

Social enterprise in a rural setting meets many different needs and has tended to develop along different lines to urban-based organisations – and consequently has some distinctively different support requirements. Currently there are relatively few social enterprises in rural areas, but evidence suggests there is a significant latent demand, not least contained in endeavours to achieve a rural renaissance. The vibrancy of the voluntary sector is a main driving force behind the potential for social enterprise in the region's rural areas. The WMSEP research indicates that, in the rural context, social enterprises can provide essential 'local' jobs that serve to retain young people as well as addressing some the existing transport problems.

However, the potential goes far wider. Increasingly, social enterprise is being recognised as an effective and well-aligned social and economic response to the needs of rural communities. This perception has been exacerbated over recent years with the closure of rural post offices, declining rural financial services, loss of transport services, difficulties in the agricultural sector and an increasing awareness of the extent to rural poverty. Social enterprises can assist rural communities by:

- Creating jobs

- Providing training and improving skills

- Providing goods and services where the state or market does not

- Providing finance and investment

- Generating surplus for community benefit

- Providing physical assets (i.e. land/ buildings)

■ Creating outlets for agricultural producers, such as farmers markets

■ Involving the community and combating exclusion.

Social enterprises are able to bring these benefits to locations that suffer from market failure. In a rural location, this might be due to lack of physical proximity or high operating costs caused by their geographical dispersion. However, many of the factors that cause market or public services to under-serve the countryside also inhibit the growth and operational viability of social enterprises. The latent need for more self-help based services is also becoming increasingly apparent in response to significant demographic change that results in a more elderly population in rural areas.

# People

Successful social enterprises must have entrepreneurial people to start them and talented people to manage and grow them. The West Midlands social enterprise sector has a significant number of successful social entrepreneurs, many of who are women. A WMSEP recent sample survey reveals that 63% of social enterprise chief executives are women. The figure comparable among mainstream businesses is just 26%. Nevertheless, the region must look to expand its social enterprise workforce and to grow and attract more social entrepreneurs.

## What is a social entrepreneur?

A social entrepreneur can be defined as a person who organises, manages and assumes the risks of a social enterprise. Starting with nothing more than an idea, vision or a prototype, social entrepreneurs have the ability to take a social enterprise to the point at which it can sustain itself on internally generated cash flow through tradable services or products. A social entrepreneur differs from a mainstream entrepreneur in that he or she will be simultaneously pursuing both a financial and a social return on any investment. By increasing awareness levels of the sector and by promoting social enterprise as a viable and rewarding career path for young people, the West Midlands will be able to ensure that it has a suitable supply of talented social entrepreneurs to develop the sector. Further, existing people working in the sector need to have access to relevant training and support so that a more entrepreneurial culture develops within the sector and the workforce has the right business skills and expertise to enable these start ups to survive, grow and prosper.

## BME entrepreneurs

The West Midlands is one of the most diverse regions in the country with slightly more than 1 in 10 of the region's population being non-white. In the conurbation, this represents over half a million people – some 20% of the population – who belong to Black Minority Ethnic (BME) communities. This population is also growing numerically – partly by the settlement of refugees and partly because of the younger demographic profile of BME communities. Much of the BME population is resident in

the more deprived parts of the conurbation and has faced current or past discrimination in the labour and housing markets whilst being poorly served by many public services. These communities are skilled, rich in social capital and possess a strong self-help ethos. They have an entrepreneurial determination to provide employment and services and to create wealth from within their communities.

To realise the latent skills of these communities – and to meet their need for services – BME social entrepreneurs should be well served by the social enterprise infrastructure. Specialist support functions must be effectively linked with the core services of mainstream business development agencies whilst being sensitive to cultural differences. BME social entrepreneurs should be well represented within the sector's consultative and leadership bodies in the region and BME entrepreneurs should have good access to networking, intelligence and expertise sharing facilities. Recognising the historic patterns of exclusion, the implementation of this Framework should be monitored to ensure that there is fair access to resources by BME social enterprises.

## Entrepreneurship for the people

Social enterprise offers new and exciting ways for large-scale involvement of citizens in the design and delivery of public services. Social enterprise facilitates the pooling of risk as well as the pooling of resources. Importantly, with these different models, stakeholders invest not just to generate wealth for the local community, but also to develop new skill sets, build capacity, increase employability and to bolster the community itself. Social enterprise can pave the way for communities across the West Midlands to take more of a lead role in the design and development of the public services that they rely upon. Overtime, this will help to reinvigorate the desire of local communities to play an active part in West Midlands society.

## Networking together and partnering for progress

Despite the fact that there are numerous social enterprise networks across the region, many social enterprises are failing to network with each other and to share valuable experiences for the good of the sector. Social enterprises in the region must increasingly look outward to each other and actively seek out new forms of collaboration, interaction and partnership. In many cases, it is only by combining and creatively sharing vision, efforts, resources and experiences that social enterprises will be able to achieve their objectives and meet the rising social and economic demands facing them. Often relationships between social enterprises are affected by competition, particularly funding, despite the fact that they have shared or similar common missions of helping a particular needy community or group. Where possible, social enterprises should also seek to develop partnerships with public sector and mainstream business organisations.

## The people barriers to growth

WMSEP's recent research of a sample of social enterprises in the region identified the following key internal barriers to growth for the sector:

■ Scale of operation leading to limited to organisational capacity

■ Difficulty in attracting experienced and appropriate staff leading to skills gaps in key areas such as finance, marketing and personnel

■ Lack of knowledge about government funding or initiatives

■ Poor project planning and management expertise

■ Lack of support in providing specific legal advice particular

Co-operation Black Country's baseline research identified three key barriers to the further growth of social enterprises:

■ Difficulty in accessing mainstream banking services and loans

■ Management skills gap

■ Lack of staff especially for enterprises active in the childcare, healthcare, environmental services and other community focused service sectors

## Social enterprise and community development

Respondents to a recent survey conducted by WMSEP of a sample of social economy organisations illustrate a perception that there are significant growth opportunities for firms in the region that engage with disadvantaged, disabled, unemployed, excluded and black and minority ethnic communities.

## Local policies

Some local authorities in the region have recognised the potential benefits brought about through social enterprise: Shropshire County Council is involved in a project to develop a social enterprise called Shropshire Disability Enterprise. The County Council, in partnership with the local Learning and Skills Council, is currently carrying out a survey to examine infrastructure requirements for small business development in Shropshire, including social enterprises.

Wolverhampton City Council has developed a strategy within its social services department, identifying social firms as one dimension of the social enterprise economy. By the end of 2001, three social enterprises were established through a combination of Council and ERDF funding. The objective now is to establish 'Wolverhampton Social Firms', which is a not for profit firm working with disadvantaged people who wish to be involved with local firms.

There are many more similar initiatives underway in the region.

# Knowledge and intelligence

There is a widespread recognition within the sector that, at present, there is a lack of robust and comprehensive intelligence, which is accurate, digestible and accessible to the sector and its partners. Over the past couple of years, the situation has improved in the region, with the baselining work undertaken by WMSEP, though there are still some gaps, which need to be filled. The story at a national level will also hopefully improve in the near future, with the work being carried out by the DTI's Social Enterprise Unit. Nevertheless, there still remains the need for a stronger evidential base for the sector to utilise and benefit from. It is not the largest social enterprises or the ones with the most intelligent staff that will survive the longest. Rather, it will be the social enterprises that are most responsive to change. In order for social enterprises in the West Midlands to survive long in to the future they need to be able to exploit quality intelligence so that they can plan a head and successfully respond to change. There are three key strands to the intelligence needs of the West Midlands social enterprise sector:

■ Sector intelligence (size, scope, strengths, weaknesses, demonstrating economic, social and environmental impact)

■ Market intelligence (new opportunities, assessing gaps in the market and identifying new areas of need)

■ Widespread use of robust and comprehensive intelligence – joining-up existing datasets, developing a sound evidence base for decision-taking, proactive sourcing/commissioning of research and widespread use of quality intelligence

# 3

# *A Point to Prove*: the framework

The social enterprise sector has "a point to prove". It can provide extensive benefits to the economy and neighbourhoods of the West Midlands. However, a broad and complex series of challenges face the sector in maximising its contribution. These have been brought together in a single, coherent and future facing framework, which will deliver on the opportunities and aspirations for social enterprise in the region.

The challenges facing the sector have been brought together in nine Strategic Ambitions each of which contains a number of objectives:

- Using intelligence

- Networking together

- Championing citizenship

- Encouraging entrepreneurship

- Funding the sector

- Influencing general business advice

- Delivering sector specific expertise

- Expanding the contracting arena

- Targeting clusters and sectors

## Permeating themes

Although the sector is diverse and the challenges it faces are complex, these Ambitions together provide a comprehensive and unified vision of where the sector must go. To ensure these Ambitions are coherently delivered and reflect the specific pressures facing social enterprises, four Permeating Themes have been agreed which wrap around the nine Ambitions. The Permeating Themes demand that each Ambition addresses specific issues and that the activities that flow from this framework are delivered in an integrated fashion. The four Permeating Themes are:

### 1. Supporting sustainability across the board

*A Point To Prove* is committed to developing a stronger base of trading enterprises in the region. Investments and interventions drawn from this framework should clearly demonstrate that they are designed and delivered to focus on increasing the operational sustainability of target clients.

To be sustainable, most social enterprises should be competitive and able to provide goods and services without relying on direct external subsidy. Many social enterprises will want to trade in viable markets. However, some will specifically operate in areas that are under-served by conventional business. For these enterprises, sustainability may require mixing different types of activity – including internal cross-subsidy – to supply necessary services and products.

**Testing sustainability**: not all viable social enterprises will be in a position to become immediately sustainable, the framework should support enterprises that:

> are committed to reducing their dependency on subsidies

> develop trading activity in areas characterised by market failure

> develop a clear and robust plan for generating a greater proportion of their income from trading activity.

## 2. Embedding values in all that we do

Social enterprises are value-driven organisations. It is their values that inform what they do and how they go about achieving it. They are driven by a spirit of self-help, and motivated to combat inequality through a process of co-operation. These values are pursued in many different ways: some social enterprises supply products and services that meet the needs of their target beneficiaries; some employ people or involve them in the management of the enterprise; others run their businesses in more ethical or innovative ways.

**Testing values**: interventions must demonstrably promote or respond to the values of social enterprise – by supporting collective action to meet individuals' needs

## 3. Responding to diversity in all its forms

This framework recognises two significant definitions of diversity: the differing nature of the sector itself; and the rich plurality of communities that these enterprises serve.

Firstly, the Framework must reflect that the social enterprise sector contains a great many different types of organisation working in many different fields and responding to a diverse set of agendas. They also have different capacities, assets and methods of addressing their chosen social concern. Social enterprises are found in many different settings – from urban areas to rural locations – and including many different organisations types – from voluntary and community organisations to worker or consumer co-operatives. The extensive array of activities within the sector is part of its vibrancy and strength.

Secondly, the sector has a fundamental role in meeting the needs of communities that experience disadvantage, face discrimination and are under-served by public services and by markets. Many of the population groups facing the most systematic and extreme discrimination are drawn from the Black and ethnic minority populations of the West Midlands. Recognising the nature of this disadvantage and the high

concentration of ethnic minority populations within the region's urban areas, this framework will only succeed if it reflects the opportunities and obstacles to social enterprise development led by, and designed to benefit customers from these diverse communities.

**Testing diversity**: initiatives should promote equality of access to services and products and counteract historic patterns of discrimination in markets and public services

**Testing diversity:** ensure that initiatives meet identified needs by encouraging active participation and self-organisation by disadvantaged population groups

**Testing diversity:** develop social enterprise support services that address the varied organisational and development requirements of differing types of enterprise in different settings

## 4. Co-ordinating access to better meet sector needs:

Much support and infrastructure is already in place to assist the social enterprise sector. The architecture of social enterprise support in the West Midlands has evolved through periods of expansion, retrenchment and refocusing of activities. This has led to a complex web of activities currently being delivered. A key principle for this framework is therefore that existing infrastructure should be better coordinated and its performance improved using existing delivery outlets. It is more effective to "bend" mainstream agencies to support social enterprise than to create new institutions. But, this does not simply assume that the status quo should be maintained. If clear failure of existing services or significant gaps is identified new infrastructure should be developed to deliver additional or better services.

**Testing Co-ordination**: projects must demonstrate how they can better co-ordinate and promote existing services before they propose new solutions.

**Testing Co-ordination**: resources should be used to identify ways of maximising the existing support infrastructure, to evaluate its effectiveness and to encourage innovation where gaps or new needs are identified

## The strategic ambitions

Each strategic ambition is set out according to a common structure which identifies:

- A vision: what we want to achieve over the coming decade

- A rationale: what conditions justify the objective

- A set of objectives: a series of target issues and outcomes which the framework will need to address in order to achieve the Vision

■ Contribution to Permeating Themes: how the Ambitions support the themes

## Strategic ambition 1 – Using intelligence

| | |
|---|---|
| *Vision* | The social enterprise sector and its partners will build and utilise a comprehensive and accessible base of intelligence on market opportunities and threats to inform their plans for future development of the sector and to better understand the impact they are having on the region. |
| *Rationale* | Social enterprise traditionally has grown from individuals' passions and visions rather than hard headed documented evidence of demand and future opportunity. Although the region's social enterprise evidence base is growing there needs to be a commitment to continue to generate robust intelligence that is accurate, digestible and accessible to the sector and its partners. There are a number of dimensions to the intelligence agenda: |
| | As the competitive pressures within the sector grow and social enterprises compete alongside mainstream businesses in new markets the need for robust and articulate intelligence will also grow. Furthermore, public funders are increasingly seeking substantiated evidence of demand and viability in proposals that come forward for public support. |
| | A great deal of the intelligence within the sector is anecdotal and tacit and not easily accessed or shared. The sector needs to have better access to the intelligence upon which it currently sits and a more robust approach to identifying gaps in coverage that need to be filled. |
| | Social enterprises do not always place sufficient emphasis on the need for intelligence and knowledge about how they are performing and the up-coming threats and challenges they face. The tendency to commission and collate often mitigates against the obligation to learn from and understand the messages contained in intelligence. The sector and its partners need to adopt a stronger appetite for intelligence, more effective use of its findings and more accessible opportunities for sharing and learning together. |
| | Intelligence has a critical role to play for social enterprises in communicating their unique added value and the combined economic and social benefits they are delivering, both qualitatively and quantitatively. |
| *Strategic Objectives* | More effective use of intelligence is critical across all fronts of social enterprise activity and all stages of evolution in the life-cycle of individual enterprises. In order for the region to ramp up its appetite for intelligence, ability to access critical information and capacity to learn from its findings a number of priorities must be addressed. |
| | 1. **Maintain a robust map of social enterprise activity:** for the sector to network and communicate among itself, it needs a clear route map to its counter-parts. For public sector agencies to effectively target their support on social enterprises, robust information is required on what is out there. Recent work by WMSEP provides a base on which to build and many local development agencies have details of activities and enterprises in their area. These need to be brought together into one dataset that is updated and maintained – and reflects the circumstances of different parts of the region and their urban or rural settings. The temptation to map for mapping sake should be avoided – the dataset should be a living and valuable resource which informs interventions to build the sector further and contributes to the evaluation of progress in delivering the framework and developing the sector – including the social benefits it generates for the region. Much of the best intelligence is often found at a very local level and this knowledge needs to be utilised and understood across wider areas and between different parts of the sector. |

2. **Develop an intelligence gateway about and for the social enterprise sector**: access to intelligence about and for the sector needs to be stepped up through a single point of access for the region. This regional access point or gateway which should have a web portal as well as a physical entry point will enable a wide range of parties to access and engage with social enterprises. Improved access to intelligence should be developed in concert with both existing local sources and counter-part regional outlets for other sectors and development initiatives, such as the West Midlands Regional Observatory, the Regeneration Centre of Excellence, Cluster Opportunity Groups and other emergent regional web portal(s).

3. **Establish an authoritative regional programme of market investigation:** of paramount importance to improving the sustainability of the region's social enterprises is better information about up-coming market opportunities & challenges. Individual enterprises find it difficult to develop their own intelligence resources and will continue to look to the region to provide assistance. Securing and using market intelligence must be a shared responsibility – enterprises talking the leap into new arenas must make and believe in their own case and be able to articulately convey it to the others. There is however, a role in building awareness amongst enterprises about the importance of market intelligence and their capacity to access and utilise it. The region should support efforts to improve access to, use of and appetite for market intelligence in the sector to encourage individual enterprises to:

   ✓ Better understand the threats and opportunities coming their way in the future

   ✓ More speedily assess their current performance against competitors

   ✓ Explore in detail the viability of their proposals in the market-place

   ✓ And, convincingly communicate messages and priorities to others.

4. **Generate a knowledge pool of excellence on sector developments**: the social enterprise sector is currently under a lot of attention and the environment in which it operates is set to change. New challenges and requirements will come to the fore. It will be important for the West Midlands region to ensure it stays at the head of those developments and is seen nationally as an early adopter in new quality practices. The pool of excellence will need to incorporate a number of key elements:

   ✓ Promote adoption of agreed quality standards built from recognised best of class performance from across Europe and the USA. The UK sector can learn a great deal from practice in other parts of the world and should commit to instituting learning programmes to better understand the opportunities and challenges encountered elsewhere. Over time these lessons may evolve into quality standards of practice that development agencies supporting social enterprise will wish to advocate for the sector.

   ✓ Establish a regional social audit framework: to ensure high quality audits are adopted within the region which conform to emerging national and international standards for demonstrating added value in the social enterprise sector. The concept of social audit should also be promoted more widely to social enterprises, their customers and wider stakeholders. By establishing some agreed regional standards the validity of social audit exercises will also rise.

*Supporting sustainability across the board*

The value of intelligence in supporting the sustainability of social enterprises is critical – accurate market based information can make the difference between success and failure for all enterprises. More robustly developed business plans that map out realistic and informed projections will ensure support only goes to those enterprises with viable market propositions. Better foresight and a more extrovert perspective on international developments will also bolster the sector's sustainability.

*Embedding values in all that we do*

The intelligence generated by the region should be cut through with the sector's values – data on markets, turnover and performance must be complemented with better information about the social benefits that are delivered for the region. The regions intelligence resources should clearly inform others about what and why social enterprises do what they do and to foster a greater sector identity embedded in the twin values of trading and social objectives.

*Responding to diversity in all its forms*

There are clear signs that the sector is diverse across the range of activities, markets, capacities and ambitions it harbours. However much of the material is anecdotal and not bench-marked against other sectors. The intelligence efforts of the sector should seek to verify its diversity and build knowledge about the different challenges its component parts face.

*Co-ordinating access to better meet need*

Much intelligence already exists and although there is a need to develop fresh evidence to take the sector further forwards, strenuous efforts must be made to ensure this builds upon the work already in place and underway in the region. In particular, the findings of WMSEP's research programme should be assessed and understood before substantial new programmes of learning are pursued. Better understanding of the sector's current status and needs will help the region to better target support services to where it is most needed and effective.

## Strategic ambition 2 – Networking together

| | |
|---|---|
| *Vision* | West Midlands social enterprises, support agencies and other partners will reap the benefits from being part of a fully joined-up, co-ordinated and networked sector. Effective idea and experience sharing will strengthen the sector and make it more dynamic and better able to grow and prosper long in to the future. |
| *Rationale* | Successful business sectors often contain a strong social fabric that allows collaboration and innovation between competitors and partners. Sectors that come together through networks are also better positioned to express their concerns and priorities to others. The social enterprise sector, in large part due to its close proximity to the public sector, has a track-record of engagement in external partnerships. A great deal of networking activity already takes place in the region, but, if the full potential of collaboration is to be valued and exploited, a number of issues must be addressed.<br><br>Current networking is highly fragmented and lacks leadership and focus. It is important that networks have a purpose that serves the interests of their members. The agenda for networking in the sector must be led and refreshed in order to maintain its operational relevance to the trading and social activities of social enterprises.<br><br>Involvement in partnerships and regeneration activities absorb considerable time and energy at the expense of other pursuits. The networking behaviours in the sector often tend to focus on external agendas rather than internal challenges. The sector must develop fora and agendas that seize the market opportunities available, navigate through the challenges presented and chart a positive path towards a higher profile and larger role for social enterprises.<br><br>Social enterprise networks have tended to be limited in their geographic or thematic coverage too. Although a mix of the two types of network is not a major problem it is important to ensure that "siloed" themes do not dominate agendas and that issues of vital importance to the sector do not fall between gaps.<br><br>The social enterprise sector's values-driven perspective and its close relationship with the political realm underline its strong networking potential. These assets should be maximised by developing more robust networks. This framework also recognises some weaknesses from historic under-development and lack of support to some geographical areas and population groups – particularly those from Black and ethnic minority communities. |
| *Strategic Objectives* | The social enterprise sector in the West Midlands should place its existing networking activities on a more organised basis to support the sector to meet its objectives, progressively engage with a wider set of partners and establish a higher profile.<br><br>1. **Supporting a regional sector champion role**: the diverse nature of the sector combined with the growing emphasis that is being placed on its role in the regional and national economy demand a recognised figure-head for the sector. Although the sector champion will not be a representative, the role will have region-wide responsibility for leading, promoting and reflecting of all its interests. The sector champion role will deliver a number of priorities:<br><br>   ✓ Leadership of the sector's interests: developing thinking and learning agendas for the sector which lead debates for the sector and its partners rather than being responsive, introverted and adversarial.<br><br>   ✓ Raising the profile of the sector in key-decision making circles: the sector's interests and the Point to Prove framework will need to be presented and advocated across |

opportunities are created for its voice to be heard and suitable support frameworks are put in place.

✓ Reflecting the diverse character of the sector across the region, in particular, the different circumstances of urban and rural social enterprise.

✓ Overseeing and co-ordinating overall delivery of the Point to Prove and the initiatives that will flow from it under the auspices of a regional oversight board (for more details on delivery of the framework see Chapter 4).

✓ Identifying gaps in network and sector representation coverage and stimulating new mechanisms for advocating local and thematic concerns.

✓ Promoting the sector, and its values, to conventional business, to mainstream intermediaries and contributing to the Corporate Social Responsibility agenda.

2. **Stimulating joint initiatives within the sector**: collaboration and collective effort are increasingly recognised as valuable tools to stimulate economic development. Social enterprises should be helped to explore new market opportunities, develop new products and services, identify emerging threats and challenges and generally participate in wider networking activities. This will draw upon a number of priorities:

✓ Dedicated and supported networking opportunities to encourage new collaboration: this will require resources for leading agendas, arranging logistical requirements and enabling study and investigation into new business ideas through study trips and small scale market testing among collaborators

✓ Encourage experienced and successful social entrepreneurs to assist emerging social enterprises: through secondments, mentoring initiatives or through more informal networking contact on an ad hoc basis.

✓ New enterprise networks to be focussed on bringing together nascent social enterprises and the people behind them to discuss and collaborate that may require incentives or subsidies to cover costs.

| | |
|---|---|
| ***Permeating Themes*** | *Supporting sustainability across the board*

Access to networks of knowledge expertise and promoting a stronger commitment to sharing insights with in the sector will encourage the establishment of more viable and sustainable enterprises by virtue of the availability of new information, ideas, skills and business support within networks. Raising the profile of social enterprises will also increase the volume of willing and able individuals with enterprise ideas to pursue.

*Embedding values in all that we do*

Dedicated social enterprise networking will centre around the values driven agenda inherent in the sector but will also provide a ready mechanism for discussion of how to navigate through the social/commercial balancing act and bring into clearer focus for many in the sector what the sector's priorities are and how it can contribute to wider agendas and opportunities.

*Responding to diversity in all its forms*

The region should establish a range of networking opportunities that have relevance to the broad spread of interests within the sector. Indeed by bringing like-minded enterprises more closely into contact enterprises currently feeling that they are sitting at the margins of the regional agenda will be drawn more closely into the fold.

*Co-ordinating access to better meet needs*

The region already has a range of formal and informal networking arrangements in place. *A Point to Prove* will work to supplement and improve existing networks. New networks should only be established where substantiated needs cannot be met though existing arrangements. |

## Strategic ambition 3 – Championing citizenship

| | |
|---|---|
| *Vision* | The West Midlands will strengthen social capital across the West Midlands by harnessing the commitment of individuals to invest time, energy and commitment into the region's social enterprise base. The active engagement of people from many disadvantaged communities will ensure that products and services reflect the needs of those communities and ensure that a democratic and participatory spirit drives a new generation of social enterprises. In particular, the passions of young people will be channelled into building engagement with the wider community on their door-step through social enterprise. |
| *Rationale* | Citizenship is a vital ingredient in the social enterprise mix. Social visions and the commitment to sustainable trading grow from individuals with a passion for changing their local community and addressing concerns. Currently there is no clear and co-ordinated programme in place to build and harness those energies and channel them into the social enterprise sector. Social enterprises are critical elements in the citizenship arena as they: <br><br> • Provide outlets for people's energies and enthusiasm to be invested in causes and programmes of change <br><br> • Rely upon freely volunteered or self-help time of helpers and board members to engage in the wider life of their local communities and acquire new skills insights <br><br> • Provide meaningful and high quality employment opportunities and vital services to individuals in need. <br><br> Each of these aspects of social enterprise development depend upon a supply of individuals who take their citizenship responsibility seriously and are eager to support work within enterprise for change |
| *Strategic Objectives* | Building the citizenship appetite in the region is not the sole preserve of this framework and the proposals put forward here must be linked into wider community development and social justice initiatives elsewhere in the region. <br><br> 1. **Build awareness of the opportunities for and value of community participation and involvement in social enterprises**: social enterprises have an important role to play in providing an outlet for public participation and crucially rely on the involvement of local people (whether paid or volunteered). For the sector to maintain its vitality it has vested interest in ensuring that a steady stream of individuals come to the fore and contribute to their objectives. Awareness of the value of community participation needs to be addressed by championing and supporting volunteering. Social enterprises also make an important contribution to providing good employment opportunities that harness higher levels of commitment from staff and represent a more productive and better working environment than many conventional firms. <br><br> 2. **Raising standards in social enterprise activism**: As the social enterprise sector grows, establishes a higher profile and greater responsibility for a wider array of goods and service, the need for ever higher standards of strategic oversight in boards, partnerships and member bases will grow. To ensure the region stays one step ahead of these demands it will be critical for the West Midlands to ensure that it is providing support to volunteer board members on their rights & obligations. As individual enterprises grow so will the demands placed on those working in and around them. *A Point to Prove* should also support volunteers and members make |

| | |
|---|---|
| | and/or growth in social enterprises. |
| ***Permeating Themes*** | *Supporting sustainability across the board* |
| | People and the support they lend to social enterprise are the lifeblood of their existence. Without active involvement of committed individuals with passions and vision about their area of interest, social enterprises cannot thrive and prosper. This Ambition recognises the importance of people to the sustainability of social enterprise and seeks to build their role and capacity in the oversight and management of the region's social enterprises. |
| | *Embedding values in all that we do* |
| | Values are intrinsic to the citizenship agenda. *A Point To Prove* will champion the concept of citizenship and increase opportunities for individuals to participate in the active community life on their doorstep. |
| | *Responding to diversity in all its forms* |
| | It is vital that citizenship is encouraged in all quarters of society and that all types of social enterprise stay in touch with their support base across the full range of stakeholders. The citizenship agenda should deliver greater opportunities for more people from through active involvement. |
| | *Co-ordinating access to better meet need* |
| | The activities that flow from the Championing Citizenship agenda need to be developed and delivered in conjunction with other initiatives to boost citizenship and improve the standards of participation in oversight of the region's social enterprises. |

# Strategic ambition 4 – Encouraging entrepreneurship

| | |
|---|---|
| *Vision* | The West Midlands region will continue to nurture and grow an expanding pool of energetic and innovative social entrepreneurs to develop tomorrow's enterprises. |
| *Rationale* | Any strong and sustainable social enterprise sector can trace its successes back to the efforts of innovators, who combine an entrepreneurial spirit with a concern for the social challenges around them. It is these energetic individuals, with a high level of tolerance for uncertainty and risk that start up and nurture social enterprises and drive forwards the sector's growth and development. Social entrepreneurs are creative and radical thinkers able to marry their visions with economic trading opportunities. They use their ability to convince and empower others to turn these visions into reality. The West Midlands faces two key challenges in maintaining a supply of social entrepreneurs willing and able to establish new enterprises:<br><br>As short term pressures for an expanded base of enterprises comes to the fore, demand for social entrepreneurs will quickly grow. There is little evidence to suggest that the supply of social entrepreneurs is set to grow to meet that demand. Too many of the region's talented young people do not see social enterprise as being a realistic and rewarding career option.<br><br>Secondly the quality of expertise and skills required of social entrepreneurs will become more complex as enterprises grow and expand into newly emerging arenas. To keep pace with these growing demands and to maintain the impact of the sector the region must ensure it is continually expanding the skills and knowledge base of its social enterprise managers and entrepreneurs. In addition to programmes of skill development, the framework should also recognise the value of encouraging experienced individuals to move from the for-profit sector into social enterprises.<br><br>Unless social entrepreneurs continue to grow with the expanding social enterprise agenda, all efforts to grow and develop a sustainable social enterprise sector will ultimately prove ineffective and fruitless. |
| *Strategic Objectives* | The social entrepreneur base is an essential component of the social enterprise mix. A continual flow of ideas and abilities are required to grow the sector and meet the wider objectives of the Point to Prove framework. The West Midlands must nurture and support the development of a growing supply of social entrepreneurs. This needs to be delivered across a number of priorities:<br><br>1. **Promote social enterprise as a career option**: early stage intervention is required to stimulate a stronger appetite, particularly among younger people for a career in the social enterprise sector. Knowledge of the work of social enterprises is weak beyond the immediate vicinity of the sector's work. The West Midlands should instigate an assertive programme of raising awareness in the region's schools and colleges.<br><br>2. **Roll-out recognised social enterprise management learning programmes:** to build the skills base of committed social entrepreneurs and managers, learning opportunities need to be accessible across the region. Although demand is unlikely to warrant courses in all colleges and programmes in all communities, there is scope for better co-ordinated and greater numbers of social enterprise learning opportunities. Learning provision for the sector should not be developed and delivered in isolation from other educational opportunities – for example, social enterprise should feature as a strand within wider business and management studies programmes as an option. Initiatives should build on existing support |

and culture within the region. Operational linkages with centres of excellence across the UK and internationally should also be developed and exploited. Further investigation is required into social entrepreneurs' exact formal learning needs and there are lessons from elsewhere which can be learnt. The broad areas to investigate include:

- ✓ Pre start-up enterprise including market research, business planning and legal establishment
- ✓ Start-up including marketing, financial management and networking
- ✓ Post start-up including growth strategies, management systems and employment practice

3. **Support and encourage more organisations to trade for a social purpose**: the region already hosts a great number of organisations hovering at the fringes of the social enterprise sector – either mainstream or lifestyle business with a social conscience or voluntary/community organisations with a degree of trading in their income base. The region should facilitate willing organisations with the desire, vision and commitment to more fulsomely embrace social enterprise as a means to achieving their ends. As awareness of the sector grows some will make that choice. Other organisations may need some encouragement and all will need guiding through the process of change. The objective should not be to lever unwilling organisations into the sector but to stimulate awareness and ease those who do wish to move to a more socially focussed, innovative and enterprising way of working to do so. Resources will need to be mobilised to ensure that latent capacity is realised and missing capacity is developed.

| | |
|---|---|
| ***Permeating Themes:*** | *Supporting sustainability across the board* |
| | *By* equipping the sector with a sufficient supply of talented entrepreneurs who are able to develop social enterprises that over time earn more income from fees, contracts, product sales and services, thus reducing the sector's reliance on grant income from the public sector and philanthropy. |
| | *Embedding values in all that we do* |
| | This Ambition is designed to support those entrepreneurs who recognise the importance of outcomes that can be measured in social and financial terms. Enterprise support in the region must make a positive contribution to local communities and social justice, and must be working against a backdrop of an identified set of social values. |
| | *Responding to diversity in all its forms* |
| | The enterprise needs of socials enterprises are broad and vary according to the operating environments and priorities of individual organisations. Efforts to stimulate greater levels of enterprise must be structured to accommodate and respond to that diversity of needs and the range learning mechanisms through which people can acquire new skills and understanding. |
| | *Co-ordinating access to better meet need* |
| | Social enterprise development must be designed and delivered in the context of existing capacity building, training and learning activities within the region. As well as offering economy savings and making awareness raising more straightforward, linking in with other provision reflects the significant overlap between the sector's skills needs and those of other enterprises. |

## Strategic ambition 5 – Funding the sector

| | |
|---|---|
| *Vision* | The social enterprise sector will benefit from a wide range of conventional and specialist forms of capital by becoming an attractive sector for investors that have confidence in the sector's ability to secure and utilise its funds. |
| *Rationale* | The West Midlands already benefits from a number of well-developed and tested investment funds and intermediaries. However, social enterprises consistently report access to finance as a major barrier to their growth and sustainability – more so than amongst conventional smaller firms. Whilst many social enterprises are simply not able to access public and private sector sources of finance, others do not have the skills and know-how to approach and win-over potential investors. Social enterprises have distinct differences from mainstream business and conventional suppliers of capital are not well suited to investing in the sector.

Accessing new sources of finance is a major obstacle for organisations in the region striving to move away from grant reliance towards a more sustainable trading base for the long-term. Undercapitalisation is a major problem and remains an issue from the pre-start phase of their evolution through to growth and consolidation phases.

However, many social enterprises also have to move away from a working culture that has been created by reliance on grant aid for many operations. This dampens an entrepreneurial spirit and puts these enterprises at a disadvantage when compared with the full range of external finance products available to conventional businesses. |
| *Strategic Objectives* | The twin challenges of making the transition to greater levels of trading activity and successfully securing and managing investment funds places a double challenge at the door of social enterprises to which the region should respond:

1. **Increase the supply of specialist forms of finance:** a lack of share capital cuts off many potential sources of investment funds because a capital provider cannot always identify typical ways of realising a return, for example, achieving an exit by making a capital gain through a flotation or trade sale. Many conventional investors are also deterred by social enterprises' commitment to social objectives and the incumbent concept of surpluses for re-investment rather than profit. Institutions that do not understand or share the sector's social visions and objectives do not prove to be comfortable investment partners.

   ✓ ensure that there is a comprehensive suite of start-up and development capital accessible to social enterprises

   ✓ developing CDFIs and other lenders of "patient capital" may require public funding support – for example, to meet some core costs of CDFIs or to cover the higher transaction costs inherent with more exotic financial instruments or to cover the greater degree of risk.

   ✓ expanding the capital pool available to CDFIs and other specialist lenders

   ✓ help specialist institutions to develop new financial instruments suited to social enterprise

   ✓ support enterprises through public sector asset transfer

   ✓ encourage established grant-reliant agencies to adopt a stronger commitment to enterprise

2. **Ensure that banks and other conventional investors acquire a better** |

instruments are available to social enterprises – for example for short term cashflow or for property acquisition – but lenders may not have appropriate appraisal tools

✓ raise awareness of existing funding streams orientated towards social enterprises

✓ work with financial institutions to ensure that operational staff and local decision-takers are better informed about the sector

3. **Help social enterprises to become more investment-ready:** by developing a greater degree of financial awareness, better business planning and financial management discipline. Even if an investment deal is not ultimately agreed, the process of achieving investment readiness in itself can improve organisational efficiency.

✓ ensure that latent capital requirements are identified by trading organisations and that their planning and financial management systems are sufficiently robust to utilise investment

✓ ability to hire in expert financial advice of the kind needed to unlock funding opportunities

✓ shortage of high level financial skills also undermines social enterprises' ability to manage cocktails of income in line whilst balancing cash flow requirements against social objectives.

✓ Improve understanding of the balance between subsidy/grant and trading/earning in the sector

✓ within the sector promote a better understanding of the market emphasis on risk & return

✓ establish grant regimes which can move beneficiaries towards a sound trading footing where appropriate

✓ help social enterprises to operate flexibly within the regulatory framework – as the legal forms and regulatory environments evolve, so too will the opportunities available to the sector. However, keeping tracking of this complex changing environment simply places additional burdens on social enterprises' ability to effectively secure and mange existing funding.

| | |
|---|---|
| ***Permeating Themes*** | *Supporting sustainability across the board*<br><br>Increasing the supply of finance and improving the demand for investment will lead to longer term, more stable businesses in the social economy sector. By building their balance sheets, enterprises will be able to draw in more trading income, reduce their reliance on grant aid and survive turbulence in their markets.<br><br>*Embedding values in all that we do*<br><br>Many social enterprises supply products and services that respond to market failure and encounter a high level of risk. Combined with a commitment to serving public need, this can increase aversion to further risk and to reliance on grant-aid. These complex trading circumstances require more intensive investment-readiness services and more fit-for-purpose investment tools that do not undermine the social enterprise's social goals.<br><br>*Responding to diversity in all its forms*<br><br>There is no single set of financing requirements that is common to all social enterprises in the West Midlands. Reflecting the diversity of legal vehicles, forms of ownership and control, types of service and products mean that a very mixed set of financial instruments will be needed to supply social enterprises with debt, equity and quasi-equity finance. However, many organisations are meeting needs in low income |

will usually ignore. This requires a wider range of investment products and support services than conventional business.

*Co-ordinating access to better meet need*

Existing support services need to understand the complex financing needs of social enterprises, to help improve the supply of investment products and to help prepare enterprises with latent capital requirements to utilise the funds. Part of this task falls to CDFIs and conventional funders and part will be the responsibility of existing business support agencies and niche infrastructure agencies in the social economy sector.

## Strategic ambition 6 – Influencing general business advice

| | |
|---|---|
| ***Vision*** | Social enterprises will make full use of the mainstream business advice services available in the West Midlands to build their capacity and sustainability. Providers of mainstream business support will ensure that a rounded package of services to meet the needs and priorities of social enterprises is available locally. |
| ***Rationale*** | Social enterprises like all businesses have a wide range of business support and advice needs. Many of their needs are similar to those of mainstream businesses and much of the support directed at mainstream businesses is of value to social enterprises. There is already a wide array of business support, both generalist and specialist in the West Midlands. Social enterprises are not fully capitalising on those services for a number of reasons: |
| | Currently in the West Midlands region the array of business support for social enterprises is patchy and lacks co-ordination. The Business Links have each made steps forward in developing responses to their SBS obligation to develop socially inclusive packages of support which has lead to social enterprise commitments in each of their business plans. The delivery of these commitments has progressed at a range of speeds and in a number of different forms leading to confusion and uncertainty among potential social enterprise clients. |
| | Social enterprises are not fully exploiting the mainstream support that is already available as they do not currently perceive it as being relevant or it is not appropriately packaged and marketed to them. Social enterprises often know about some of the mainstream support services on their door-step, but do not often fully appreciate how to access it; what particular benefits they can derive from it; and how to get the best cocktail of assistance. |
| | There is a mismatch between the supply of mainstream business services and the perceptions of social enterprises. Efforts need to be invested in improving the co-ordination, promotion, and style of delivery of existing mainstream business support services. A better understanding of the supply of and demand for business support services could also lead to new business and support opportunities that currently may be missed. |
| ***Strategic Objectives*** | There is a critical need for social enterprises and mainstream business support providers to be better integrated. Although mainstream packages of support are not likely to meet the entire range of needs of a social enterprise they have an important contributory role to play in providing a comprehensive suite of assistance. Mainstream service providers need to work more closely and effectively with social enterprises and specialist providers already working in the market. To achieve these goals a number of objectives must be addressed: |
| | 1. **Ensure mainstream business support services are appropriately promoted and delivered to social enterprises**: much of the confusion and uncertainty about mainstream business support services among social enterprises would be addressed if the services currently on offer were better promoted, packaged and co-ordinated. The perceived style with which organisations operate often presents barriers to accessing these important services. To break down these barriers a number of issues need to be addressed: |
| | ✓ Mainstream business support providers should ensure that they package and where required, design their services in conjunction with established local specialist social enterprise development agencies. Working in partnership with specialist |

ensure their services are effectively integrated into the wider fabric of assistance available to social enterprises, guaranteeing rounded packages of assistance from a range of suppliers.

✓ Social enterprises should be effectively targeted in mainstream support providers' promotion and publicity work, either directly or by utilising existing specialist support providers and other intermediaries. Better promotion of services will enhance uptake among social enterprises.

✓ Recognising the importance of Black and minority ethnic social enterprises, mainstream business support agencies will need to understand the unique social and market circumstances of BME social enterprises and their specialist support needs.

✓ Development agencies and intermediaries working with social enterprises should be provided with awareness-raising sessions to build their local knowledge of the mainstream services on offer, the potential they hold and how to access them. Comprehensive knowledge of existing providers and effective signposting to their services will allow service providers and social enterprises to more efficiently and effectively navigate towards the most appropriate support.

✓ Mainstream providers of business support should sub-contract with specialised social enterprise development agencies to deliver both mainstream and where appropriate, specialist services to the sector. Delivery of mainstream services through and by specialised agencies will ensure better fit with the culture, values and needs of social enterprises in the region.

✓ Social enterprises and development agencies working with them should ensure they consider and promote mainstream services on offer before developing new services and agencies. The region must ensure that the best placed agencies are delivering the most appropriate services so that duplication and wasteful competition for public funds is avoided.

2. **Ensuring social enterprise is effectively promoted as a business model:** the need for social enterprises to manage the business aspects of their activities alongside the pursuit of their social vision creates unavoidable tensions and needs which mainstream businesses do not often encounter. Social enterprises must operate as effective trading outfits if they are to survive in the long-term. This objective places two key demands on the region:

✓ Social enterprise development agencies should seek to build their involvement in the management and activities of mainstream business support providers. Where appropriate this could take the form of a seat on the board of agencies or could simply be closer working relationships and partnership arrangements with key staff.

✓ Mainstream business support service providers should build awareness of social enterprises among all the staff and front-line service providers through short awareness raising sessions and visits to local social enterprises. These sessions should be provided in conjunction with existing specialist social enterprise development agencies in the region.

3. **Build an effective network of social enterprise advisors:** Mainstream and specialist agencies have a joint responsibility to build the quality and capacity of business advice in particular relation to values-led management, workforce development and training, staff recruitment and retention, and access to and management of finance. Explicit support which responds to the real and perceived priorities of the sector should be provided through mainstream channels:

✓ The sector, specialist support providers and social enterprise development agencies should work in partnership with mainstream business support providers to build the capacity and expertise of social enterprise advisors. Dedicated training packages for social enterprise advisors should be designed and delivered by the region and conforming to nationally recognised standards of quality and practice.

|  |  |
|---|---|
|  | ✓ Over time professional standards of expertise should be explored and adopted by mainstream business providers throughout the West Midlands to provide accreditation for advisors and quality reassurance to clients.<br><br>✓ A regional database of specialist support providers should be developed and shared across the West Midlands' mainstream providers to allow agencies to identify and work with the best of class advisors in their field. |
| ***Permeating Themes*** | *Supporting sustainability across the board*<br><br>This ambition has been designed to appropriately place mainstream support providers alongside specialist and dedicated social enterprise development agencies to provide higher quality business support services that build the viability, marketability and tradability of social enterprises in the region. Mainstream business support should focus its efforts on enterprises that are committed to and have clear and achievable plans for securing higher levels of sustainable trading income. Better quality and more effectively co-ordinated advice are critical if the region is to identify and support sustainable social enterprise models.<br><br>*Embedding values in all that we do*<br><br>Mainstream support providers should build their understanding of the values driven environment in which social enterprises operate and tailor their packages of services to ensure they are seen to be accessible to social enterprises and meet their operational requirements. Where mainstream providers are not able to directly provide appropriate social enterprise services, they should consider how and whether they can sub-contract delivery to specialist agencies.<br><br>*Responding to diversity in all its forms*<br><br>Mainstream providers, through their relationship with social enterprise development agencies, should ensure they are providing a breadth of services and pursuing a sufficiently broad range of marketing activities to meet an appropriately broad array of social enterprise support needs.<br><br>*Co-ordinating access to better meet need*<br><br>Influencing General business advice is not about developing new services and infrastructure – the emphasis of this ambition centres on better co-ordinating, linking and promoting the array of services which already exist in the West Midlands region to ensure they are more effectively utilised by social enterprises. |

## Strategic ambition 7 – Delivering sector specific expertise

| | |
|---|---|
| *Vision* | The West Midlands region will develop and access an integrated network of specialist providers, working in harmony with mainstream services and targeted on meeting specific social enterprise needs. |
| *Rationale* | The West Midlands region has an array of specialist support agencies dedicated to representing the interests of social enterprises and providing business support advice and assistance exclusively to the sector, often in local communities or districts. This network of provision has two key aspects which need to be addressed:<br><br>Like mainstream provision, specialist support is un-coordinated and often difficult to navigate. There are many suppliers some with public backing and others trading in the market-place each providing different packages of support which over-laps, competes and potentially duplicates. Efficiency and effectiveness could both be improved if these services were more clearly mapped and more closely co-ordinated in their approach and delivery.<br><br>The coverage and quality of dedicated social enterprise support providers is hard to measure, but is thought to be patchy and variable. Social enterprise support and development is still in its early stages of evolution and professionally agreed standards of quality and performance are not yet clear. The combination of patchy uncertain specialist support and standardised mainstream provision can lead to critical business success factors not being properly understood or effectively addressed. |
| *Strategic Objectives* | 1. **Build the quality of specialist support providers**: the region should take a lead in developing higher quality standards among specialist social enterprise support providers. The quality of dedicated business support advice must be progressively built and extended across the region by addressing a number of priorities:<br><br>✓ Professional standards of business support must be developed and agreed regionally, either by adapting existing quality standards or developing new accreditation standards for the West Midlands to drive forward.<br><br>✓ Learning programmes for support providers must be developed to allow candidates to acquire the skills and insights required to acquire professional standards of advice and to contribute to the strategic goals of the region.<br><br>✓ Over time the West Midlands will develop a network of professional social enterprise support providers with a shared knowledge base of competences and providing a platform for collaboration between specialist support providers.<br><br>2. **Ensure the availability of a comprehensive spread of specialist services:** the West Midlands must ensure it can meet all the reasonable needs of a wide array of social enterprises throughout their life span- from pre-start though to growth and maturity. As well as driving up the quality of specialist provision, the region must ensure it can respond to the spread of needs in the sector which will require a number of key priorities are addressed:<br><br>✓ Legal and operational establishment of social enterprises: the legal form which social enterprises take can prescribe their activities later in life and it is vital they select the optimum solution to meet their needs. What is more, the legal framework(s) in which social enterprises operate are changing, not least with changes to Charity Commission regulations and the introduction of Community Interest Companies. The region must ensure it can access expert advice on these changing options, the implications they hold and the requirements of each. |

✓ Develop corporate governance: many social enterprises – particularly recent start-ups or organisations that have begun the transition from grant-aid to trading – need to achieve higher standards in business planning, organisational management and leadership. Most will have legal structures that place ownership, ultimate control and accountability in the hands of trustees, non-executive directors or a lay membership. This framework emphasises the importance of user participation in managing social enterprises and, so, the management and leadership skills of members and non-executives need to be developed. Unlike conventional businesses, membership-accountable organisations need to have very robust systems of corporate governance that clearly demarcate roles and responsibilities of different stakeholders.

✓ Management support for values-driven organisations: although many of the management requirements of the sector mirror those in mainstream businesses, the need in social enterprises to balance their commercial interests against the wider social objectives they are endeavouring to achieve does generate challenges through which management must navigate. Management of human and financial resources within a values driven environment may generate tensions where needs conflict with commercial imperatives. Although the diverse nature of these challenges does not lend itself to standardised solutions, the region should ensure that learning resources are available to assist and prevent duplication.

✓ Business planning for social objectives: in order to get a higher proportion of sustainable propositions, a more robust approach should be taken to setting out ideas and testing their viability. Standard solutions may not be appropriate, but general advice about business planning principles for social enterprise, with an emphasis on understanding markets, demand, marketing and financial profiling would add significantly to specialist support provision.

✓ Undertaking social audit: demonstrating the added value which social enterprise offer to the region is vital if the sector is to punch its weight. Thinking and practise on social audit is growing nationally and the region should ensure it has the facilities to stay at the cusp of developments by maintaining expertise in the adoption of social audit. Where appropriate the region should explore opportunities for developing benchmarks for social audit.

3. **Improve sign-posting to and knowledge of specialist providers**: the quickly shifting and atomised nature of specialist provision calls for better knowledge of what is available and more effective sign-posting mechanisms to channel clients to services. In conjunction with efforts to better co-ordinate mainstream business support (See Influencing General Business Advice) the West Midlands should develop and disseminate a register of specialist providers which can be used by intermediaries working with the sector, established mainstream providers and social enterprises themselves to understand the services on offer and to improve knowledge among social enterprise of their own support needs.

| | |
|---|---|
| ***Permeating Themes*** | *Supporting sustainability across the board* <br><br> Specialist support providers, like mainstream providers will provide higher quality business support services that build the viability, marketability and tradability of social enterprises in the region. Specialist providers will focus their efforts on enterprises that are committed to, and have, clear and achievable plans for securing higher levels of sustainable trading income. <br><br> *Embedding values in all that we do* <br><br> Specialist support providers only exist because of the unique value driven environments within social enterprises. This Ambition has been designed to promote the unique role that specialist support providers perform, to raise the standards of their work and to better integrate them alongside mainstream support providers. |

*Responding to diversity in all its forms*

The region should ensure it has a comprehensive network for specialist support providers capable of meeting the needs of the diverse set of requirements in the sector. A regional register of expertise will help and a programme of support development will ensure a mechanism for filling identified gaps in coverage.

*Co-ordinating access to better meet need*

Emphasis has been placed in this Ambition on better integrating specialist providers alongside mainstream provision and building understanding of what exist. Although new providers are likely to come to the fore especially in the consultancy market, the region should ensure that capacity is built within existing providers before new specialist delivery mechanisms are established.

## Strategic ambition 8 – Expanding the contracting arena

| | |
|---|---|
| *Vision* | Social enterprises in the West Midlands will seize procurement opportunities in the region and contract holders will work to ensure their procedures for letting contracts provide realistic opportunities for social enterprises. |
| *Rationale* | Many public agencies are increasingly keen to ensure that they maximise the impact of their purchasing power in the local economy. Social enterprises offer a ready mechanism for public agencies in particular to secure additional value for the funds they spend and invest in purchasing good and services. As well as delivering core services, social enterprises can lever in additional benefits such as taking on long-term unemployed people, retaining surpluses for re-investment elsewhere in the local economy, engaging with local regeneration priorities and securing match-funding. Furthermore, the funding of regeneration activities is increasingly being put on a contracting rather than grant based footing. |
| | As the out-sourcing of publicly funded services grows and new contracting approaches emerge, the West Midlands must ensure that it has a ready base of social enterprises eager and able to respond. There are two main barriers to expanding the contracting arena that this framework should address. |
| | Firstly, lack of awareness and preparedness among social enterprises to rise to the challenge of competing for often larger scale contracts. Although substantive capacity and cash flow issues do present real barriers, attitudes and knowledge are just as important brakes on expansion. Social enterprises need to be more aware of the market opportunities represented by procurement and better prepared to respond to them |
| | Secondly, agencies letting contracts often do not consider social enterprises as potential contractors for their services, over-looking the additional social benefits they could lever in with some additional thought and creativity. Awareness of the presence, potential, priorities and challenges within social enterprises must be built for public agencies to offer social enterprise realistic opportunities to capitalise on procurement opportunities in the region. |
| *Strategic Objectives* | Building a more vibrant, valuable and diverse contracting market in the region demands attention on both the supply and demand side of the contracting equation. For the regional market in publicly funded services to remain in the West Midlands and deliver wider social benefits a number of key objectives must be addressed: |
| | 1. **Influencing policy and practice in contracting bodies**: before the contracting agenda can be taken forward an extensive awareness raising job must be undertaken to ensure that agencies letting contracts are aware of the priorities and pressures under which social enterprises operate. Over time the region should push to see policies and procedures in place at each of the major public sector purchasing agencies that allow social enterprises a fair opportunity to compete for contracts. A valuable start has been made in local government where ODPM procurement guidance has stressed the importance of contracting with social enterprise and one of three national procurement pilots has been launched in the region. Effort will be required in a number of areas: |
| | ✓ Simply build awareness of the existence of social enterprises among procurement officers and senior policy makers. Social enterprises are often not prominent on their agenda and either by design or omission are effectively excluded from potential contracting opportunities. Greater awareness of their presence and a |

and letting contracts can mitigate against social enterprises would begin to contribute to a more advantageous environment.

✓ Public agencies, in particular should be assisted in developing contracting procedures and policies that facilitate and even encourage social enterprises to compete for contracts. Through advertising, bundling of services into higher value contracts, operating restrictive eligibility criteria and by not thinking creatively about maximising the social and economic impact of their purchasing power, public agencies unwittingly limit the opportunities for social enterprises to compete for contracts.

✓ Specialist advice should be made available to procurement agencies on the opportunities and restrictions that exist in contracting law and regulations. Within the legal framework under which public agencies operate, opportunities for securing additional community benefits are not prohibited. These include employment, training and regeneration outcomes which can all deliver substantial additional impacts in the local economy. However to be considered at the selection and award stages, these benefits must be directly relevant to the service provided, deliver measurable benefit and be supported by the contracting authority's objectives and Best Value policy. Navigating through this complex set of requirements demands specialist advice and support. The DTI has now produced a Contracting Toolkit and the ODPM has issued new contracting guidance to local authorities. Nonetheless, further practical guidance will be required in the region to steer individual agencies through the legal framework.

2. **Identify market niches and opportunities to grow and expand markets**: alongside the clustering and sectors agenda, the West Midlands should undertake some specific research and investigation into its social enterprise base to identify in which markets, goods and services, attention is required to either capitalise on an existing supply base or meet a growing demand. A number of priorities must be addressed:

✓ The sector must collaborate to identify and secure procurement opportunities in those markets in which it already has a strong base. Child and social care are two obvious sectors where procurement is an important purchasing mechanism and where the sector already has a presence. With some additional networking support contracting agencies and social enterprises can be brought together.

✓ In other growing markets the sector may not currently have a strong existing base of enterprises, for example, consultancy or IT services. Investigation into the extent of these markets should be undertaken and if substantial opportunities are identified, the region should commit itself to ensuring that it channels efforts into growing a base of social enterprises capable of competing in these markets. This will require close collaboration with wider strategic efforts to develop clustering behaviours in other key sectors addressed in the targeting Clusters & Sectors Ambition.

✓ The West Midlands region should also proceed with developing a limited number of key contracting opportunities with favourably disposed agencies in order to demonstrate what is achievable to both social enterprises and contracting agencies.

3. **Ensuring enterprises are equipped to bid for available contracts:** the supply side requirements of the contracting agenda must also be addressed. Competing for and winning contracts places particular burdens on social enterprises. Compliance with tendering procedures, developing sustainable and competitive service plans and demonstrating their unique added value all require attention and effort and place a drain on resources. Targeted support in a number of areas is required for the West Midlands' social enterprise sector to build their contracting base, to engage with and meet the requirements of contracting authorities without sacrificing the sustainability and growth prospects of their businesses:

✓ Facilities should be in place for bringing together, energising and sustaining social enterprise consortia to tender for larger contracts. Consortia will need assistance in collectively identifying market opportunities, brokering joint working agreements and equitably sharing the risks and returns should they succeed. A contract management role will clearly be central in successful consortia and should be financed through contract costs.

✓ Social enterprises and contracting agencies should jointly improve access to information about contract opportunities. Existing notification outlets should be supplemented with dedicated channels that are easily accessed by social enterprises and their development agencies. Where appropriate specific advice for social enterprises should be provided whether by the contracting authority or intermediary development agencies working with social enterprises.

✓ There may be cases, as the contracting arena grows in which the region and/or local partners will wish to create a new enterprise to bid for specific contracts. Similarly, there may be instances where existing voluntary sector organisations are keen to enter into contracting arrangements. Developing new suppliers will require close working relationships with contracting authorities and should only be embarked upon once consensus has been established that any newly created enterprise is truly additional and complementary to that which already exists and has the backing of the potential contracting authority. The West Midlands region should ensure that it has the infrastructure and skills in place to develop new enterprises should the need and opportunity arise.

4. **Managing contracts profitably and to high quality standards**: contract compliance is an often overlooked aspect of the contracting arena and is an issue which often restricts contracting enterprises from achieving their full potential. In order to sustainably exploit the contracting opportunities, social enterprises must have the skills and foresight to manage contracts efficiently and effectively whilst delivering quality services and meeting their social objectives with short, medium an long term horizons in mind. Unless contracts can be managed with sufficient cash flow to meet short term objectives whilst investing in longer term capacity and requirements the contracting agenda will not deliver the sector's wider objectives and should be treated with extreme caution. Support for managing contracts should be woven into the priorities set out in the Delivering Sector Specific Expertise Ambition.

| | |
|---|---|
| *Permeating Themes* | *Supporting sustainability across the board*<br><br>Contracting must work for social enterprises in the long, medium and short term. The policies and procedures in use should be constructed to ensure that social enterprises are able to compete effectively for contracts and once successful, be able to sustainably cover costs and generate surpluses for re-investment. A shared onus falls on the sector to step-up its competence in contract winning and management and for contracting authorities to structure contract packages that accommodate the wider social objectives of social enterprises.<br><br>*Embedding values in all that we do*<br><br>The procurement agenda is of particular interest in the social enterprise realm as many public authorities are increasingly alert to the opportunities for levering in additional benefits from their existing purchasing power. Opportunities to secure community benefits only exist because of the values driven nature of the sector. Public agencies must ensure, if they are serious about contracting with a wider base of social enterprises that they develop polices, procedures and support mechanism which accommodate those additional benefits and the obligations which go along with them. Contract management on both sides will need to be a developmental and learning process rather than a straightforward commercial supplier relationship. |

*Responding to diversity in all its forms*

The range of contracting opportunities in the region's public sector alone is significant and the potential base of social enterprise suppliers interested in exploring contracting opportunities can be expected to grow over time. There are some clear and obvious contracting opportunities in the care sector which elements of the sector may currently be well-placed to exploit, however these opportunities should not obscure the wider potential which exists in new markets, new approaches to contracting and new establishing enterprises.

*Co-ordinating access to better meet needs*

Success in wining and managing contracts requires very similar sets of skills and attributes to managing other aspects of social enterprises and mainstream businesses. Solutions to build the contracting agenda should be integrated into initiatives being driven out of the two business support ambitions: Influencing General Business Advice and Delivering Sector Specific Expertise. The sector should explore opportunities to better co-ordinate its response to the contracting agenda and contracting authorities should be encouraged to adopt common procedures and policies for letting contracts to social enterprises.

## Strategic ambition 9 – Targeting clusters and sectors

| | |
|---|---|
| *Vision* | To build stronger clustering behaviour in the social enterprise sector and to progressively build a stronger sense of sectors and markets within which social enterprises trade. Seize the potential of clustering programmes by establishing sector specific clustering |
| *Rationale* | Clustering is an approach to enterprise development that places a heavy emphasis on concentrating businesses growth around supply chains, markets and/or locations. The concentration of like-minded individuals and organisations allows for collaboration, specialisation, awareness raising and the growth of second tier assistance. Although conventional clustering thinking has centred on higher value sectors working in knowledge-based markets, the social enterprise sector can learn from and capitalise upon cluster thinking to further develop a stronger sense of collective direction and purpose.<br><br>Although social enterprise operates across a broad range of markets and sectors there are potential opportunities in regional and sub-regional clustering initiatives upon which they are not currently capitalising. |
| *Strategic Objectives* | This Ambition is essentially about capitalising on clustering activities already underway and learning from emerging cluster practice and achievements for adoption within the social enterprise sector.<br><br>1. **Capitalising on existing cluster initiatives**: the most prominent cluster interventions in the West Midlands region are currently being led by Advantage West Midlands and significant investment proposals are now being pursued through its Cluster Opportunities Groups and Action Plans. Although some of the ten target clusters have little relevance to the social enterprise sector, a number do exhibit potential that should be exploited. These are:<br><br>✓ Environmental Technologies: the social enterprise sector has a long track-record in working at the low-tech end of the environmental agenda. Its values driven approach and existing track-record suggest there may scope for new environmental technologies business within this target sector.<br><br>✓ Food and Drink: Farmers markets and local food co-operatives are two examples of well-established social enterprises which indicate a base on which to potentially build<br><br>✓ Specialist Business and Professional Services: there is a small, but potentially growing base of consultancy and support businesses emerging into the social enterprise sector, either as off-shoots of existing development agencies and enterprises or as self-starts by committed individuals.<br><br>✓ Tourism and Leisure: although not widely recognised, many of the region's visitor attractions are run on a not-for-profit, trading base. Museums for example provide significant social benefits, trade by charging entry and are managed by a stake-holder board of interests. Recognition of social enterprises already operating in this field needs to grow.<br><br>The social enterprise sector should seek to:<br><br>✓ Establish a clearer evidence base around each of these clusters and understand more clearly their standing and potential contribution to each of the Cluster Action Plans. |

Groups for the sector and raise awareness of the importance of social enterprise amongst cluster programme decision makers

✓ And, begin to roll out initiatives to build the social enterprise sector's contribution to each of the target clusters.

2. **Target a limited number of dedicated high growth potential social enterprise clusters**: outside of the Advantage West Midlands and other sub-regional cluster programmes, the social enterprise sector should identify a limited number of key markets with growth potential in which the sector has a presence. The WMSEP research programme has identified credit unions, childcare, recycling, local shops, transport and environmental markets as having key growth prospects. On-going work to explore the true potential in the child-care arena is underway through an Action Learning Network. The findings of this work should be built upon and taken forward to develop a targeted social enterprise cluster initiative for the region. The cluster programme will need to be built around the particular needs of the sector/market but will almost certainly contain elements to address networking, R&D for new products and services, innovation promotion, demand stimulation and dedicated business support. Much of which could be delivered by other Ambitions within this framework. The cluster initiative should provide a sectoral focal point around those efforts and fill identified gaps not already being met. An on-going programme of research into new markets should also be pursued to identify other long-term growth and higher value sectors in which there is social enterprise clustering potential.

3. **Raising clustering theory awareness**: clustering does not require formal programmes and outside stimulus. Entrepreneurs and managers can pursue clustering under their own steam and exploit the benefits available from *clustering theory*. Collaboration and concentration can be pursued from within the sector and the spin off benefits of drawing support closer, identifying new opportunities and generating outside interest are achievable. Efforts to stimulate awareness of and commitment to clustering behaviours should be pursued alongside formal and resourced programmes of cluster development.

| | |
|---|---|
| *Permeating Themes* | *Supporting sustainability across the board*<br><br>Clustering is a recognised route to building the sustainability enterprises. Clusters are stronger than the sum of their parts and provide a mechanism to continually adapt and innovate. This Ambition will accelerate the sustainability of the social enterprises in the West Midlands.<br><br>*Embedding values in all that we do*<br><br>By increasing the number of social enterprises operating in mainstream and non-traditional arenas, awareness of the activities and benefits of social enterprise will be raised. By successfully facilitating growth alongside mainstream cluster initiatives, social enterprise will be seen more widely as an alternative business model.<br><br>*Responding to diversity in all its forms*<br><br>This Ambition focuses on opening up existing cluster initiatives to a wider range of enterprises. Despite the targeted nature of cluster development activities, the region should ensure that a broad range of social enterprise activity is encompassed in any sector specific cluster developments which could open up opportunities for social enterprise to grow in non-traditional areas / sectors.<br><br>*Co-ordinating access to better meet needs*<br><br>This Ambition calls for closer integration of clustering ideas into the existing programmes. New clustering initiatives should only be pursued where there is no obvious scope for using existing infrastructure and programmes for similar purposes. |

# 4

# An eye on delivery

Turning these ambitions into a reality will not be simple. Moving from a set of aspirations written on paper to implementation requires leadership, resources and set of actions to be delivered by real organisations day to day.

A critical component of success in achieving strategic objectives is a detailed consideration of the oversight and delivery of this framework. As part of the *Point to Prove* development process, work has identified an oversight arrangement that will ensure the objectives set out in the nine Ambitions are delivered. This section sets out the process being pursued and the principles that underpin thinking.

As part of the process to develop this strategy, the shape of current regional organisation has been reviewed in order to put in place an oversight and development body that is capable of providing leadership for the sector over the next ten years. This will assume ownership and overall responsibility for the implementation of *A Point to Prove*, supported by regional partners unified in ensuring a successful outcome.

A review process has identified ways in which a new Regional Social Enterprise Network can be created – drawing on the best of the current Enterprise in Communities group and building on the substantial base of work developed by WMSEP.

## The guiding principles

In establishing an oversight solution a number of key delivery principles have helped to shape the new Regional Social Enterprise Network:

- A commitment to delivering the Strategic Ambitions at the local level, **using existing local delivery structures as far as possible**. These local delivery structures should be supported actively and resourced with appropriate capacities and competencies to take actions forward. Only where the local delivery structure is lacking should new delivery structures be formed.

- The **capability to take a strong horizontal view of Point to Prove performance**, which is able to understand the differential impacts that the framework has across the region, and which ensures that the Ambitions and actions, respond to the differing nature and scale of challenge across the region. This capability will also need to ensure that actions mesh creatively and efficiently with what has already been done, or indeed is planned

■ The **sustained involvement of individuals who are capable of anticipating future issues and challenges**, thereby conferring a strong proactive competency in the delivery and oversight. The Strategic Ambitions and the subsequent actions that flow from them will need to be regularly and thoroughly refreshed to ensure they remain valid and appropriate to changing regional needs.

■ A **transparent monitoring / evaluation framework**, which allows the performance of Strategic Ambitions to be assessed and judged in real time and ex-post, by internal and external stakeholders alike combined with **clear and transparent reporting mechanisms** which will ensure accountability for actions, and clarity of progress.

■ **substantial and direct involvement by the social and private sectors in *A Point to Prove* management**, helping to ensure that oversight does not become the sole preserve of the public sector, reflects the interests of the target beneficiaries of the framework and engages a broader set of partners with investment muscle

■ a **style and structure that commands the respect and confidence of funders at all levels**, such that they are prepared to allow their funding streams to be 'bent' to achieve the framework's aims and actions.

These principles have helped to design the first part of the delivery structure: the new Regional Social Enterprise Network which has, at its top level, an oversight group established as an accountable representative membership body with functional and other task groups and forums established. Its primary function will be responsibility for ownership of the social enterprise framework, oversight of the delivery mechanisms and for monitoring and review. It will be the primary source of advice for government and regional agencies – particularly Advantage West Midlands through its Enterprise Board – on social enterprise policy in general and programme design, funding and cross cutting policy themes, in particular. It will:

■ identify, and respond to, gaps in the regional development of social enterprise

■ assist in the identification of resources for social enterprise development

■ promote and disseminate good practice

■ advise on the development of new markets and delivery models

■ co-ordinate activities that promote and develop the sector in the region

■ provide an information flow to and from Network members, intermediaries, local government and other regional and national agencies

# 5

# Monitoring and evaluation

*A Point to Prove* builds on the priorities set out by the West Midlands Economic Strategy by developing a set of objectives which will directly support the growth of social enterprise. By practicing what we preach, the monitoring and evaluation framework will be firmly incorporated into the entire process and will be used to measure the quality of outputs and alert us to changing needs.
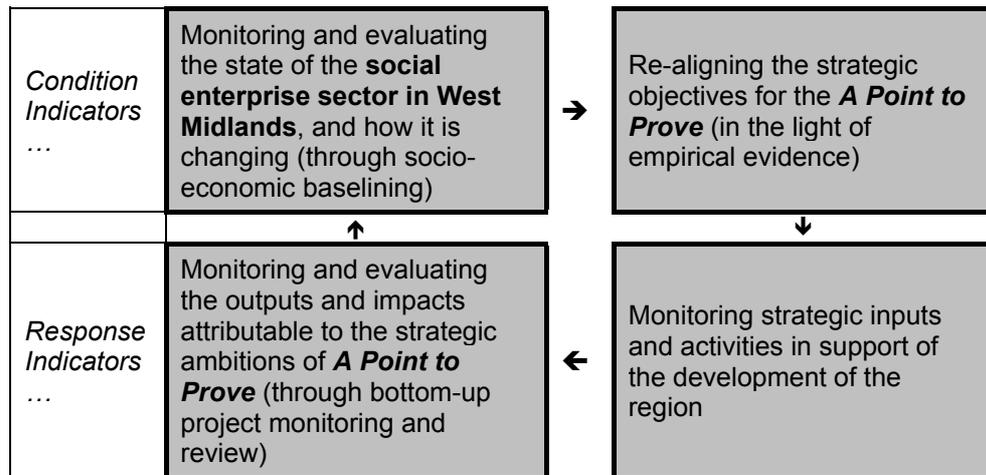
In order to respond to the changing environment and to demonstrate real and lasting progress, it is vital that the delivery of the *A Point to Prove* is underpinned by a robust monitoring and evaluation framework. The framework is a mechanism to gather intelligence, both real-time and retrospectively on the changing environment and the difference that is being made.

## Monitoring and evaluation

In order to meet the above requirements the monitoring and evaluation framework will need to comprise of two key strands. The first will be a top-down component that will monitor the changing state of relevant socio-economic data in the region. The second will be a bottom-up approach, and will enable the activities, outputs and impacts contributing to, and flowing from the framework, to be assessed using appropriate response indicators.

Collectively, the indicators will provide a clear and expansive insight into the efficiency and effectiveness of partner organisations in bringing about any desired change in the region.

The use and development of the framework will be iterative. Over time, as operating evidence and momentum grows, the monitoring and evaluation framework will yield intelligence about socio-economic conditions in the West Midlands region. Consequently, the information provided through a combination of condition and response indicators will allow the region to reshape its strategic priorities and operational focus. This will be a key task for the owner of the framework and the key supporting partners.

| | | | |
|---|---|---|---|
| *Condition Indicators …* | Monitoring and evaluating the state of the **social enterprise sector in West Midlands**, and how it is changing (through socio-economic baselining) | → | Re-aligning the strategic objectives for the *A Point to Prove* (in the light of empirical evidence) |
| | ↑ | | ↓ |
| *Response Indicators …* | Monitoring and evaluating the outputs and impacts attributable to the strategic ambitions of *A Point to Prove* (through bottom-up project monitoring and review) | ← | Monitoring strategic inputs and activities in support of the development of the region |

## Designing the framework

The two components illustrated above must be, as far possible, consistent and must be well aligned. To achieve this, the process of designing the final framework needs to be an iterative one with three distinct stages of development:

■ sketching out the framework's main building blocks. This will require:

  ✓ defining the principal condition indicators an indicative set of response indicators consistent with the framework's key ambitions;

  ✓ specifying the activity categories that capture the contribution of projects on the ground

  ✓ and developing the logic chains that connect the inputs and activities to the outputs and impact measures within each activity category

■ populating the architecture of the framework with detailed indicators.

■ specifying the complete framework in terms of monitoring and evaluation procedures. In other words, an operational model and a schedule of actions that will need to be put in place to ensure that the framework actually delivers on the ground.

Progressing the aforementioned stages of framework development will be a significant undertaking and will require that all partners at all levels, work closely and collaboratively. Reflecting the importance of this task, it will be crucial that in the early stages of *A Point to Prove*, that sufficient resources are allocated to establishing a robust Monitoring & Evaluation Framework

# Moving forward

Until specific actions have been agreed and scheduled, complete with a full set of relevant response indicators, the monitoring and evaluation framework cannot be fully populated.

On the other hand, the West Midlands Economic Strategy will allow us to define a detailed set of condition indicators. These indicators will be identified for each Strategic Ambition of the framework. In defining them, care will be taken to arrive at indicators that reflect the real challenges that *A Point to Prove* seeks to address.

The above paragraphs have outlined the types of data that will be utilised in the monitoring and evaluation process. In further developing the framework the following factors must be taken into consideration;

- first, the value to be gained by benchmarking condition indicators for the West Midlands, wherever possible and relevant against sub-regional, regional, national and relevant European equivalents.

- second, the conditions in the West Midlands will change during the course of delivering this framework, subsequently the strategic priorities of the region will shift. This demands regular updating of the set of core as well as supplementary condition indicators. The response indicators will also evolve over time.

- third, the need to ensure maximum connectivity and compliance between the framework's Monitoring and Evaluation plan, and the regional monitoring and evaluation framework for Advantage West Midlands. Doing so will enable the guardian of the Strategy to argue its contribution to wider regional strategic objectives. To demonstrate transparency and consistency in monitoring progress, there is a need to develop links with the West Midlands Regional Observatory and other sub-regional monitoring and intelligence sources. In particular, the framework needs to link into the monitoring process of projects such as Access to Finance, the Small Business Service and specific social enterprise delivery arms.

- fourth, while quantifying the response indicators, particularly those derived from the Tier 3 Outputs, the evaluation framework must factor additionality, leakage, displacement and multiplier effects.

The Regional Social Enterprise Network will seek to commission a research and evaluation group to take forwards the further development and implementation of the monitoring and evaluation framework. One of the group's first tasks should be to define and publicise a timetable for monitoring and evaluation activity, thereby helping to ensure that performance review and improvements are embedded, from the outset, in the framework's implementation and development.

# 6

# Next steps

This document is the final draft of the strategic framework for *A Point to Prove*: the West Midlands Social Enterprise Strategy. During the late Summer and Autumn of 2003, it was extensively circulated for consultation and discussion among partners in the region with a number of dissemination events to help fine-tune the contents. Work on an action planning phase started in the Autumn of 2003 and an Action Planning annexe to this framework will further show:

■ An activity review mapping existing and planned social enterprise development activities in the West Midlands to ensure that an accurate picture of gaps in coverage is agreed.

■ A framework identifying how partners investing in the region's social enterprise sector can shape their activities to better contribute to the region's agreed strategic objectives.

■ The delivery structure – to develop the Regional Social Enterprise Network – to provide reassurance that robust oversight of the commitments will be pursued and that networking, dissemination and development work is progressed to deliver the framework.

Once these stages of work are complete, the truly hard task begins – delivering real change. All partners need to begin the process now of thinking through how they can best contribute to the objective of the framework and preparing the ground for taking on a refreshed set of social enterprise commitments.