



**Transnational Employment Paths  
(Greece – Italy – Cyprus)**

**Methodology of writing  
a social enterprise  
business plan**



Co-financed by Greece and the European Union

# Methodology of writing a social enterprise business plan

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## 1. FOREWORD

The “**Methodology of writing a social enterprise business plan**” is a product of common work under the framework of the project “**Equal Access**”.

The project “Equal Access” is implemented by the **Development Partnership “EMPLOYMENT PATHS”** in the Heraklion Prefecture of Crete-Greece and is one of the 131 projects belonging to the “**LOCAL ACTIONS FOR VULNERABLE GROUPS (TOPEKO)**” initiative co-financed by the European Social Fund.

The aim of the project is to **contribute towards the integration or reintegration** of:

- unemployed people over 45 years old and
- people at risk of poverty,

through a broad set of actions that cover additional needs of different beneficiaries.

The project’s goal is to mobilize local actors to create jobs and at the same time to prepare unemployed beneficiaries to:

- cover job positions of existing businesses in Heraklion Prefecture
- to start up a business either individually or in collaboration with others (eg social enterprise).

In order to be prepared to enter the labour market the beneficiaries receive specialized **consulting services** on how to start up a new business and how to improve themselves in order to find a new job. Additionally, the beneficiaries participate in **vocational training programs** on issues matching both their skills and abilities as well as their future employment field.

### A. The Development Partnership “EMPLOYMENT PATHS”

The Development Partnership (DP) “EMPLOYMENT PATHS” is a non-profit organization created exclusively for the implementation of the project “Equal Access”. The organisations members of the DP cover a wide range of social, developmental, scientific and educational local actors creating a coherent ensemble with different experiences, knowledge and technical expertise.

These organisations are:

1. Heraklion Development Agency S.A. (HDA) – Head partner
2. Heraklion Chamber of Commerce and Industry
3. Vocational Training Centre “ANAPTYXI KRITIS”
4. Technical Institute of Heraklion Chamber of Commerce and Industry
5. Union of Crete Municipalities
6. Union of Workers in the field of Food in Heraklion Prefecture
7. Union of Hotelworkers in Heraklion Prefecture

### **B. The Transnational Cooperation**

The project “Equal Access” gave also the opportunity to the Development Partnership “EMPLOYMENT PATHS” to exchange experiences, knowledge and best practices with other European countries like Italy and Cyprus. The transnational networking actions of “Equal Access” aimed at improving the local methods of promoting unemployed to the labour market through social entrepreneurship.

Members of the transnational cooperation partnership, named “**Transnational Employment Paths**” are:

- a) the **CoGAL Monte Poro** (Vibo Valentia, Calabria, Italy)
- b) the **Larnaca District Development Agency –ANETEL** (Larnaca, Cyprus) and
- c) the Development Partnership “**EMPLOYMENT PATHS**” (Heraklion, Crete, Greece) – Head partner: Heraklion Development Agency (HDA)

The CoGAL Monte Poro and the ANETEL are development companies active in the area of Vibo Valentia in Calabria and Larnaca in Cyprus, respectively. Both partners have collaborated in the past with Heraklion Development Agency on various transnational programs. The basic and common goals of the agencies are the promotion of local development, the strengthening of the local economy and the creation of new job places through the management of European, national and regional programmes.

The “Transnational Employment Paths” project consisted of four actions:

1. **Learning experiences in Italy and Cyprus:** educational visits of Greek social entrepreneurs and representatives of DP organizations at social enterprises and institutions in Italy and Cyprus.

2. **Participation in Social Entrepreneurship Conference:** participation of Italian and Cypriots experts on social economy in a Social Entrepreneurship Conference held in Greece.
3. **Social Entrepreneurship Workgroup:** the setup of a transnational thematic working group to discuss and analyse issues on social entrepreneurship.
4. **Publication of transnational cooperation results:** collection, edition and publication of the transnational action results.

### **C. The “Social Entrepreneurship Workgroup” (Action 3)**

This action aimed at favouring dialogue, comparison and exchange of experiences on social entrepreneurship among people of different European countries.

The participants were people belonging to the partners’ organizations and, occasionally, people working at relevant local actors. The Workgroup had a **coordinator** (from the DP “EMPLOYMENT PATHS”) who was responsible for the following tasks:

- to define calendar meetings as well as the work program for each meeting
- to collect and share informative material among participants
- to write the minutes of the meetings.

From the point of view of the activity the workgroup had two different work modalities:

- **collective work** during workgroup meetings (physical or skype meetings). The role of this work was, from one side, to have a dialogue in order to share different opinions and to develop common outputs, from the other side, to fix group and participants specific tasks and commitments
- **distance work** in which each participant developed his/her work as agreed.

From the point of view of the production of deliverables, the workgroup had the following tasks:

- to **produce minutes** after the workgroup’s meetings
- to **prepare the deliverable** which is a “Methodology of writing a social enterprise business plan”.

For the production of the final deliverable the following meetings were held:

1. Meeting in **Cosenza - Calabria** (Italy, 12-13 December 2012)

Participants:

- *Paolo Pillegi, CoGAL Monte Poro*
- *Bruno Brogna, CoGAL Monte Poro*
- *Antonella Perri, ISES (Piccola Cooperativa Ises A R.L.)*
- *Franca Maltese, University of Calabria*
- *Lucia Groe, CREST, University of Calabria*
- *Francesco Favia, ISTA, Appuliae Open University*
- *Tullio Romita, University of Calabria*
- *Eva Katsaraki, Heraklion Development Agency*

2. Skype Meeting (14 February 2013)

Participants:

- *Eva Katsaraki, Heraklion Development Agency*
- *Eleftheria Mykoniati, Heraklion Development Agency*
- *Anna Kosma, ANETEL*
- *Bruno Brogna, CoGAL Monte Poro*

3. Skype Meeting (10 July 2013)

Participants:

- *Eva Katsaraki, Heraklion Development Agency*
- *Eleftheria Mykoniati, Heraklion Development Agency*
- *Anna Kosma, ANETEL*
- *Bruno Brogna, CoGAL Monte Poro*

4. Skype Meeting (9 April 2014)

Participants:

- *Eva Katsaraki, Heraklion Development Agency*
- *Eleftheria Mykoniati, Heraklion Development Agency*
- *Anna Kosma, ANETEL*
- *Bruno Brogna, CoGAL Monte Poro*

5. Meeting in **Vibo Valentia - Calabria** (Italy, 12 September 2014)

Participants:

- *Eva Katsaraki, Heraklion Development Agency*

- *Paolo Pillegi, CoGAL Monte Poro*
- *Bruno Brogna, CoGAL Monte Poro*
- *Giuseppe Greco, CoGAL Monte Poro*
- *Marina Ronett, CoGAL Monte Poro*

Due to the inability of ANETEL to participate in the last meeting in Vibo Valentia, where the contents of the final deliverable were presented, Ms Cosma (ANETEL) met Ms Katsaraki and Ms Mykoniati (Heraklion Development Agency) in Crete (28/11/2014) on the occasion of her participation in “SOCIAL ENTREPRENEURSHIP CONFERENCE” held in Heraklion (27-28/11/2014).

Additionally, on the occasion of the educational visit of Greek social entrepreneurs and representatives of DP organizations in Cyprus (, Ms Rovithi (Heraklion Development Agency) and Ms Cosma presented the final deliverable to Mr Adonis Konstadinidis, Senior Officer of D.G. for European Programmes, Coordination and Development of Cyprus.

#### **D. The “Methodology of writing a social enterprise business plan”**

The “Methodology of writing a social enterprise business plan” is the result of the common work of “Social Entrepreneurship Workgroup”. From their first meeting, the members of the group agreed **that business planning is very important for the survival of a social enterprise.**

Like all businesses, social enterprises operate in commercial markets, generating a profit from their trade. However, unlike other businesses, social enterprises exist to fulfil their specific social purpose and this is at the heart of every social enterprise, driving everything it does. For the development of the “Methodology”, the members of the “Workgroup” used their own experiences as well as the experiences of people running their own social enterprise.

**A business plan is fundamentally a planning tool.** It allocates resources and measures and it helps the social entrepreneur to set realistic goals and make decisions. A lack of planning leaves the entrepreneur poorly equipped to anticipate future decisions and actions he/she must take to run his/her social enterprise.

The experience in working with people who want to start up a social enterprise has shown that starting a social enterprise is similar to going on a challenging journey. Someone wouldn’t start such a journey without thinking about where he/she wants to get to and how he/she is going to

get there. This means that a person must first be clear about why he/she wants to become a social entrepreneur. He/she needs to have an understanding of how much it will cost and how long it will take. He/she should also consider contingencies in case things go wrong.

The reason for writing and sharing this “Methodology” is because the “Social Entrepreneurship Workgroup” believes that the person or persons responsible for managing and growing the enterprise must be heavily involved in writing the business plan. Managing an enterprise is tightly linked to its strategy - you cannot do one without the other.

A business plan provides the link between the entrepreneur’s strategy and his/her required actions. The “Methodology of writing a social enterprise business plan” is incredibly useful and will assist the social entrepreneurs –to- be with:

- clarifying what it is they want to do and why they are a social enterprise
- developing a better understanding of their enterprise
- ensuring they understand and are up-to-date with their market.

## 2. SOCIAL ENTERPRISES IN PARTNERS' COUNTRIES

The main objective of the “Social Entrepreneurship Workgroup” was to develop a “Methodology of writing a social enterprise business plan”. In order to achieve this goal, the workgroup surveyed and discussed their respective local contexts on social entrepreneurship.

### A. Social enterprises in Greece

The institutional framework regarding social economy consists of *Law No 2716/99 “Development and modernisation of mental health services”*, and of the **new law 4019/2011 on “Social Economy and Social Entrepreneurship”**:

#### 1. Law No 2716/1999

According to the specific law, **Limited Liability Social Cooperatives (KoiSPE)** constitute a special category of cooperatives. **They are legal entities of private law with commercial faculty and are considered as mental health units**, supervised by the Ministry of Health and Social Solidarity. KoiSPE’s goal is the social-economic integration and labour market inclusion of persons with mental illnesses. The individual members of KoiSPE are divided in three categories: a minimum 35% are mentally ill persons, a maximum 45% are mental health professionals and a maximum 20% are third actors. All members obtain only one (1) mandatory share in the cooperative and multiple optional shares, with the latter having no voting rights.

KoiSPE’s areas of interest are tourism, environment, agriculture, provision of services, while their fields of activity are nutrition/catering, cleaning services, recycling, marketing of gifts and local goods, support of people with disabilities, agricultural production/beekeeping and joinery.

#### 2. Law No 4019/2011

**Law 4019/2011 on “Social Economy and Social Entrepreneurship”** identifies Social Economy as “the sum of economic, entrepreneurial, productive and social activities, undertaken by juridical entities or associations whose statutory aim is the pursue of collective benefit and the service of wider social interests” (Art. 1, § 1).

Law 4019/2011 was set to implementation in 30 September 2011. It is the first legislative action introducing the concept of Social Economy in

Greece. It also introduces the **Social Cooperative Enterprise (KoinSEP)** as an entity of Social Economy. Specifically:

Art. 2 § 1 provides for the introduction of a **new form of social cooperative, the “Social Cooperative Enterprise” (KoinSEP)**: “The Social Cooperative Enterprise is established as an entity of Social Economy. **It is a civil cooperative with a social cause possessing entrepreneurial capacity by law.** The Social Cooperative Enterprise members can be either individuals or juridical entities. Its members participate with one vote regardless of the cooperative shares they possess”.

Art.2, § 2 further elaborates on the kinds of KoinSEP:

**a) KoinSEP of integration**, which focus on integration of individuals belonging to volatile population groups into the economic and social life; KoiSPE of the Law 2716/1999 are also considered KoinSEP of integration. In integration KoinSEP, at least 40% of the employees belong to volatile population groups, as defined by Law 4019/2011, Art.1 §4, such as the disabled, addicted, HIV-positive, imprisoned/released, juvenile offenders, unemployed young or women, unemployed over 50 years of age, long-term unemployed, single-parents, large-families members, abused women, illiterate, residents of remote regions, immigrants, refugees.

**b) KoinSEP of care**, which focus on production and provision of goods and services of social-care character, towards certain population groups such as the elderly, infants, children, disabled and chronically ill.

**c) KoinSEP of collective and productive purpose**, which focus on the production of products and the provision of services to meet the needs of collectivity (culture, environment, ecology, education, social benefit services, promoting local products, reserving traditional activities and crafts etc) which also promote local and collective interest, the development of employment, the enhancement of social cohesion and the strengthening of local or regional development.

Art. 14 **identifies the entities to enjoy special benefits set by this Law.** Along currently introduced KoinSEP, and KoiSPE of Law 2716/1999, the state also recognizes existing juridical entities, which cumulatively abide by the following criteria:

- they have a statutory purpose of social benefit, through the production of goods or the provision of services of collective and social character

- they present priority of individuals and labor over capital
- they employ a democratic system of decision-making
- they enjoy autonomy in management of their activities
- their profits are utilized primarily on the service of their statutory goals and secondarily for any eventual restricted profit distribution
- they operate on the principle of sustainable development
- they exclusively belong to one of the three categories described in Art.2, § 2.

Of specific significance is **Art. 7 which states that profits are not to be distributed to members, except in case such members are also employees.** In that case, 35% of the profits may be distributed to them, a 5% should be reserved and the rest 60% should be invested in new jobs creation.

KoinSEP and KoiSPE will have access to funding by the “Social Economy Fund” (a fund to be established) and the “National Fund of Entrepreneurship and Development”.

As with KoiSPE, members of KoinSEP have the right of compensation for their work, even if they already enjoy other allowances, pensions or benefits. Remuneration is not conventionally taxed but only under the first tax level, with no other tax charge.

One more favorable provision is set by Art. 16, introducing the concept of **“Social Orientation Public Contracts”**; all enterprises under Law 4019/2011 could be eligible as outsourcing contractors under special favorable status.

### **B. Social enterprises in Italy**

Before defining social enterprises, we should consider the definition of Social Economy in the Italian context: social economy includes socio-economic initiatives that are not included in the sphere of public sector, neither they do in the traditional sector of private economy as it is known by its “for profit” character. So, with the term Social Economy it is meant all these kinds of economic activity that focus on the values of solidarity, collaboration, collective effort and aims at the enforcement of social cohesion.

With the **155/2006 Law a definition of social enterprise has been introduced to the Italian legal system**. Although it is the result of a long academic and political debate, and will no doubt be subject to subsequent interpretation, there is finally an official definition that anyone who wishes to analyze social enterprises has (at least) to consider. The first general aspect that has to be highlighted is **that social enterprise is neither a new legal form, nor a new type of organization, but a legal category in which all eligible organizations may be included**, regardless of their internal structure. Therefore, the eligible organizations could in theory be co-operatives (i.e. employee-, producer-, or customer owned firms), investor-owned firms (i.e. business corporations), or traditional non-profit firms (i.e. associations and foundations). In this regard, **Italian law is a general law on social enterprises and not a particular law on a specific (or unique) form of social enterprise**.

Therefore, the term “social enterprise” is like a legal “brand” which all eligible organisations can obtain and use in the marketplace (see art. 1, para. 1, and art. 7, Law 155/2006).

The requirements are:

- being a private organization
- performing an entrepreneurial activity of production of social utility goods and services
- acting for the common interest and not for profit.

In order to be defined as a social enterprise, an organization needs to simultaneously hold all the aforementioned attributes.

The **business has to be of social utility**. The concept of “social utility” is given by article 2 of the Law, which considers two situations. The first (para. 1) regards **social utility sectors**, like welfare, health, education, instruction, culture, environmental protection and so on. All goods and services related to these sectors are considered to be of social utility. And organizations that acts in these sectors is defined as a social enterprise.

**Goods and services of public benefit** are those produced and exchanged in the following fields: social assistance (l. 328/2000); health care (DPMC 29/11/2001); social-health care (DPMC 14/03/2001); education and training (l. 53/2003), environment and ecosystem protection (l. 308/2004); valorization of cultural heritage (D. Lgs. 42/2004); social tourism (art. 7 co. 10 L. 135/2001); graduate and post-graduate education; research and provision of cultural services; extra-school

training aiming to prevent school leaving and encourage good school performance; support services for social enterprises, provided by bodies composed for over 70 % by social enterprises.

Furthermore, independently from the aforementioned fields, **social enterprises are also organizations carrying out an entrepreneurial activity aiming to the work integration of disadvantaged and disabled worker** (second paragraph of article 2). In this latter case, for an enterprise to be social, the nature of the sector of activity is irrelevant. What matters is that the activity is carried out by employees, of whom at least 30% are underprivileged or disabled.

After providing the definition of social enterprise, the Italian decree sets out rules on its internal structure, with the aim of directing the action of social enterprises towards their institutional purpose, that is pursuing the common interest. The structure of social enterprises is subject to these general principles:

- correct and efficient management
- transparency
- non discrimination rule
- participation
- worker protection.

The following sections describe the **different types of social enterprises from a legal and organizational perspective.**

### Co-operative

In general, a cooperative is an independent association of people that get together in order to satisfy their own economic, social and cultural needs through the setting up of an enterprise, characterised by common owned property and democratic control. It is possible to divide cooperatives into sectors or areas of activity, although it is not easy to categorize such a varied phenomenon into pre-established schemes. The Italian Ministry of Labour divides the cooperatives existing in Italy into eight sections: Consumer Co-operatives, Production and work Co-operatives, Agricultural Co-operatives, Housing Co-operatives, Transport Co-operatives, Fishing Co-operatives, Mixed Co-operatives, Social Cooperatives.

### Social co-operative

Law 381/91 identifies the peculiar nature of this type of social enterprises **aimed at pursuing the general interest of the community to promote the human needs and social inclusion of citizens. The social cooperative is therefore a particular form of cooperative, whose social aim is clearly expressed;** it is an alternative to normal enterprise and complementary to the "normal" cooperative. The law stated that the primary beneficiary of their activities is the community, or groups of disadvantaged people. Members may be people who work, manage or are paid volunteers in the co-operative people who directly benefit from its services, such as a disadvantaged or marginalized community; people who are unpaid volunteers in the co-operative - but they must not account for more than 50% of the total workforce.

Social co-operatives are permitted to distribute profits, subject to the following conditions: distributed profits are restricted to 80% of total profits, profit per share must be no higher than 2% of the rate of that available on bonds issued by the Italian Post office. No profits can be distributed if the co-operative is dissolved. This effectively prevents demutualization.

There are two categories of social co-operatives: „A“ co-ops and „B“ co-ops.

#### Type A

They **can deliver health, social or educational services.** They operate as commercially orientated businesses, with workers and volunteers being members of the co-op. Many „A“ co-operatives have established „privileged“ relationships with municipalities (also termed preferential bidders for work). About 70% of social co-operatives are „A“ co-ops.

#### Type B

These are **cooperatives for integrating disadvantaged people into the labour market.** At least 30% of workers in a B co-operative must be disadvantaged in some way. Those groups benefiting from B co-operatives include people with physical or learning disabilities; people with sensory difficulties; people released from psychiatric hospitals or otherwise treated for mental illness; drug and alcohol addicts; people who have been given an alternative to custodial sentences.

Besides, there is a Type C, which refers to Consortia of social enterprises formed by single social cooperatives linked together.

### **Associations**

Associations are no profit organisations constituted by natural or legal persons sharing a common goal. Being nonprofit doesn't mean it can't lead an economic activity if this activity is the mean to reach its purposes. It is a contract that is open to membership of third parties. An association must be constituted by 3 persons at least.

There are two types of associations: unrecognized or recognized. With regard to the firsts, no public authorization is needed and they are not legal persons. Recognized associations, instead, are those which obtained the authorization of the Central State. They have legal status, patrimonial autonomy, limited responsibility of the administrators. They can accept legacies and donations.

### **Foundations**

Foundations are institutions supported by an endowment for the pursuance of a goal of public benefit. To constitute a foundation some goods must be destined to the achievement of the specific purpose identified in the statutory act. The foundation has its own legal status.

### **ONLUS**

Onlus (Organizzazione non lucrativa di utilità sociale - non-profit organizations for social benefit) were introduced in Italy by Law 460/97. Onlus organizations are a category of non-business bodies, a fiscal entity that has not yet been defined in civil law. Legal Onlus can be: social cooperatives (Law of 08.11.1991, n. 381); volunteering organizations (Law of 11.08.1992, n. 266), NGOs (Art, 28, Law of 26.02.1987, n. 49). Bodies undertaking activities in the following sectors may also be considered Onlus organizations: social-health care, health care, educational charity, training, amateur sports, protection, promotion and enhancement of wild life and the environment (excluding the collection and recycling of urban, special and dangerous urban waste), promotion of culture and art, defence of civil rights, scientific research of a particular social interest carried out directly by foundations or assigned to universities, research bodies, or other foundations.

### **C. Social enterprises in Cyprus**

Social enterprise is a relative new term for Cyprus, which was introduced in the public sphere in late 2008 and first appeared on the Government's policy agenda in 2013. Efforts to promote social enterprise can be traced to December 2008, when "Acta Vista", a French work integration social enterprise presented their work to Cypriot public and policy makers at a European Conference organised in Nicosia titled "European Heritage for Employment." Awareness raising efforts on social enterprise/ social entrepreneurship have been so far the result of EU funded or private initiatives. For example, in 2010, the first Conference on Social Entrepreneurship was launched in Nicosia by the Synthesis Centre for Research and Education and the University of Nicosia. The ESF Unit has also instigated a dialogue with stakeholders to explore how any policy or legal framework for social enterprises can be taken forward in Cyprus. Around this time, some social enterprise practices start to emerge in Cyprus. Anakyklos Perivalontiki, a non-governmental organisation which generates income through recycling activities was founded in 2010. Anakyklos can be considered the first true social enterprise – its aim is to reduce landfill waste and to provide affordable textiles/clothes to the market.

**No attempt has been made to define social enterprise in Cyprus, either in policy documents or in academic literature so far.** There is however, a dialogue underway around the role and definition of social enterprise in Cyprus led by the ESF Unit. Interviews undertaken for this study revealed a lack of knowledge of the term social enterprise (some interviewees had never heard of the term before), even by organisations that would have been considered as social enterprises in other Member States.

On 11th December 2013, the President of the Republic of Cyprus announced a series of measures to combat unemployment and social exclusion. This included a specific measure to promote and develop actions in the social economy.

**In Cyprus, there is no specific legal form for a social enterprise. Within the current legal framework, social enterprises must adopt an existing legal form.** Social enterprises could therefore, operate as:

**A Limited Liability Company in two forms:**

- a) a company limited by shares, with profits distributed to shareholders
- b) a company limited by guarantee without shared capital. Its members are guarantors who agree to contribute a zero amount in the event that the company is wound up.

**A Non-Governmental Organisation (NGO)**

NGO is a term that is used to describe organisations that are set-up voluntarily and with a non-profit agenda, seeking to promote a cause or a set of values. Such organisations, in Cyprus, can be found in four legal forms:

- a) Non-Profit Companies: they distribute their income or profit for the promotion of their purpose. Payment of any dividend is also prohibited to its members. These are legally Limited Liability Companies.
- b) Associations: a formation of minimum of 20 people that work in close collaboration to implement predefined purposes, goals and objectives.
- c) Foundations: they may obtain a certain property (assets and/or funds) to promote their purpose. They can be charitable, patrimonial or collective. The founder has to establish a fund, which will act as the means to finance itself.
- d) Clubs: gathering of minimum 20 people with shared interests, mainly for the purposes of socialization or entertainment. They may include a lawful activity, except from activities that involve profit.

### 3. PREPARATION OF STARTING UP A SOCIAL ENTERPRISE

Developing a social enterprise, like starting any new business, is an exciting and active process. It involves a lot of hard work but equally it should be a rewarding and enjoyable experience.

Before starting up your enterprise there are a few things you have to consider about. Let's see some of them:

#### I. Enterprising qualities to run a social enterprise

There is usually one person that has the passion, the determination, the charisma and the idea to start up a social enterprise. This is the person that inspires the other members of the group to fulfill their vision.

**This person – the leader - must be prepared and fully committed to overcoming the inevitable obstacles** and challenges that undoubtedly lie along the way. Some questions the leader must ask him/herself are:

- *Do you want to run a business?*
- *Are you realistic about your capabilities?*
- *Do you fully understand the risks?*
- *Do you have the full support of your colleagues?*
- *Can you motivate people and take the lead?*
- *Have you got the drive and self-belief to take this forward?*
- *Can you make decisions?*
- *Do you listen to advice?*
- *Are you determined enough and prepared to keep going when things get tough?*

The leader must identify the areas where he/she is strong and others where he/she is weak. **Part of his/her personal development process will be to work on the weaknesses and to build a team** that has complementary strengths which can help him/her to develop the social enterprise.

#### II. Potential business idea

**A good business idea has to be rooted in market reality.** While you may be motivated by your initial idea to proceed to the development of a social enterprise, remember that later, in the process, you may have to alter or abandon it completely if there is no market.

There is no right starting point for developing a business idea but **it is recommended being cautious about becoming too fixated on one business idea**. Ask yourself the following questions:

- *Are you looking to sell a product or service to a customer?*
- *Have you identified who that customer is?*
- *Do you know what the market rate is for the product or service?*
- *Have you considered how you will convince the customer to buy from you rather than from your competitors?*

Some of this language/terminology may be unfamiliar to you but if you are not thinking about selling to a market then you will not be able to develop a social enterprise.

### **III. Knowledge about social enterprise**

Social enterprises share many of the characteristics of private businesses but there are some crucial differences. Social enterprises have twin aims, which are of equal importance. Private sector business focus primarily on trading. Social enterprises have also a commercial focus as well as an explicit social and/or environmental purpose.

If you are unclear about whether social enterprise is the right option for your business or if feel you do not know enough about what running a social enterprise is, there is a range of information and support available (e.g internet, support structures, development agencies).

### **IV. Risk attitude**

Setting up a social enterprise entails a degree of risk. As with any business, there is some potential for failure. One very important risk is financial risk.

In the course of starting-up and developing your social enterprise, you will need to borrow some of the investment required. This is sometimes referred to as “investment readiness” and may impact upon your decision to proceed with establishing a social enterprise.

Investment finance for social enterprise can take different forms, e.g. grant aid, or loan finance. You will need to decide which is the most appropriate funding for your enterprise in order to be able to draw some conclusions. In order to assess your attitude against financial risk, you should think the following:

- *What investment do you require to start up a new social enterprise? What sources can you identify?*
- *What is your attitude towards loan finance? What is your experience of loan finance and repaying loans?*
- *Do you have the power to borrow?*
- *What type of relationship do you have with the banks of your area?*

These questions may seem discouraging at first but it is crucial that you think clearly about the financial and investment needs of developing a social enterprise. You can access advice and support on this process from banks, development agencies, chambers of commerce e.t.c. The success of your social enterprise will rest on you identifying the most appropriate funding or finance package to match your strategic objectives.

### **V. Rethinking the business idea**

As mentioned before, the identification of a good business idea is the most important factor for the survival of a social enterprise. You may already have a business idea and some plans about what you want to do, but we believe that a presentation of the characteristics your product/service may have could be really helpful.

- ***Production of a completely new product/service***

Completely new products or services are in fact very rare, so you should be very careful in identifying with this scenario. Undoubtedly you would like to offer a service or product with a difference. This is good because it will allow you to identify and exploit a need within an existing market. However, the likelihood that you will develop an entirely new product is very small. And don't forget that there is always the danger that a stronger competitor might "affect" your business by copying your idea.

- ***Replication of an existing business idea***

This approach will allow you to take advantage of the experience of others by replicating an existing social enterprise. You can build upon the knowledge and successes of these enterprises, and replicate their business model, adapting it to suit local market conditions.

- ***Franchise and social franchising***

When you buy a franchise you are buying the right to use a specific trademark or business concept that has already been tested. Franchising can be a very good way of entering into business development, as you can benefit from adopting a proven business model.

Additionally, you could choose to franchise from an existing social enterprise. The process is similar to a private sector franchise.

- ***Public Sector Procurement***

Social enterprises are becoming increasingly involved in the provision of services to public sector agencies. This is clearly a growing market opportunity. However, if your enterprise is interested in tendering for public sector contracts you will have to operate on a commercial basis and win contracts in what is a fairly competitive market.

### **VI. External analysis of your market**

What is really important when you start up a social enterprise is to assess the trends that affect the market, in which you will be operating. Consider how, in turn, these might affect your own enterprise.

To assess the factors that influence the market and your enterprise, you should use PEST analysis. It is a useful strategic tool for understanding and analysing all those macro-environmental factors that affect the operation of an enterprise. The basic PEST analysis includes four factors: Political, Economic, Social and Technological.

To better understand how PEST model works, have a look at the following table:

External analysis			
Political	Economic	Social	Technological
These can be political factors or policy decisions that affect the operating environment	These are issues that affect the purchasing power of customers and other businesses	These are factors that affect customer needs and potential markets	These are innovative development of trends that might affect markets
<p><u>Examples:</u></p> <ul style="list-style-type: none"> <li>Tax</li> <li>Employment</li> <li>Environmental regulations</li> <li>Trade restrictions/tariffs</li> <li>Political stability</li> <li>Europe</li> </ul>	<p><u>Examples:</u></p> <ul style="list-style-type: none"> <li>Economic growth</li> <li>Interest rates</li> <li>Exchange rates</li> <li>Inflation</li> <li>Unemployment</li> <li>Supply/demand</li> </ul>	<p><u>Examples:</u></p> <ul style="list-style-type: none"> <li>Demographic and cultural changes</li> <li>Population growth rate</li> <li>Social attitudes</li> <li>Employment environment</li> </ul>	<p><u>Examples:</u></p> <ul style="list-style-type: none"> <li>Research and development</li> <li>Automation</li> <li>Technology</li> <li>Innovation</li> </ul>

**VII. Balance of income**

You might find it useful to look at the balance of incomes that you are going to need to sustain your business. Some social enterprises aim to generate 100% of their income from commercial activity. Others, might have a percentage of income coming from non-commercial activity (e.g grant funding from public sector funders, donations).

A social enterprise should aim to generate more and more of its income from commercial activity. This will give the enterprise greater security and release its reliance upon grant funding.

**VIII. Testing your business idea**

You will need to determine whether or not there is a market for your social enterprise. You may be able to identify a need but it will only be a market if someone is willing to pay you for your product or service.

In order to answer questions like “Who will be your customers;” and “Why will they buy from you rather than your competitors”, you should make a market research.

Market research can be broadly divided into two categories – primary and secondary:

a) Primary research:

- *Asking competitors or small groups of potential customers*
- *Watching what the competitor is doing or what potential customers do*
- *Testing the product. This probably leads to the best data*

b) Secondary research

- *Information from trade journals*
- *Information from government reports*
- *Information taken from competitors' promotional literature and price lists*
- *Publication and other media aimed at your target market. The internet can be a useful source*
- *Information from surveys or questionnaires*

Using the research methods above, consider your position in relation to the following:

a) The Market: Ask yourself, how will you reach your customers? How much will they be willing to pay for your goods or services? You will need to prove that a market exists for your business idea. Start with an estimate of the likely demand for your product or service. Identify any competitors and, if possible, try to find out about buying patterns for the specific product or service you have in mind.

b) Competition: A competitive marketplace indicates that demand exists for your product or service but it also means you will have to try harder and be better in order to take business away from your competitors. A direct competitor is someone who is selling the same product or service as you. Indirect competition refers to all of the other ways in which customers might choose to spend their money. Try to identify your competitors.

c) Operations: What resources would you require to run the business? Consider overheads areas such as staffing, skills, training the workforce, marketing costs, equipment, etc. as well as the cost of any raw materials.

d) Finance: How will you fund the start-up of your business? How will you pay for the day to day running of the social enterprise? It may be that you require a mix of funding. If you do require some non-commercial income to cover the costs of the social enterprise where will this come

from? How much do you need? How much will it cost to borrow? It might be useful to talk to a bank at this stage to see if they would consider providing loan finance for your business.

### **IX. Pricing the product or service**

It is very important to work out what price you will charge for the goods or services you plan to sell.

You must start by calculating the fixed costs per year– i.e. the things that have to be paid for whether or not you sell anything (rent, heating and lighting, salaries, advertising, social security, bank loan e.t.c). *Let's say that your yearly fixed costs are 50.000€.*

After conducting some basic market research (i.e. checking the prices your competitors charge) you must find out the price that your potential customers would pay for your product. *Let's say that they would pay 1,50€ for your product and that the product costs 0,50€ in order to be produced.* In order to find out the gross profit you must deduct the cost of making the product from the price you sell the product (i.e.  $1,50€ - 0,50€ = 1,00€$  gross profit).

In order to find out how many products you must sell in order to cover the fixed costs per year, you divide the costs with the gross profit (i.e.  $50.000€/1,00€ = 50.000$  products per year). The result (50.000) is the break even point of the business, meaning the point at which cost or expenses and revenue are equal: there is no net loss or profit.

If you need to find out the daily production of sales required to ensure the business would be viable you simply divide the amount of annual sales required by the number of expected trading days (i.e.  $50.000$  products/ $250$  days =  $200$  products per day).

Once you have identified your breakeven point, you will have to determine whether you could realistically achieve the volume required for your business to work.

As long as the figures seem to suggest that the idea has the potential to be financially viable then it is worth moving onto the next stage in order to explore its potential in greater depth. However, if the figures do not stack up, i.e. you cannot see how you will make the sales to cover the costs, then you should not proceed with its development as a social enterprise. That is not to say that you should abandon all hope of

developing a social enterprise but simply that this particular idea is probably not suited to the social enterprise model.

### **X. Promoting your business**

Analyzing your idea from a marketing perspective will require you to think about how you will promote and advertise your business, product/service.

The most appropriate promotion method is dictated by the nature of the business and the target market.

Advertising in printed or broadcast media can be expensive so it is important to be as realistic as possible regarding the projected costs of promotion and the resources required.

Take note of how other businesses promote themselves and consider the most cost effective means of reaching your target market.

If you are developing a website be clear about what you want your website to do for you. Do you want people to buy direct from the website or is it an opportunity for people to find out about you and develop a trading relationship from there?

Think about advertising your business in social networking services like Facebook, Twitter or LinkedIn.

Do not ever forget that word of mouth is the best form of advertising. Money cannot buy you good word of mouth, good service does.

However, the primary lesson to take away is that marketing does not just take place when the business is launched. It should be proactive and is at the heart of any successful business.

### **XI. Writing a business plan**

You need to have a plan. Trying to run a social enterprise without proper planning in place is a recipe for disaster. A business plan provides you with a route map. It gives you credibility in articulating your proposal when you approach other organisations.

Up to this point we have focused on the key areas of generating the business idea, investigating the market and pricing and promoting your product. In this section we focus on the key areas of business planning. You will have to tailor your business plan having in mind your target audience.

Financial Planning is a crucial part of the business planning process. The more you know about the rest of your business the more accurate you can be in your financial forecasting. If any funding gaps are likely to occur then financial planning should highlight these ahead of time so that you can do something to address the issue.

Effective financial planning will also be of benefit if you decide to approach a bank or another funding body to help you. A business plan will allow you to demonstrate that you have thought about and planned for any problems in operation and that you are prepared to deal with emerging problems in a logical way.

It may be helpful to have a second opinion on your financial predictions. Your bank may provide this service to you free of charge or you could consider visiting a social enterprise business support structure or a business adviser. These experts will also help you to decide on the investment finance, if you need financial support to start-up your enterprise. There is a complex array of investment finance available from grant support to loan finance. Accessing the right type of investment finance for your social enterprise might be difficult.

You will also need to seek legal advice before you adopt a legal structure. A lawyer will also help you to write the memorandum of your association a legal statement signed by all the social enterprise's shareholders confirming they agree to form the company.

There are numerous business plans available. However, there are some key features that all business plan must contain. These features are included in the business planning template that follows. However, the template is merely a guide and you should emphasise or supplement the information wherever appropriate in order to present the best business case for your proposed social enterprise.

Do not ever forget that your business will change and your business plan should adapt to accommodate those changes over time.

## SOCIAL BUSINESS PLANNING TEMPLATE

### Executive summary

*This is your best opportunity to make a good first impression. A snapshot of what the social enterprise does. Where you are now. Where you want to go. How you will get there.*

<b>The business</b>	
<b>Name:</b>	
<b>Address:</b>	
<b>Key contact:</b>	Name:
	Telephone:
	e-mail:
<b>Legal status:</b>	
<p><b>What does your business do:</b>  <i>Describe briefly the activities of your business (products or services).</i></p>	
<b>Date business was/will be set up:</b>	
<p><b>Social aims:</b>  <i>Describe briefly the social aims of your business (as mentioned in the memorandum).</i></p>	
<p><b>Background information:</b>  <i>This should be a short summary of the business. Describe the activities, the location of the business, the management structure, funding (if any) etc.</i></p>	



**Product or service**

*Give a detailed description of your products, services or activities.  
Do not forget to refer to production methods, quality standards, supervision etc.*

<b>The market</b>
<b>Customers:</b> <i>Who will buy your goods/services? Why will customers buy from you?</i>
<b>Market research:</b> <i>Detail the market research carried out, what trends were identified etc.</i>
<b>Competitors:</b> <i>Detail major competitors, their strengths / weaknesses.</i>
<b>Similar examples (if applicable):</b> <i>Details of similar types of social enterprises and what can be learned from them.</i>

### Social purpose

*Give brief details of the social purpose you will meet through running your enterprise.*

- *Who will benefit?*
- *Why there is a need for social enterprise?*
- *How will running the social enterprise meet the need?*

### Social impact

*How will you measure your social impact?  
What tools can support you to do this?*

**Business environment**

*Briefly detail key issues in the external business environment that may affect your business (include information from PEST Analysis).*

**SWOT analysis**

*Evaluate the strengths, weaknesses, opportunities and threats involved in your business venture using SWOT analysis. SWOT analysis aims to identify the key internal and external factors seen as important to achieving an objective. SWOT analysis groups key pieces of information into two main categories:*

- *internal factors – the strengths and weaknesses internal to the organization*
  - **Strengths:** *characteristics of the business that give it an advantage over others.*
  - **Weaknesses:** *characteristics that place the business at a disadvantage relative to others.*
- *external factors – the opportunities and threats presented by the environment external to the organization*
  - **Opportunities:** *elements that the business could exploit to its advantage.*
  - **Threats:** *elements in the environment that could cause trouble for the business.*

**Critical success factors**

*Describe the main critical success factors for your enterprise.*

*Critical success factors are those elements that are necessary for a business to achieve its mission. They ensure the success of a business. For example a critical success factor for a business could be its prices or its location. E.g. a social enterprise located in the city centre of Heraklion can take advantage of the tourism market.*

**Business development strategy**

*Briefly detail your strategy to ensure you meet your critical success factors.*

<b>Turnover and sustainability</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<i>What sales turnover is expected?</i>			
<i>What non-commercial income do you have?</i>			
<i>What profit do you expect to achieve?</i>			
<i>How long will it take you to achieve sustainability?</i>			
<i>Give reasons why you will achieve your expected turnover?</i>			
<i>Give reasons why you will obtain non-commercial income?</i>			
<i>Give reasons why you will achieve sustainability?</i>			
<i>Scenario Planning (best/worst case scenarios and what you will do to achieve sustainability)</i>			

<b>Marketing and sales</b>
<i>What is your marketing strategy? (include any e-commerce strategy)</i>
<i>What is your pricing strategy?</i>
<i>What is your promotion and advertising strategy?</i>
<i>What is your customer care and customer feedback strategy/policy?</i>
<i>What is your budget for marketing?</i>

<b>Premises</b>	
<i>Location:</i>	
<input type="checkbox"/> <i>Buy</i> <input type="checkbox"/> <i>Rent / Lease</i>	
<b>Buy</b>	<b>Rent / Lease</b>
<i>Owner of property</i>	<i>Rent / Lease (per year)</i>
<i>Valuation of property</i>	<i>Rent / Lease (agreement)</i>
<b>Mortgage details (if applicable)</b> <i>Amount of mortgage</i>	<i>How often do you pay?</i>
<i>Offer / Conditions</i>	<i>Rent / Lease term</i>
<i>Equity</i>	<i>Will you be able to renew the rent agreement / lease?</i>  <input type="checkbox"/> <i>Yes</i> <input type="checkbox"/> <i>No</i>
<i>Length of mortgage (if applicable)</i>	<i>Who is responsible for repairs?</i> - <i>inside the building</i>  - <i>outside the building</i>

**Suppliers**

*Who are your major suppliers?*

*Are there alternatives?*

*What are the advantages of buying from the suppliers shown above?*

**Production operation**

*Include relevant details on production / operation including review, quality standards, supervision, production methods etc:*

<b>Equipment and vehicles</b>				
<b>Equipment/vehicles- current</b> Description	<b>Age</b>	<b>Condition</b>	<b>Space capacity</b>	<b>Value / cost</b>
<b>Equipment/vehicles-required</b> Description	<b>Date of purchase</b>	<b>Condition (new/used)</b>	<b>Space capacity</b>	<b>Value / cost</b>
<i>Please detail finance arrangements of any equipment / vehicles required</i>				
<i>Depreciation policy – please give brief details</i>				

<b>Finance</b>
<i>Profit &amp; loss (Please provide projected profit and loss figures for first three years as an appendix)</i>
<i>Brief details of budget assumptions:</i>
<i>Realistic cashflow forecast (Please provide realistic cashflow for first three years as an appendix)</i>
<i>Brief details of cashflow forecast:</i>
<i>Balance sheet If required please provide as an appendix</i>
<i>Amount of development finance required – what you need it for and for how long (give details of each item if necessary):</i>
<i>Please provide any details of finance of funding secured – what you need it for and for how long</i>
<i>Details of any previous borrowing (if applicable):</i>
<i>Scenario Planning if funding / finance not secured:</i>