SIPS Conference Book

SIPS Transnational Partnership

Sustainable Business Concepts for the Social Economy

2007

sharing
identifying
promoting
supporting

SIPS
CONFERENCE
BOOK

SIPS Transnational Partnership

Contents

Foreword

This publication presents the central outputs, results and learnings of the transnational collaboration within the SIPS Project in the framework of the EU EQUAL Program.

The SIPS project partnership consists of the following seven project partners representing six EU Member States:

INSPIRE/NESEP, United Kingdom
REALISE, United Kingdom
W.I.P. (Welfare, Inclusione, Partecipazione)/FILSE S.p.A., Italy
Business Encouragement Development Partnership/LID, Lithuania
Mazurski Feniks/Starostwo Powiatowe w Ketrzynie, Poland
INCUBE/FAF gGmbH, Germany
SESF/VATES Foundation, Finland

The goal of the SIPS Project was to create a European social franchising and replication network, and to exchange and to disseminate information and experiences between the different countries around social entrepreneurship.

Outputs of the SIPS Project were presented and evaluated at the Final Conference of the transnational collaboration in Porvoo in Finland on June 19-20, 2007. The central outputs are these:

Descriptions for business models
A guide to Social Franchising in the Social Enterprise sector
European Social Franchising Network

The articles in this publication have been produced through collaboration of the transnational partners. The names of the authors of the different parts are mentioned in the table of contents. We want to express our warmest thanks to all the authors for their valuable contribution to this publication.

The SIPS Conference Book has been published by VATES Foundation as part of the material of the Final Conference and transnational documentation.
The material and the articles for this publication has been collected by Kari Karhu, Project Coordinator.

In Helsinki, June 20, 2007.

Marjatta Varanka
Managing Director
VATES Foundation, the Finnish SIPS Partner

The Members of the Transnational Development Partnership

Authored by Kari karhu

The Transnational Partnership SIPS (Sharing, Identifying, Promoting, Supporting) is a consortium composed of seven national partnerships operating in six European countries. The partners of SIPS support the development of social enterprises. To address this issue they develop businesses to promote employment of disadvantaged groups of people.

The SIPS Project was implemented in the framework of EU Equal Programme 2004 - 2007 (TCA Id code: 3609 - Round 2).

REALISE (UK-Great Britain)

There are two separate British partnerships as members of the Transnational Development Partnership SIPS. They are REALISE Partnership in Suffolk area in South East and INSPIRE Partnership in North East Britain.

The British Development Partnership REALISE (Real Employment and Livelihood in Social Enterprise) has supported the development of Social Enterprises and Social Firms in Suffolk in south-eastern part of England. It has influenced key stakeholders in the Region in order to acquire financial support for Social Enterprises, especially creating work opportunities and employment for people with learning disabilities and mental health problems. In addition, REALISE has linked its pilots, especially those who search for more sustainable business ideas, to the transnational development and will benefit from the experiences of those partners who work in a more established Social Enterprise or Social Firms Sector.

The REALISE Partnership is managed by the Suffolk County Council, which is a public organisation made up of six directorates providing services and information to the citizens of Suffolk.

For more information, please see www.suffolk.gov.uk

INSPIRE (UK-Great Britain)

The British Development Partnership INSPIRE has carried out Research and Development to identify new business opportunities for social enterprises and existing successful enterprises. It then has used these models called social franchising.It then develops social franchises to capitalise on these opportunities. By using a social franchise approach, INSPIRE is beginning to show how the social enterprise sector can grow much more rapidly.

The INSPIRE Partnership is managed by NESEP, the North East Social Enterprise Partnership. NESEP is a development agency for social enterprise with an aim to foster strong and vibrant social enterprises across the North East region.

For more information, please see www.inspirenortheast.co.uk

Incube (Germany)
The German Development Partnership INCUBE has developed models of replication and licensing, franchising. Furthemore INCUBE worked on the creation of networks and qualification. It has also brought expertise to the Transnational Partnership and will gain from the experience and development in other countries. Through the partnership INCUBE has learnt from the experiences of franchising, replication, flagship program, concepts of support structures in the countries of other national members of the transnational partnership.

The INCUBE Partnership is co-ordinated by FAF gGmbH. FAF is a social firm support structure with 20 years experience, specialized in developing businesses for social firms and social enterprises.

For more information, please see www.faf-gmbh.de

SESF (Finland)
The Finnish Development Partnership SESF (Sustainable Employment in Social Firms) is a project to start up and to develop social firms and enterprises. It collaborates both with the private sector businesses looking at how they may benefit social firm development, and with the public sector looking at procurement issues and opportunities for the development of social firms.

The SESF Partnership is managed by VATES Foundation. It is an organisation that promotes employment and vocational rehabilitation of people with disabilities or other disadvantageous groups.

For more information, please see www.vates.fi/en

W.I.P. (Italy)
The Italian Development Partnership W.I.P (Welfare, Inclusione, Partecipazione) works on social business sustainability by improving managerial skills in marketing and communication. The Partnership benefits from the marketing and business-oriented skills of other national partnerships, from the information on the national legal frameworks of the countries of the DPs and from the concrete work experiences of all of them.

The W.I.P. Partnership is managed by FILSE S.p.A. It is the Financial Company of the Region of Liguria, and it is the operating arm of the Regional Government for the execution of its economic and social policy.

For more information, please see www.filse.it

BEDP (Lithuania)

The Lithuanian Development Partnership BEDP (Business Encouragement for Disabled People) establishes business encouragement centres for disabled people and supports the development of small businesses and Social Enterprises and Social Firms in Lithuania, where social entrepreneurship is a very new phenomenon. Through the partnership BEDP has learnt and benefited knowledge of more experienced countries in the field of social entrepreneurship as well as development and support structures.

The BEDP Partnership is managed by the Association for the Physically Disabled of Lithuania. It is a non-profit private organisation providing support and guidance to disadvantaged groups.

For more information, please see www.draugija.lt/en

Mazurski Feniks (Poland)

The Polish Development Partnership Mazurski Feniks establishes social enterprises, develops replicable business ideas and works on franchising and replication of business models. It is focused on replication of production of specific regional products. Through the partnership the Mazurski Feniks project learns from the experiences of the transnational partners about franchising, replication, flagship programs and concepts of support structures.

The Mazurski Feniks Partnership is managed by Starostwo Powiatowe w Ketrzynie. It is a public organisation and authority in the region of Masury in North East Poland.

For more information, please see www.mazurskifeniks.4pl.pl

Business Models Described by the Working Groups

Authored by Mike Berriman, INSPIRE
and Petra Dreyer, REALISE

Working Groups - Aims & Objectives

The aim of the working groups was to identify sustainable business models and share the learning around establishing a replication process. The plan was that the groups meet regularly over the lifespan of the transnational partnership from July 2005 to December 2007. The objectives were to share the knowledge around the identified business models, understand the elements that make this particular business model sustainable and establish the replication process. The results/outcomes the Partnership anticipated included a number of handbooks describing the process and issues that have to be addressed when replicating the particular business model.

Set-up of Working Groups - Identifying

The first conference in Newcastle, 14-16 November 2005, aimed at starting up a European wide exchange of ideas and methodologies with an informed audience of social firm advisors, social enterprise management and regional agencies/ economic development. The conference had the aim of identifying business activities with a common interest for the transnational partners and establishing the issues/questions around these business activities and the replication process.

The list of business models with possible potential for replication across the member states discussed at the Newcastle conference included:
- Hotels
- Home Care
- Catering/Café
- Food (Organic/Wholefood)
- Renewable Energy
- Landscape Gardening
- Recycling

The questions asked in the different working groups were: What makes a business replicable? What is the common ground for the business activity in the different member states? What is different? What questions have to be addressed to make a business replicable or which processes are relevant for a handbook?

By the end of the conference five working groups were established. Each included a number of different partner organisations with one 'lead partner' nominated in each case.

Business activity	Lead partner(s)
Hotel Network	INCUBE
Home Care	INSPIRE/WIP
Catering/Food	WIP
Renewable Energy	INSPIRE
Facility Management	INCUBE

Working Group meetings and Partnership Activities - Sharing
Working groups: The overview of the activities for the period from July 2005 to December 2007 shows that the working groups, established at the conference in Newcastle in November 2005, met for the second time six months later in May/June 2006 in Finland and from then every two to three months. The working groups have met four times between the Start and Final conference.

The gap between the start-up in November 2005 and the second meeting in Finland in May/June 2006 reflects the need of each of the Partners to establish their national partnerships and projects before they could enter transnational activities. Implementing the Development Partnership Agreement (DPA) and programs on the national level at the same time as establishing and Transnational Cooperation Agreement (TCA) and program was a tall order. The transnational activities could only really start when activities on the national level were understood and organised. More time than anticipated was needed. Therefore the timeframe for the working groups was tighter than expected.

Working Groups outcomes - Supporting
Working Group - Hotel Network
The group met for the first time at the Conference in Newcastle. The group was made up of participants with little or no experience in the hotel business whilst others (Stadthaus Hotel in Hamburg and "Le Mat" hotel brand operating in Italy and Sweden) had much experience in running hotels. The different backgrounds of the participants and the different levels of experience influenced the discussion. Some of the participants were interested in exchange of knowledge of the general business operation, which is to understand in the context that they were not involved in any hotel business activities, whereas others wanted to work on a European wide network and brand, because they see this as a way forward for the development and growth in the Social Enterprise Sector and the positioning in a competitive international market.

The discussion about a European wide network and brand led to an exchange on views on standards, as part of a common brand and incorporating these in already existing business operations or changing operation to fit into the brand. The debate highlighted the variety in organising the internal processes in, what seems on the surface, the same business operation, as well the diversity of approaches in the Social Enterprise sector regarding the social aims and objective.

Developments include:
- The UK Development Partnership "Inspire" conducted a feasibility study for a "Fairstay" Hotel Network "under their activities to develop social enterprise in the Tourism sector in North East England. The concept is that the hotel group / brand will develop all aspects of its structure and operations based upon the highest ethical, social and environmental standards. The brand will either be Fairstays or link into the existing Le Mat franchise in Italy/Sweden and is currently looking to establish other group activities.
- Under the German program of the INCUBE Partnership members set up the national "Association of embrace Hotels" (www.embrace-hotels.de) representing 11 hotels and B&B's, which create work opportunities for people with disabilities.
- The hotel brand "LE MAT" (www.lemat.org) has opened a new hotel in Sweden and aims at registering the European Franchise association "Le Mat" by the end of this year. The Association promotes self-entrepreneurialism and female and male mutuality. It enhances the true value of persons who are the subject of discrimination or exclusion form the labour market or rights of citizenship. It supports enterprises founded on reciprocal assistance, on the active participation of workers and the promotion of the general interest by developing a network of hotels and hospitality establishments.
- Members of the Embrace Network and LE Mat agreed to set up a European Group possibly called "Embrace Le Mat Europe". This is being further developed.

Working Group - Home Care
The theme generated much interest at the conference in Newcastle with 20 participants mainly from Sweden and Lithuania and some from the UK. Most of the participants had no direct experience in running a Home Care business whilst some of the participants have worked in developing ideas, particularly CASA and Sunderland Home Care Associates which have developed into a successful and replicable model.

In early sessions the group identified themes of common interest and listed a range of underlying questions, which needed be addressed in further discussions. The themes and questions were:

- *Recruitment* and some of the underlying question were those of low pay, ethnic responsibility within the European Community (migration), the quality of training and the acceptance of qualifications in other countries
- *Promotion of the Social Enterprise solution to the public authorities* and to ensure that service is not promoted as cheap, but professional; to make sure that the service is chosen because of its quality and not only because of its Social Enterprise status etc.
- *What other services can we link to care, like call centres* as additional service to social service, which could be call out centres to elderly people
- C*o-planning/Procurement/Relationships* - a more strategic approach like in Italy where the third sector has been given the right to be involved in the planning process by law, that the take up of services is based on price and quality
- *User involvement* - How well does the Social Enterprise consider the need of the people they care for; quality insurance

Subsequent sessions focused on three questions/aspects:
1. Identification of advantages the social enterprise sector has against providers from the private sector, and how to sell this to buyers.
2. What knowledge have we got? What can we share already? - Sunderland Home Care Associates as Growth and Replication model
3. What would we like to learn? - Good practice, co-planning with public authorities and models in other countries, Promoting of Social Enterprise Care Services across Europe

Further exchanges took place during the visit to Haemeenlinna in Finland where the Finnish partner presented the HOT project (www.hothanke.fi). HOT- Social Firms in the Field of Home Care Services for Elderly People promotes Social Firms in the provision of services supporting the independent living of older people at home.
The partners from Italy gave an overview about Social and health care services in Liguria.

Both presentations gave an insight into how providers can be engaged in the planning process for service for elderly people and underlined the potential for Social Enterprises in the sector. In the UK the government responded in January 2006, with a White Paper on external hospital care called 'Our health, Our care, Our say': a new direction for community services to changing public expectations over the quality and flexibility of public services. The UK Government is looking to encourage new providers into the market. Sunderland Home Care is one of the best practice models promoted nationwide.

At the Open Space Conference in Berlin, the group continued to look at how care services are delivered in different countries and at the different models of care. The group agreed that there would be added value in setting up a European Social Enterprise Care Network. This network would transfer knowledge and skills, lobby and compete effectively with the private sector. It would also provide consortia for obtaining Europe wide tenders.

As a first step the group agreed to set up an e-mail network, share current information and meet again at the seminar in December 2006 in Genoa.
In Genoa the group establish the Health & Social Care "Opportunity Matrix" to establish the potential for social enterprise in the different countries.

Working group home care

Partner Country	Heath Care	Social Care
UK	Mainly public provision (IENHS) Some private provision Increased opportunities for Social Enterprise through public procurement Social enterprise being actively courted through recent govt. White Paper	Mixed market between public, private and third sector. Public sector now focussing upon 'high end' personal care - i.e. re-enablement and hospital discharge schemes. Growing market as homecare is viewed as 'better' in terms of cost effectiveness and therapeutic benefit. Also opportunities for SE in terms of day-care externalisation and micro enterprise and social firm development.
Italy	Mainly Public Some public procurement opportunities Increased opportunity for social enterprise	Mainly social enterprise Means tested - Private market

Health & Social Care 'Opportunity Matrix'
A report was subsequently prepared by Inspire which outlined certain points highlighting:
• Essentially, because the legislative framework and the 'health and social care market´ vary across Europe, there may be no automatic role for a Euro-wide social care network of this type, certainly at the level of individual states.
• The need for a more informal network of social enterprises involved in the delivery of Health & Social Care. Called VIVA! Europe, membership Full Membership should be open to Health & Social Care Social Enterprises delivering 'Domiciliary and Personal care' and 'Health Care'.

Functions/Benefits of VIVA! Europe would include
- Joint promotion/branding/awareness raising
- Voice/Lobbying
- Share good practice
- Development expertise
- Labour recruitment and transfer - worker exchange
- Common Brand
- Interface with euro tenders and euro scaled private sector
- Transnational bidding vehicle

Concrete Results (by October 2007)
- A joint statement of guiding principles (social purpose, employee ownership, etc)
- Website linking members
- Mapping exercise - scale of sector from secondary sources - i.e. size of market and the % take of the SE sector
- Project proposal based on priorities of members

Working Group - Catering/Food
Membership of the group since the Transnational Conference in Newcastle, U.K. has changed since then which has resulted in progress being slowed.

The agreed Actions from Newcastle were
- Agree objectives
The group will produce a handbook on procurement, starting up, and benchmarking for all participants and partners to use. Case studies will be provided. The group needs to identify where food is sourced and purchased and how this could help to support local farmers or food co-operatives.

- Measure activity against the leading model (Genoa) and compare information. Quarterly emails will monitor and support progress.

-Identify ideas for future developments within the Partnership.

At the Open Space conference in September 2006 the group focused on "Catering in schools". Factors of success and the situation in Germany, UK and Italy were discussed. The theme has a great relevance in Germany because of the creation of more all-day schools. So far there is no best practice/qualified business concept and a lot of social firms are interested to set up catering projects in schools. Some of the difficulties are: - the diverse group of key stakeholder which includes, the school, teachers, the children and the parents, low prices and no subsidies, and the procurement process. The advantages are the flexibility needed which allows for individual projects. The UK has a problem with the low quality of food and there is a big media interest and change for social enterprise projects. In Italy the social component has a value in public procurement/contracts that mean the project can realise better/higher prices.

At the next meeting in Genoa the concept of Villa Perla was presented and the group compared the individual situations of all involved.

Poland: Has no involvement in catering, as yet, but are very keen to learn.

Germany: Working with national partners to write a handbook on catering services. School Meals Services has joined the catering project in Germany and is hoping to employ some disabled people within the Social Firm. A benchmarking study has been undertaken for the German catering project.

Lithuania: Has no real food awareness at present. There are no real Social Enterprises emerging in the food sector at the moment.

NESEP UK: have worked with Genoa to help develop a model to build a business to proved meals for the elderly. This expertise will help Newcastle to bid for a tender with their Social Services Department.

The lessons learned so far by the Italian partners were:
- Genoa had no experience in catering services and had to hire consultants to advise how to develop the project.
- Although the building is too small for severely disabled access and cannot be changed due to it's architectural significance, it is in a prime location for central distribution.
- Genoa is happy to share their experiences and hope other countries can benefit from this information sharing.
- It is difficult to move a Social Enterprise from Public Sector control into independence.

The Conclusions and Actions were;
The strength of the Transnational Partnership in sharing good practice is very important and adds value to the Social Enterprise offer. Added expertise helps to make the offer more plausible.

Objectives of the group were agreed and the following actions are to be undertaken:
1. Production of a handbook covering issues such as procurement, getting started, benchmarking and setting standards.
2. To provide case studies from each of the partners to share expertise and experiences.
3. To identify from where food is sourced and/or purchased, and how this could help to support local farmers, co-operatives and enterprises.
4. To share good practice.
5. To provide each other with a quarterly email update on progress of Actions 1 through 4.

Working Group - Renewable Energy

The core group consisted of three people. The group discussed various activities of partners with regards to Renewable energy, but focussed on the concepts of "Community owned Renewable Energy (CoRE) systems" developed by INSPIRE.

In Berlin in September 2006 the Group discussed the issue of sustainable Energy for rural communities:

What issues are specific for rural communities?
1. Limited supply due to lack of energy infrastructure
2. Transport costs
3. Security of supply - cost
4. Environmental - climate change, limited resources

Collective approach of dealing with issues. Renewable resources are abundant i.e. water, wind geothermal, bio fuel, anaerobic etc.

Social Enterprise approach: communities generating income from renewable energy, providing secure, environmentally friendly and low cost sources of energy to local communities and in turn helping to sustain community buildings.

At the meeting in Genoa in December 2006 the shared ownership model and the role of the company to support the set up and running of the different energy source systems like Wood Fire, Bio fuel, Wind Energy were discussed. It was generally left to INSPIRE to develop the concept forward. Other partners like INCUBE or REALISE did consider how they might transfer ideas into their Region.

Community Renewable Energy (CoRE) aims to work with the Voluntary and Community Sector to develop renewable energy systems that will generate income for communities and provide them with sustainable, low cost reliable energy supplies. In return, CoRE will have a stake in the companies set up to fund the establishment of more community owned renewable energy systems.

Renewable energy is any form of energy that can be used and is renewable in the short-term. In most cases, it utilises the suns energy directly (e.g. solar panels) or indirectly (e.g. wind). We include wood and other biomass in this definition, provided sufficient vegetation is replanted to replace that used for energy.

INSPIRE presented the written business plan for their CoRE project to the SIPS partnership at the meeting in Ipswich in March '07 inviting partners to submit a common application for funding to the Intelligent Energy Executive Agency (IEEA) taking up the CoRE concept. INSIRE had talks with representative of the European commission who was positive about the social franchising approach, liked the social enterprise approach and the fact that INSPIRE had worked with transnational partners. The application would require 5 transnational partners and, in order to be successful, it would provide funding of about 1-1.5 million euro.

The group considered how INSPIRE, through CoRE, will work with REALISE, because it might be difficult to have two partners from the same country within the application to IEEA. Basically CoRE, The Renewable Energy Cooperation will develop CMP systems using biomass. Once established, INSPIRE can transfer some of this knowledge to REALISE.

REALISE will initially research the possibility of supplying heat and electricity to all Suffolk County Council buildings. It is likely that the energy resource would be waste food and vegetable oils. REALISE will research the possibility of growing fuels like willows and elephant grass and analyse what is best to grow locally.

The aim is to link the development of the Community Renewable Energy project into the European Social Franchising Network (ESFN).

Working Group - Facility Management
The Facility Management Group met for the first time at the conference Newcastle in November 2005.

Facility Management is a management function, which combines all processes supporting the core business of a company. These processes could focus on support of the core business activities (HR, payroll and finance), the improvement of the workplace design in order to raise productivity, health and safety, maintenance of buildings and technical installations, legal support and advice service etc.
The group exchanged the knowledge of already existing Facility Management activities by Social Enterprises. Examples from partners in Germany, Italy, Finland and the UK included activities for:

  - Museums
  - Car parks
  - Leisure Facilities
  - Football clubs
  - Schools

The research for this report made clear that the main work to develop Facility Management concepts in the Social Enterprise sector has been done on a national level by partners of the German Partnership, INCUBE. They developed and have nearly finalised Handbooks for Facility Management in the areas of building and ground maintenance like Cleaning and Landscape gardening. They created a comprehensive Handbook for staff recruitment, training and development as well as a list of detailed functions/activities within these two management areas.

Summary
The partners of the SIPS Partnership needed more time than anticipated to set up their national partnerships before they could enter transnational activities. This led to a gap of six months between the first and the second working group meetings, subsequently the timeframe for the working groups was much tighter then expected. The Partnership might have benefited from having more time to find the right partners and to establish

the transnational program. One solution might be to approve the national partnership initially being independent from the transnational partnership, with transnational work starting later.

Most of the working groups started off comparing general aspects e.g. like demographic development in the Home Care Group, an overview of support for Social Firms/Social Enterprises in other groups as well as the different aspects of the food sector like catering and whole food etc. It seems that progress was slow in defining common factors in a sector. The national situations are often so diverse that transnational partners spent considerable time learning about them.

Clear progress and development in moving business concepts into a replicable product has been made in a number of individual partner bases. Concepts that already existed were moved forward quite considerably. Members of the German Partnership INCUBE developed a Handbook for Facility Management as well as the embrace Hotel association. INSPIRE was able to promote and develop CASA as a Home Care concept. Le Mat, who under EQUAL 1 developed a Hotel Franchise, managed to extend their activities to Sweden and started their cooperation with the German embrace Hotel association.
Development seems to have taken place more readily where nationally developed Replication/Franchise concepts are shared and adopted by transnational partners and then developed forward as European-wide Franchise and Replication activities. The LE MAT Hotel Franchise is the first one to seek a form of European company status.

One of the reasons that development took place on a national level and not on the transnational level could have been that certain issues, discussed within the SIPS partnership, needed more clarification. Intellectual property rights and points around ownership of the franchise together with quality and venture development are issues that need to be considered in future development.
In spite of such a range of obstacles, the partnership has formed cohesively and will continue to develop this range of business models as well as others.
The European Social Franchise Network (ESFN) will build the platform to continue these discussions, bringing the individual developments together, and lobbying the concept of Social Franchise as an instrument that supports the development of the Social Enterprise Sector in Europe.

Learning Points of the Study Visits

Authored by Kari Karhu, SESF

Study visits have been an integral part of the operation of the Transnational Development Partnership SIPS (Sharing, Identifying, Promoting and Supporting). All the member organisations of the Development Partnership have made mutual study visits to social firms and enterprises located in the home countries of the national Development Partnerships. Some sheltered workshops have also been visited and, to learn more of the activities to promote social entrepreneurship, there have been some short meetings and discussions between the visitors and the coordinators of the Development Partnership in the target countries of the study visits.

The aims of the study visits have included learning more of social entrepreneurship and exchange of information on practical experiences, but there has also been the aim to create contacts between the national Development Partnerships. The aims to learn to know more of the features of social entrepreneurship have varied from learning to know more of processes and good practices to the foreign business environments and the systems to support business creation and supported employment in social firms and enterprises. All these aims are very natural, while the success of all social firms and enterprises is based on both business and human resource management.

Objectives of the study visits can be summarized as follows: to learn very practical things of operational level, to identify replicable business models and to gather up information for future projects and development actions. The practical things of operational level are all very essential in an effort to cut costs and to increase revenues. All these things are very complex, however, and that is the reason why these objectives are quite challenging in practice.

There are quite many things that have been found innovative. In addition to business development and legal structures of organisations, various supportive services and structures can be regarded as very innovative. The number of things seen as innovative shows that the targets of the study visits have been very appropriate. Many of the innovative practices and solutions were also seen as transferable to other social firms and enterprises, even at international level. On the other hand, there was not any single business concept to be transferred as such.

Even if there are transferable things, there are also some barriers to business success and transferability of business models. The characteristics of business environments vary country by country, and that is the reason why there are some limitations to the applicability of some innovations. There are also operational differences between organisations in the field of social entrepreneurship. Even a good innovation may not be useful or a basis of a profitable business.

The factors having an effect on the sustainability of businesses could fairly well be identified on the study visits. The qualitative features of business environment, managerial skills, quality of output and economic issues affect the status of sustainability. Consequently, social firms and enterprises naturally meet very big challenges. However, it is not possible to thoroughly assess the risks involved in businesses.

Study visits can be regarded as very beneficial to all the members of the development partnerships SIPS. Thanks to study visits, we have got awareness of very many limitations to transnational transfer of business models and many business opportunities during the project. All the information has been of great help when promoting social entrepreneurship at national level. In addition, there are some ideas of new forms of development actions both at national and transnational levels.

Study Visits hosted by the Development Partnerships

Germany
The German Development Partnership Incube has hosted three study visits. The visited social firms and enterprises are located in the regions of Berlin and Cologne.

As Germany is regarded as one of the most advanced countries in the field of social entrepreneurship, the general aim of the study visits has been to learn more of the way of operation in social firms and enterprises. The main interest of visitors has been focused on business models of hotels and supermarkets with a business image of an organisation having social goals in their operation. The way of adapting Corporate Social Responsibility (CSR) and franchising model in running business have also been found interesting.

Italy
The Italian Development Partnership W.I.P (Welfare, Inclusione, Partecipazione) has arranged study visits as many as four times. All of those visits have been made to social firms and enterprises located in the province of Genoa in the area of Liguria.

The general aim of the study visits has been to improve the knowledge of Italian social entrepreneurship, which is regarded as the most advanced one in all Europe. The special interest of all the visitors has been in the cooperative form of operation as well as in the consortium structures as a form of inter-firm cooperation. Creation of work training business to complementary source of income has also been of great interest to the visitors.

The United Kingdom
Related to an international seminar, the Development Partnership REALISE (Real Employment and Livelihood in Social Enterprise) has hosted study visits only once. All the social firms and enterprises are located in the area of the County of Suffolk in south-eastern part of Britain.

The British social entrepreneurship is also regarded as one of the most advanced in all Europe. The general aim of the study visits was to learn to know how a business that employs people with long-term health problems is managed in practice. Practical solutions in sales and marketing as well as promotion of a positive change of working capabilities and fostering integration to the labour market are also things that have been found very innovative in the visited social firms and enterprises.

Poland
The Polish Development Partnership Mazurski Feniks has hosted two study visits. The study visits have been made both to institutions that promote social entrepreneurship and some emerging social firms located in the cities of Ketrzyn and Olsztyn.

The historical differences between Poland and the traditional western countries are very evident. Private entrepreneurship has a very short history in the sense the term is understood in many western European countries. The new market economy has also an impact on social entrepreneurship in the country. Promotion of social entrepreneurship has also been affected by that. In addition to promoting entrepreneurship in the country, also the marketing strategies applied in social firms and enterprises have been found innovative.

Lithuania
The Lithuanian Development Partnership BEDP (Business Encouragement Development Partnership) has hosted two study visits. Both of the visits have been made to social firms and enterprises located in the city of Vilnius.

Private entrepreneurship has quite a short history in Lithuania. This is also true with social entrepreneurship. The main aim of the study visits has been to learn to know more of the ways of creating new businesses by using incubators as launch platforms for new companies, among them social firms and enterprises. In addition to innovative ways of promoting new businesses, the forms to promote entrepreneurship of disabled people were also seen to be very original.

Finland
The Finnish Development Partnership SESF (Sustainable Employment in Social Firms) has hosted one study visit. It has been connected with an international seminar of the transnational Development Partnership.

The general aim of the study visit was to learn to know the system of promoting the integration of disabled and long-term unemployed people into the open labour market. Of various fields of business the recycling has been found especially interesting.

Expanding Values; A guide to Social Franchising in the Social Enterprise sector

Authored by Toby Johnson,
Keith Richardson and
Guy Turnbull, INSPIRE

1. Introduction

The purpose of this report is to provide a guide to replicating successful social enterprise models. It draws upon a wealth of pan European experience in developing, managing, and replicating ethically based and driven business.

Social enterprises are values based businesses, which combine the responsive and entrepreneurial abilities of private enterprise with the social values of the public and charitable sectors. As such they are increasingly being regarded across Europe as a good thing!

In most European countries, the primary way that social value is realised is through the employment of disadvantaged groups in society and they are thus primarily about social inclusion. Such social enterprises are sometimes called social cooperatives or social firms. In others, the social value can be realised by a broader range of social benefits, such as tackling climate change or democratic ownership.

As a result of this policy interest there has been a plethora to initiatives to support the development of such social enterprises [1]. But underneath this policy interest there is arguably a new globally relevant business model being forged, whose antecedents go much deeper than any short term political imperative. The collapse of communism, the reaction to globalisation, ever growing environmental concerns, and the State withdrawal from the delivery of health, social care and other public services, are all drivers of social

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[1] For example, the creation of Social Enterprise Units within the Department of Trade and Industry and Department of Health in the UK, the creation of new legal structures for social enterprises in Lithuania, Finland, and the UK.

enterprise growth activity. The success of Fair Trade, which has largely been driven by social enterprises but is now becoming mainstream, is just one example of this drive. Because of this focus on social enterprise, in the past three years there has been significant interest in finding new ways to foster the growth of the social enterprise sector. One area that has been looked at closely is 'social enterprise replication' and/or social franchising- that is using a range of licensing and franchise formatting techniques to rapidly increase the stock of social enterprises and social cooperatives across Europe.

The purpose of this report is to consider the progress of these initiatives, not in terms of making an impact assessment (each individual programme is subject to its own external evaluation), but in terms of what key lessons can be learnt, and how these lessons translate into a 'how to replicate social enterprise guide'. In essence therefore, this report does not set out to answer the question 'should we replicate social enterprises'. Rather it sets out a step by step guide to 'how to successfully replicate social enterprises. The guide is the final product of the Sharing, Identifying, Promoting and Sustaining Partnership (SIPS) and its members. It compromises the following members:

INCUBE - Germany
INSPIRE - UK
Sustainable Employment in Social Firms (SESF) - Finland
W.I.P. Welfare, Inclusione, Partecipatione - Italy
MAZURSKI FENIKS - Poland
REALISE - UK
Business Encouragement Development Partnership (BEDP) - Lithuania

We have used the results of the SIPS transnational work programme, the experience of SIPS members, research and case studies to produce this Guide.

It provides a number of tools, resources, and case studies in the appendices. Not only are each of these 'stand alone' documents readily downloadable at www.sips.lt and www.nesep.co.uk, elements of them are inter-woven into the main report illustrating our key replication.

However, before getting on to these key messages in sections 3 and 4, the next section puts social enterprise replication and franchising in a broader context. We feel it is important to generate a mutual understanding of terms, definitions, and drivers before setting out both the underlying principles of, and step by step guide to, social enterprise replication.

2. A background to social franchising

As discussed in section 1, there is an increasing interest in social enterprise and recognition that in many countries, the rate of growth of the sector needs to be stepped up a gear if their potential for 'good' is to be fully realised. To do this, the social enterprise sector is attempting to create business models of social franchising that allows for rapid growth and the creation of more effective enterprises.

Before considering actual working examples of replication, this section sets out some basic definitions, and suggests the key antecedents for this type of business development approach.

Basic definitions; social franchising, replication and social enterprise

The term, 'replication' has become 'in vogue' in recent years to describe a range of related methodologies to roll out successful social enterprise models, including social franchising.

Social franchising is a relatively new term and there are varying views on what it means in practice.

CAN succinctly states:

"SOCIAL FRANCHISING is a term increasingly used to describe the process by which social enterprises replicate their successful business formulas...It's based upon the concept of franchising in the commercial sector, associated with the growth of some of the world's best known high street brands. Franchising enables rapid growth by enabling individuals to buy a proven business format and run it as their own business... In the social economy, Social Franchising is used more broadly to describe a wide range of replicated social businesses often using franchising, licensing or partnership to build networks around a common proven formula."

Others are more prescriptive.

Social Franchise n. uses the structure of a commercial franchise to achieve social goals.
University of California, Berkeley

However, and for the sake of consistency throughout this guide, we have taken a broader view. We see social franchising as a subset of a range of replication methodologies.

Replication can be characterised by the following

1. the originators of the business idea or developers of it are actively involved in promoting the business idea (i.e. it is not a passive process);
2. they will benefit from the business idea being replicated, this benefit could be, for example, in the form of fees or creating a stronger business or brand;
3. replicated companies will have some independent management and ownership, probably at least 25%, i.e. the businesses will have some independence from the core and will not be, for example, a retail chain

For the purposes of this guide, social enterprise replication is seen to encapsulate the following business replication approaches:

- Copying a business concept or system, with the active involvement of the originators of the business idea
- Business to business transfer of know-how to enable a business model to be replicated in whole or in part.
- License - brand, operating system, valuable know-how
- Franchise - existing brand, operating system, ongoing support, marketing, research and development, know-how
- Joint Ventures and 'partnership' approaches to replications.

Social enterprise replication therefore has a key social purpose to rapidly spread the contribution of social enterprise principles to wider society. The social enterprise sector is therefore taking commercial practice to achieve social goals, but in doing so, it is arguably both modifying and improving such commercial practices. Key elements that distinguish it from other replication methodologies:

- the presence of a franchisor, ie an organisation that is may or may not be owned by the franchises it sets up whose purpose is to encourage, support and develop franchises
- a common brand or shared identity
- the provision of shared knowledge and resources
- a more symbiotic and reciprocal relationship between 'hub and replication units', franchisor and franchisee.

Note that we have not included the concept of a replicable business format which implies the creation of for example, a manual for operating the business, as a key defining criteria. We will elaborate on how we have arrived at the above criteria in the rest of this Guide.

A Wider Perspective
Social franchising is a much more global phenomenon than might be at first thought. One of the first to call itself a social franchise was the Le Mat hotel chain originating in Italy. Members of the SIPS transnational partnership have been involved in developing others. For example, GDW Süd - Genossenschaft der Werkstatten für behinderte Menschen Süd eG, part of INCUBE, have developed arguably the largest social franchise in Europe, CAP Market. INSPIRE have developed the UK's largest social franchise Care and Share Associates. There are also many more across Europe including Social Firms UK's portfolio of social enterprise replications including Aquamacs, The Soap Co., and Pack It. In Sweden there is the Villa Vägen Ut hostel franchise.
At an international scale, there is an American (Washington DC) based consultancy named Social Franchise Ventures whose mission is to:

> *To support non-profit organizations in identifying appropriate franchise partners, negotiating favourable relationships, launching and growing strong social franchises.*

The roots of social franchising
Innovations either develop from a point source, ie one person invented fire and others learnt from this person, or diffusely. Social franchising and replication has been a diffuse development in that a variety of people came up with a similar concept at a similar time. Basically this means social enterprise replication is a shared response to common circumstances and issues. The fact that a number of people have come up with a similar idea is in many ways an indication of the strength of the concept and a common recognition for the need for such an approach.
In this section we will look at three factors that have contributed to what might be described as parallel evolution for social franchising.
Social franchising and replication has essentially synthesised together two success stories:

the consortia of the Italian Social Cooperative Movement with private sector franchising. Theoretically, it is a practical application of Systems Theory, particularly those developed to explain complex biological stems found in life.

Franchising and Business Growth
Gross Domestic Product (GDP) and therefore business growth is the Holy Grail of all market economies. Most governments put considerable resources and thought into how this can be achieved. Their perceived success or failure will largely depend on their ability to create economic growth and increase wealth
In terms of achieving economic growth this means providing an environment that increases the size of businesses and/or their number. Policy makers and business people encourage or put into practice a wide variety of strategies to grow business, which have two main aims. Firstly, growth of existing businesses either by internal growth (Tesco's opening more stores or providing more services) or growth by acquisition (eg Ford buying Volvo). Secondly, increasing the number of successful business start-ups, creating a more entrepreneurial culture.
Business growth requires a variety of factors including:
- Cost minimisation
- Flexibility and responsiveness to the market
- Entrepreneurial drive
- Common purpose and clear direction
- Market credibility and presence

The size of an organisation has a great influence on these factors. For example, size generally brings with it market credibility and presence, the ability to reduce costs by bulk purchasing. Smaller organisations find it easier to be entrepreneurial and responsive to markets, to reduce costs by being efficient and to maintain a sense of common purpose and direction.

Commercial franchising attempts to combine the advantages of smaller more responsive entrepreneurial organisations with the market presence and economies of scale of larger organisations. If it is regarded as a business start-up method, it proves to be very successful in that the failure rate of franchisees is much lower than business start up from scratch. As a business growth method, it is also very successful, as franchises have been seen to grow very rapidly. As we have seen, in the commercial world there is a tension between private enterprises cooperating because of their shared drive to maximise profits. The need to control this destructive tension pushes the social franchisor, who owns and controls the brand or replicable business model to constrain the entrepreneurial activities of the franchises through bureaucratic and legalistic licenses. This inevitably reduces the ability of franchises to respond to local market conditions.

Some franchises have relaxed the prescriptive nature of their franchise. The Body Shop, are an example of this. Perhaps one reason why they have able to successfully do this is the strong and shared ethically based values of the Body Shop and its franchises. This helps create an additional bond between business involved that allows the operational activities to be less tightly policed and constrained.

Other franchises have found other ways other than an imposed licence to organise and minimise competitive tensions. For example, some of the most successful 'franchises' are owned not by a separate company but by those people that implement the franchise. This has proved to be effective even for organisations that are direct competitors. Thus the VISA brand and organisation is owned by the banks that are licensed to use the VISA brand and systems.   Best Western is a brand and a standard that individual hotels buy in to that enables them to compete with larger chains like Hilton or Accord.

As we can see above, the concept of franchising even in the commercial world is broader than might be expected. But it can be even looser. Whilst all of the above can share what can be described as a Replicable Business Model (RBM), some franchises do not even share this. In Italy, for example, a group of hairdressers have formed an association, Compagnia de Bellezza that is a member of the Italian franchising society that neither shares a common corporate brand or RBM. They simply share common training and support systems and provide each other with peer support - this is virtually operating along the lines of a mutual society or a secondary co-operative - an incredibly successful and 'under sung' business model.

Italian Consortia

Social enterprises, or social cooperatives, have developed in quite a different way in Italy. Social cooperatives come together as part of Consortia or federations often initiating new enterprises themselves. This is in contrast to other countries, for example, in the UK where social enterprise development largely involves one off developments supported by social enterprise development agencies or general business support. Such an approach has helped Italy grow the largest social enterprise sector in the EU.

Consortia are second level co-operatives made by other social co-operatives (at least 70% of the members, according to Law n. 381/91). According to the latest data there are now approximately 200 consortia, and their rate of growth runs parallel to that of the social cooperatives.

Generally they are created at local level (province or region) by groups of co-operatives in order to supply services and promote the development of the sector.

Their main functions are:
- Services at lower costs for the cooperatives like accounting, payroll, fiscal and legal advice;
- Training and advice;
- To act as General contractor on behalf of members (to whom they subcontract individual lots of the contract);
- To negotiate loans and preferential conditions with banks and financial institutions;
- Co-ordination of complex activities which involve several co-operatives and participation to European projects;
- Promotion and development of the member co-operatives and their activities;
- To represent and promote social co-operatives vis-à-vis local authorities and to participate al local planning bodies;

- To promote innovation, experimenting innovative services and carrying out researches and studies.

Therefore, they enable the co-operatives to gain and take advantage of skills which they cannot afford by themselves. They provide co-ops with economies of scale without requiring them to operate at a size which is inconsistent with objectives of internal democracy and member identification.

Participation in representative and co-ordinating networks and in consortia in particular, does not merely signify a cultural or "ideological" choice, but has precise implications on an organisational level.

The consortia fulfil a strategically useful role in enabling the sector to grow, without individual co-ops expanding beyond their capabilities. Rather than co-ops constantly taking on new contracts, broadening out further their core competencies, a consortium can assist with the creation of spin-off co-ops. In this way, co-ops remain at a size at which members continue to identify and are properly involved in management and policy direction.

Consortia are mainly funded by membership fees paid by co-operatives according to their turnover and by project activities (generally public - local, national or European - funding for specific projects).

Many territorial consortia belong to one of two national consortia. The largest is CGM (Consortium Gino Mattarelli) founded in 1986 and now grouping 84 local consortia all over Italy.

CGM acts as a strategic agency promoting social cooperatives and supplying its members with qualified and advanced business services. At external level, CGM acts as a national actor of active social policies.

To bring about its own projects and in conformity with its own statute, CGM carries out editorial activity, studies and researches, training, technical-managerial and organizational advice.

In 2005 CGM has decided to create trademark companies for its more consolidated activities in order to increase the know-how accumulated in the last years. An example of this is CGM FINANCE (FINANCE CGM) which provides inter-group financial company.

CGM has also created a social franchise called Comunità Solidali, one of the case studies given later, to support and develop care cooperatives, which has created the new trademark Welfare Italia.

Systems Theory
We live in increasingly complex societies with correspondingly increasingly complex organisations. Traditionally, the dominant organisational model for society has been based on the cause and effect and reductionist approach of Newtonian physics.

As our society has grown more complex, there has been a growing realisation that such an approach is very limited.

Most of our organisations are reductionist and hierarchical in nature based on an assembly line approach. This approach functions with a leader or manager telling other people what they have to do. In business, this would equate to the CEO of a large multinational having control over the whole organisation through a pyramid of line management and the concept of the 'buck' stopping with him or her.

Increasingly, this approach is being seen as inappropriate and incapable of dealing with highly complex organisation. Many large businesses are therefore trying to move to a flatter management style and give more responsibility to staff at lower levels in the organisation.

Analysis of nature reveals that here complexity is dealt with in a very different way. Most of us have sometimes looked and wondered at how a huge flock of starlings can fly in such a coordinated and organised way. Not only can they fly to a specific destination, they can also respond to changes in wind speed, threats from predators and a whole range of other changing variables. Traditionally we have assumed that the birds some how follow the directions of a leader bird. In reality there is no leader - the birds actually rely on self-organisation. Effectively they have a few simple rules that they each use to control which way they fly relative to their neighbours. These simple rules control how the flock as a whole flies. This type of control system means that more and more birds can join the flock without control breaking down, as it would with a hierarchy. Indeed, not only does the flock continue to function, increasing size actually means it gets more effective in terms of reduction of flying effort, protection from predators and other threats. Thus each bird in the flock benefits from the growth of the flock and a virtuous circle is created.

In living organisms, such an approach is found to be how nearly all natural systems from the human body to ecosystems actually work. A few simple rules are put in place and these then guide the behaviour of the system. Such rules have to evolve so that they benefit the whole.

We believe that if correctly developed with the correct rules, social franchising puts into practice the lessons we can learn from nature. This enables us to create complex and effective enterprises that, like the flock of birds, are not limited in size by organisational constraints and actually become more effective, not less as usually happens in hierarchical structures, as they grow.

3. Key principles of social franchising

Successful social enterprise replication and franchising rely on a set of fundamental principles. These are:

1. Adoption of suitable sectors of the economy to colonise
2. Replicate a successful and proven business and social enterprise model

3. Injection of quality business support, financial backing, time & money
4. Pick people and organisations - find the 'entrepreneurial manager'
5. What are the key components of replication (geography, brand, systems, product, approach)? What is the social franchise offer?
6. Clarity of relationship constantly and clearly communicated. Ability to enshrine mutuality
7. Creation of businesses where increase in size is a mutual benefit

When reading each of the case studies (attached as appendices) these key principles, on the whole, can be identified. However, after each key principle we have inserted a text box highlighting how the case study illustrates the principle in question.

3.1 Adoption of suitable sectors of the economy to colonise

Successful social enterprise replications have so far tended to be in sectors of the economy where:

- There is a growing market or need - ie the replication units aren't 'me too businesses' but are entering to service either growth, or a new social enterprise niche.
- There is something formulaic about the sector, either in terms of a specific product or service, or in the way it is regulated. Essentially, we are looking for sectors can easily be systemised
- There are clearly some sectors, where it is easier than others to expose the social enterprise advantage - Heath and care, environment and fair trade are only the tip of the iceberg.
- Financing the reality. Despite the policy interest, the social enterprise sector is still relatively small and lacks access to quick and significant investment capital. Therefore 'adoption' of sectors that require, for example, a roll out involving good retail locations on a high street in every town with 5 years, are possibly to be avoided. Entry levels into markets are key here.

Case Study Illustration 1

Care & Share Associates (CASA) Limited delivers personal and home care services (see appendix xx for prospectus). It provides a great example of this first key principle, and indeed all of the others! CASA wanted to grow via social franchising as:

1. The market for homecare in the UK is set to rapidly grow

2. Home-care providers are highly regulated, and therefore the sector lends itself to formulaic solutions

3. The employee ownership model sits well in a sector characterised by low pay and poor terms and conditions. CASA's social enterprise Better Business Model of incentivised

Stakeholder staff results in:

- Better pay
- Better terms and conditions
- Increased investment in training
- lower staff turnover - an average of 3% to 5% across SHCA and the CASA replication units as opposed to 30% in the private sector. Such a low staff turnover leads to improved continuity and quality of care

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- A commitment to local recruitment and training adds to the stock of care-workers
- Service re-design
- 'Owners' working at the coal face
- Wealth created is likely to be spent in the community; This contributes to a holistic approach to well being in that it addresses the issue that poverty and health are intrinsically linked

Finally, home-care is not a capital intensive, just labour intensive, therefore the financial cost of entry into the market place is not huge.

3.2 Replicate a successful and proven business and social enterprise model

Significant effort must be placed upon carrying out a rigorous due diligence exercise on the social enterprise proposition that is to be replicated. Key issues to consider are:

- Financial sustainability
- Track record
- Staff skills and commitment
- Market analysis

However, there are new and emerging markets, such as renewable energy, in which a twenty or even two year delay whilst the pilot is being proven could mean that the market opportunity could be lost by the time the pilot is proven. In such cases, the business model is developed and established from the outset to be a franchise and to be replicated.

Whilst this is inevitably more risky, we hope that the lessons we learn from other social franchises will enable us to overcome such risks.

Case Study Illustration 2

Villa Vägen Ut! ('Way out!') is spreading the concept of halfway houses for recovering drug addicts across Sweden. The two existing houses in Göteborg, each housing eight people, are acting as models for others shortly to open in Örebro and Sundsvall. Five others are in the pipeline, and with 15 houses, the system will be self-sufficient.

The first half-way house was established in 2003, has operated successfully ever since, and has provided the template for the replication process.

CASA has been built on the successful award winning model of Sunderland Home Care Associates, established in 1994, SHCA featured the track record to allow CASA to build its network with confidence of proven markets and systems.

For Le Mat, the successful hotel chain was built on a concept developed over two decades ago. Twenty years ago, five young women started a hotel in Trieste. They were members of "Il Posto Delle Fragole" (a type B social cooperative), which consisted of young psychiatric patients, drug addicts, doctors, and volunteer members.

However, CoRE, a social franchise working with communities to set up community owned renewable energy systems, has been established in the North East of England with

government funding and is developing a number of business ideas before one has become established and a proven model. The undoubted value of setting up a pilot community owned renewable energy system and waiting till this was a proven success had to be considered in the context of the following.

1. the pace of development is extremely fast: had CoRE waited, the opportunity for to enter a rapidly expanding market would have been lost

2. some renewable energy systems take a very long time to establish; wind turbines can take over ten years from inception of the idea to commissioning

3. CoRE is developing a number of types of renewable energy systems such as biomass and wind - unlike Le Mat - does not have a fixed model that it is replicating. The lessons from one type of renewable energy system, e.g. a wind turbine, are some, but limited, benefit in the case of a different type, e.g. a wood heating system.

CoRE is using lessons learnt from other community owned renewable energy systems from within the UK and across Europe to try and limit the impact of not having a proven model. It hopes by doing this, learning lessons on social franchising more generally from other social franchises and designing the first business with a view to replicating them from the outset, that this weakness will be minimised

3.3 Injection of quality business support and management capacity, financial backing, time and money.

It is important not to under-estimate the level of development resources required to establish both franchisor and franchisees. For our experience and research, it can take up to 5 years to establish a fully working and sustainable social franchising network. Social franchising and replication are long term infrastructure projects, and cannot be constrained by short term funding regimes - they are not *quick fixes - a significant amount of working capital is a pre-requisite to give any network a chance of success.*

In addition, it is also important to note that the Franchisor needs to have the skills and capacity to manage a network of social franchise units, rather than 'simply' being social entrepreneurs. The skill set is, in part different, and in addition to being mission, driven and innovative, also needs to focus on 'managing managers', 'letting go', strategic planning, and quality assurance. This is a 'big ask' for some social entrepreneurs.

It is also important to note that the ability of a social franchise to provide such a level of support, which could not be supported by a small number of franchisees, is highly valued by independent operators. Best Western is an example of how independent hoteliers have established a network or secondary cooperative to promote their services as a group in a way they couldn't do individually.

Case Study Illustration 3
CASA has received significant backing from both Equal ESF, and Sunderland Home Care Associates. In addition, each replication unit has cost in excess of £100k to reach break even. The CDFI, Co-operative & Community Finance Limited, has also been 'alongside CASA' to meet some of the working capital requirement.

CASA also features a strong and entrepreneurial management team which draws on both care sector and social enterprise expertise. At times, CASA has had to provide significant 'hands on' interim management and additional resource within the units to ensure they succeeded. Without all of these elements in place, CASA would not have progressed.

Le Mat has developed a four volume manual for its members, extensive training, group marketing and staff exchanges to promote standards within the Le MAT social franchise. This has been recognised by previously independent social enterprise hotels as being extremely beneficial, so Le MAT has grown not simply by establishing new hotels, but by existing hotels joining the group and thus helping it grow much more rapidly.

It is important to note from this that a social franchise can grow by incorporating existing businesses, once it is established, as well as by establishing new businesses.
Indeed Welfare Italia, a social franchise network of care providers, has grown largely by previously independent care cooperatives joining the group.

3.4 Pick people & potential partners/host organisations
- find the 'entrepreneurial manager'!

Establishment of a successful social franchise network requires the identification, engagement, and incentivisation of host organisations and managers. This really is a tricky balancing act in two ways.

First is the issue that each unit will require a strong and focused entrepreneur who is at the same time willing to conform to some level of business formatting. There can, on occasions, be a conflict here.

Second, the franchise unit might be being developed in partnership with a host organisation. Unless care is taken at the start of the relationship, there is much scope for confused lines of management and accountability.

Unit managers (and Host Organisations, if appropriate) should be incentivised to perform to targets as set by the replicating social enterprise, and if possible financially participate in the ownership of the unit.

3.5 What are the key components of replication
(geography, brand, systems, product, approach)?

To cut to the quick, there needs to be something not only worth replicating, but something that has a value - an offer that is worth buying into. This can be:

- Name & Identity
    - Is it distinctive, memorable and registerable?
- Unique Perceived Benefit
    - Can it be differentiated from other businesses?
- Market Opportunity
    - Are the market conditions right?
    - Can the business be run on a territorial basis?

- Commercial Viability
    - Can it offer predictable sales levels
    - Is there enough profit for Franchisee and Franchisor
    - Is it financially feasible?

If there isn't anything worth buying into, and on an on-going basis, the social franchise network will simply fall apart.

Case Study Illustration 4

All our case studies clearly demonstrate the importance of the above principle. Each clearly sets out what their franchise 'offer' is, and then maintain a close, but flexible, 'fit' to it:

For Le Mat it is a 3 star hotel close to the centre of a major town or city offering between 30-60 bedrooms

For Vägen Ut! It is half way houses of a similar size (around eight places) operating with the same house rules, sharing the came co-operative legal structure

For CASA it is a home care unit delivering at least 800 hours a week of home care, featuring employee ownership at its core.

Whilst CoRE does not have a fixed business model, dealing as it does with a range of types of renewable energy, it does have a very clear brand, expertise and perhaps most importantly, credibility. This credibility, most clearly demonstrated by CoRE brand, is beneficial to community groups both dealing with funders, local planning authorities, but also purchasing equipment and making agreements for grind connection.

3.6 Clarity of relationship constantly and clearly communicated.
Ability to enshrine mutuality into the social franchise relationship

Finally, once the 'offer' has been identified, there needs to be complete openness and clarity between the franchisor and franchisee, with regard to who is going to exchange what, and when. Once that exchange has taken place, what will be the form of the ongoing relationship, and how can mutual benefit be written into the agreement.

Without clear communication, it will be easy for inherent structural tensions to build between the parties. Therefore at the very start of the relationship, the franchisee must be made aware as to the:

- Basis of the commercial relationship
- What the ongoing financial commitment will be
- What they can expect to receive for their money
- Any break out/buy out clauses

The harder part of developing a social franchise model, is the desire for the franchisees to not only buy into a model, BUT to buy into a philosophy or a social mission, which will require an ongoing resource to drive it forward.

One way this can be clearly signalled to all concerned is to allow a level of reciprocal

ownership between the franchisor and the franchisee.   By way of giving up some ownership and control of the umbrella, the original and founding franchisors are communicating both to the franchisees and the outside world, that:

   - A limited return is being made on the labour of others
   - That return is being used to further the social and commercial objectives
     of the social franchise network

Cleary there also need to be 'reverse safeguards' put in place to stop the franchisees taking overall control and 'carpet-bagging' or destroying the original social purpose of the network, whilst allowing enough stake-holding to be credible.

This two way relationship needs to be more than simple window dressing, and gets to the heart of what is trying to be achieved - use of a business development model to build a stronger social enterprise sector through:

   - Market dominance
   - Economies of scale
   - Building credibility through scale, success, workability and deliverability
   - Labour mobility
   - Shared and incentivised research & development
   - Building a Dynamic sector through shared involvement/ownership

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Case Study Illustration 5:

Again, all the case studies featured in this guide offer some form of business manual that sets out precisely how to operate the business, and what the relationship is between the franchisor or hub, and the individual unit.

For CASA, the three key documents are the prospectus, the business manual, and the licence agreement.

The Prospectus sets out in broad terms what the franchise offer is, how much it costs, and what potential units need to do in terms of business planning for a viable unit

The Business Manual sets out in detail all the policies and procedures required to establish and run a CASA home care unit. This Manual is not made available until the CASA Licence fee has been paid

The Licence Agreement sets out the legal relationship between CASA and its units.

In order to foster a mutually beneficial relationship with its replication units CASA has established the CASA 'Panel'. Here, all units get the chance to share experiences, get involved in training and professional development, and of course to have some fun! The Panel also has the function of electing to of its own to represent the units on CASA's Board of Directors.

The Panel is the way in which the CASA Group really articulates its voice to policy makers and the outside world - to become the democratising force of the home-care sector.

For Le Mat there are four Manuals:

-    The hotel franchising of social entrepreneurs: Why, what, who and how - the legal and ethical framework of franchising, social co-operatives, and the Le Mat Association

- Workers' and entrepreneurs' self-determination and self-management, careers and empowerment in Le Mat social enterprises - discusses the social and employment issues involved in running a social hotel
- The Le Mat hotel - gives a detailed description of what quality of service to aim for, from check-in to complaints
- Exercise: how to prepare a budget - takes the reader through the process of choosing premises and preparing a business plan

For Vägen Ut! their know-how has been distilled into a set of key documents:
- the handbook
- the quality handbook
- the preliminary franchise agreement
- the final franchise agreement

3.7 Creation of businesses where increase in size is of mutual benefit to hub and unit

Social enterprise replication and franchising are methods of rapidly scaling up particular brands and businesses. Such scaling up must be in the interest of both the hub, and the units, in terms of achieving, one, some, or all of the following:

- Brand awareness
- Economies of scale
- Career progression routes
- Better procurement opportunities
- Improved margins and profitability
- Shared services such as R&D

This is a crucial area as if this criterion is not met, the drive to grow the social franchise will be severely constrained and the whole purpose of setting it up is put into question. The alignment of franchisor and franchisee on this issue and a mutual interest in growth, as with the flock of starlings, is a key factor.

Case Study Illustration 6

Option C is a car sharing social franchise that has set up one club with another opening shortly. As it grows the opportunities for each car club to provide more for the members increases. Firstly in terms of the services provided by each car club. They can, for example, increase the range of cars available to members (by sharing between car clubs less commonly used models like People Carriers). Members can get access to cars in more locations ie members from Newcastle can travel to Durham by train and access a car there - or even London.

Increase in size and credibility also enables the clubs to provide other benefits, like negotiating reduced rates on public transport or providing cycle hire.

Organisationally each new club increases the strength of existing members by enabling the

whole organisation to negotiate better deals on buying cars, by reducing shared costs of branding or administration of bookings and by increasing the ability of each car club to meet demand by holding a floating stock of back-up cars.

For Welfare Italia, one of the key factors is the strength of the shared brand. The more groups that join the group, the better known it becomes and the more valuable the brand becomes. However, more members also means more opportunities for the brand to be devalued by a poorly run member.

Comunità Solidali ensures high quality for its Welfare Italia brand. Therefore, to measure quality, it has established strict membership criteria and an independent evaluation team, made up of highly respected academics and others. The group has also established an ethical and scientific committee to be the final arbiter in deciding who can and who cannot be member. In the end, the real test of this is the fact that aspirant members are rejected. In 2006, six applicants were rejected from membership and seven were accepted 'under reserve'.

4. Why social franchising works for social enterprise

Social franchising is a concept that we think can have major benefits for social franchising and our society. In this section we will look a bit more deeply at why this is. This does mean a bit more theory, but we hope that an exploration of what social franchising can achieve, and why this is, might help you understand it and use it better.

At first hearing, social franchising sounds like a contradiction. Of course franchising as a business model has come a long way and many of the more disreputable aspects of it have disappeared or been controlled, but to many people it is still one of the most cavalier and aggressive capitalist business models only one step removed from pyramid selling.

So how can we talk about franchising being socially beneficial and relevant to social enterprise?

In reality not only is social franchising applicable to social enterprise; we believe our approach to franchising has potentially more to offer social enterprise than conventional franchising has for private enterprise. Indeed not only can it do more, it is also more structurally appropriate.

The reason for this is that at the root of all successful social enterprises is the ability to create mutual benefit. Private enterprises, whose fundamental purpose is to maximise profits and to do this, seek to create monopoly situations that therefore exploit consumers to maximise profits. Of course, whilst private enterprises do cooperate and work together, their drive to maximise profit and be competitive inevitably wins out. A private sector franchise may function effectively because the mutual benefit between franchisee and franchisor is sufficient to constrain this tension, but the desire to maximise profits and compete with other businesses creates a destructive tension. Both franchisee and franchisor seek to gain the upper hand and maximise their profit at the expense of the other.

Of course franchising still works for private enterprise, but as we have seen pure private enterprise brings with it problems that inhibit the effectiveness of franchising. To overcome these, it is interesting to note that some franchises have become more like social enterprises. Thus the Body Shop has a very value based approach than most private enterprises and VISA could equally in many ways be described as a secondary cooperative as could Best Western. The following is taken from Visa's web site (http://www.corporate.visa.com/av/about_visa/corp_organization.jsp).

"Visa is not a traditional multinational corporation. Visa has an organizational structure whereby 20,000 member financial institutions are brought together through the Visa Association. These partnerships with financial institutions around the world allow Visa to meet the needs of local markets and to benefit from economies of scale. This model also allows Visa to adapt products and services to local culture and customs, which in turn allows Visa to meet the needs of buyers and sellers in each market.

This decentralized regional structure has been a key element of Visa's growth and continues to deliver the flexibility and responsiveness that today's highly competitive market demands".

What these businesses show is that the type of mutual (in the sense of seeking to benefit all rather than some) value based approach to enterprise is actually well suited to franchising and vice versa.

Such an approach is best implemented by social enterprises that are enterprising but whose purpose is to enhance the common good. They seek to change and/or improve society, not simply to maximise profits and, as a by-product, benefit society. Social enterprises seek to increase their impact and social franchising is a very effective way of doing this.

For many people involved in social enterprise issues of scale are of vital importance. Many believe that to be effective social enterprises cannot grow too large. Whether or not this is always true is debatable and hotly contested. But what is clear is that there are some social enterprises for whom a strong link to the community they serve is vitally important, in terms of governance (making sure the enterprise does what is required), marketing, and accountability. Small scale is also widely acknowledged to enhance responsiveness, flexibility and often efficiency.

Take for example CASA and its home care services. Here Sunderland Home Care Associates recognised that its approach would not work if Sunderland Home Care Associates expanded and became North East or UK Home Care Associates. Its governance model of employee ownership would not work at such a scale. The managers of the service would have little or no contact with the communities they served and would thus lose accountability to users of their service. The fundamental sense of ownership both of users and workers which results in a far lower turnover of staff (widely regarded as a key quality indicator in the care sector) would be lost and UK Home Care Associates would very likely, as other older large social enterprises such as many of the Building

Societies in the UK that have demutualised, become indistinguishable from other large private sector providers.

Similarly with CoRE, one of the key benefits it brings is that it is setting up renewable energy systems that are owned by and benefit the communities in which they are located. This is both morally right and commercially very powerful. The biggest hurdle to establishing renewable energy systems is community opposition. Clearly this is much reduced if the communities own the renewable energy systems and substantially benefit from them.

However, scale is still important. Often it is politically important in terms of credibility and lobbying influence. It would be naive to assume that large companies or agencies survive simply because they are more efficient. In reality, often they are not. Small social enterprises are at a huge disadvantage here as they lack political power. There are of course, some real economies of scale (though they are often overstated and assumed rather than proven). Larger organisations clearly can afford to develop a brand or employ and access specialist support, while smaller enterprises cannot.

Coming back to CASA, the brand name of Sunderland Home Care Associates has become quite valuable given the success of the organisation. Equally important, there are a huge number of legislative and professional issues that any provider of home care needs to deal with and be proficient in. SHCA will benefit by being part of a federation of providers sharing the cost of maintaining and developing the brand and of remaining compliant with current legislation. But for those wishing to set up a new home care enterprise, such support is not simply help, it is essential and would be very hard to provide in any other way. The founder of SHCA, Margaret Elliot, is very clear that she would find it impossible to set up a SHCA in the current legislative and commercial climate.

Similarly, Comunità Solidali, through its Welfare Italia brand, has provided a similar and proven benefit to its membership of 46 mental health care providers in Italy, even though the regulation of care provision is much more varied in a more decentralised country.

Thus social franchising allows social enterprises to gain scale and benefit from real economies of scale and economies of political power. In this regard, credibility is often one of the major benefits.

CoRE has found that its involvement in a community renewable energy project greatly increases the credibility of a scheme with funders and other agencies. Whilst having a strong brand and extensive track record would be expected to have this effect, CoRE has not yet attained either of these. Simply being a regionally based professional organisation is sufficient for many to have an impact.

Scale in terms of being part of larger more credible organisation does bring marketing advantages. This is particularly so with procurement of services and goods by the public sector. Here the contractual arrangement of procurers, which may not relate directly to the provision of quality care (eg levels of insurance, membership of particular associations

and so on) and their desire to limit the number of organisations they procure from can make it very difficult for social enterprises to win contracts. Being effectively part of a larger federation overcomes many of these problems and increases the chances of a social enterprise winning a place on a limited tender list.

Social franchising therefore allows social enterprises to retain their local roots and be effectively governed locally without losing the benefits of scale and political influence that larger organisations often have.

Social franchising and the federation of the social franchises into a common organisation thus potentially allows social enterprise to compete with large public and private sector providers that otherwise would be impossible.

This benefit, together with the fact that social enterprises are value driven, ie they have a social purpose, means that there are additional and arguably more powerful drivers that make social franchising hang together. They share a common:

- desire to increase their profitability;
- set of values and social purpose that are more easily attained as part of a franchise;
- understanding that without the franchise the franchisors would be unable
  to compete.

The greater cohesion and mutuality of a social franchise has one major additional benefit. That is that, just as with VISA and Body Shop, the stronger the mutual benefits from a franchise the looser in practice it can be.

As we have seen, private sector franchises often need to be based on tightly drawn up agreements to ensure cohesion and that the franchiser gets his or her financial return. A social franchise need not therefore be so restrictive and can allow for greater freedom for franchisors to respond both to local markets and to their own strengths.

For example, an Option C car club in one area might take an opportunity to provide members with access to reduce priced public transport whilst in another area it might be cycles.

This ability to innovate locally and try out new ideas is ultimately a great potential strength. Innovations can be developed in one member and then shared with other members.

A looser relationship also adds interest to the offering of the individual franchises. Thus, users of Le Mat hotels will come to expect a common standard and approach but unlike a Novotel, local variations are encouraged. For example in architecture or catering are encouraged and provide interest. Whilst commercial franchises often lead to uniform globalisation, a social franchise can benefit from supporting local variations.

Indeed, as we have seen with the examples of CoRE and VIVA, it becomes possible to consider a franchise that doesn't have a specific RBF or manuals as with the example of the Italian hairdressers. Here the franchise is about a shared brand and a shared, resources

knowledge and expertise, which can be used to support a variety of business types, for example with CoRE a community might be best served by biomass heating system (eg wood boiler) whilst another might benefit more from a wind turbine. VIVA might work with a group of nurses or dentists to set up an employee owned health provider.

The other major benefit of social franchising is the fact that it develops a self sustaining business support mechanism, one that is specific for social enterprises and for a particular trade sector. What is more, it is also market driven. Compared to conventional business support, it ensures that support is only provided to people and organisations that are likely to successfully establish a franchise that will be profitable. If the franchising organisation does not achieve this, it will eventually die because it takes a stake and a share of the profit or turnover of the franchises it helps set up.

Whilst this may appear quite hard nosed and can be off putting for some in most cases it is viewed positively. People regard the fact that the franchisor takes a stake and has an interest in long term profitability as en expression of commitment that they value.

In cases where the social franchise is owned by the franchisees it establishes, the other great advantage of this type of business support is that it is owned by the social franchises that the franchisor sets up. They are empowered to control the business support on offer and ensure it is fit for purpose.

5. Issues with social franchising

Our work with social franchising has highlighted a number of significant issues which we have found there are conflicting views about or that need to be considered. Principally they are:

- Intellectual property
- Ownership of the franchise
- Quality
- Venture development
- Price
- Cross cultural issues

Intellectual property

Commercial franchises jealously guard their intellectual property and require potential franchises to sign confidentiality agreements to ensure that others are not able to, for example, access their manuals for free. There is a feeling that the franchise has created valuable information that others should have to pay for and that could aid competitors if they were able to freely obtain it. Some social franchises follow this approach and see the principle benefits of it being that it maximise income from intellectual property and minimises risk of aiding competitors.

The countervailing argument is one we describe as the Open Source argument developed for the Open Source movement in computer software. Those that hold this view believe that:

social franchises are created to help disadvantaged communities or to solve social problems, sometimes with public money. To limit access to this knowledge is therefore regarded as immoral.

Making their intellectual property freely available allows for a sharing knowledge and shared developments of methods that benefits all including the creator of the intellectual property.

The actual value is not in the intellectual property, but in the ability to utilise the brand name, which members do have to pay for, and the expertise to properly implement the knowledge. Without this expertise or the use of the brand name the intellectual property is of little benefit.

It is relatively easy to restrict the use of a brand name and access to the expertise contained within a social franchise, but often quite difficult and perhaps costly to restrict access to intellectual property in what ever format it is.

Making intellectual property freely available is not costly but actually financially beneficial. Provided the social franchise is recognised as the source of information, as per Open Source, such an approach has been a very effective marketing tool. For actually what often happens is that when people see manuals and other documents they recognise that implementing them is beyond their capabilities and they are therefore more likely to join the social franchise than less.

Overall we would generally see the Open Source approach as ideal. However, we recognise that in some circumstances and for some organisations this may be more problematic or too risky.

Ownership of the franchise

Most of the social franchises referred to here are mutually owned by the social franchisees. The social franchisees that are established own the franchise and the brand at least in part. It may also be that the franchise is not owned or managed exclusively by franchisees. It may be that a founding organisation or other stakeholders have a formal stake in running the franchise or being board members.

We believe that mutual ownership, where at the least franchisees are the majority stakeholders, is the most appropriate and most effective form of ownership. It strengthens the cohesion of social franchises and is best at ensuring the interests of the social franchise and social franchisees are closely aligned. It also ensures equity and is empowering.

However, we are also aware that not all agree with this and that such an ownership structure, perhaps due to circumstances, may not be possible. The success of Villa Vägen Ut and of the CAP markets clearly shows that a mutual ownership approach is not essential. However, both these franchises are socially owned and this clearly is vital.

As we shall see, mutual ownership can be offer at least a partial solution to some of the other issues we will raise.

Quality

As with commercial franchises, a uniformly high quality is vital. One poor franchisee not only damages their own profitability and effectiveness, but also that of the whole franchise.

The social franchise therefore needs to monitor the quality of all its members. Often such monitoring will be in the form of one or two key performance indicators that can be regularly and easily measured. In the case of CASA, such monitoring is done primarily on the turnover of members and in turnover of staff. Falls in turnover or increases in staff turnover provide an early warning that a member company may be having difficulties.

All members also need to be on the lookout for poor performance within the social franchise and to be able to have mechanisms to deal with it, which may involve an element of peer support.

Enforcing quality can be an issue that creates tensions. Experience shows that if a social franchise is mutually owned member companies are more protective of their franchise and more willing to enforce more rigorous standards than if it is imposed upon them.

Member social franchises are often involved in setting and measuring standards across the group to maintain the value of the brand and social franchise. This can be done by having standing committees, as is the case with Comunità Solidali and other systems to maintain what they describe as a state of a 'healthy tension' as regards which results in continuous improvement in quality by facilitating comparisons of their experiences with those of other similar organisations to get new ideas and interact with external bodies that are able to give an impartial opinion on aspects needing to be addressed. Simple networking and staff exchanges, as practised by Le Mat. Indeed, a manual can only transmit so much information, by interchanging staff and all members can be helped reach certain standards. Thus with CAP market, the franchisor provides the franchisee with additional staff and support during the launch period, a crucial period for any business, but particularly for supermarkets.

Price of the franchise

In a commercial franchise, the franchisee pays a licence fee upfront to the franchisor and then pays a regular amount, based on turnover or profits to the franchisee.

One of the key issues in social franchising is that in much of Europe a social enterprise is set up to provide work for disadvantaged groups. There therefore seems something inherently problematic in charging disadvantaged people to join a social franchise and indeed take a proportion of their profits or turnover.

In most cases, social franchises do not charge a fee or if they do, it is usually quite a small amount, to set up a social franchise for the intellectual rights (eg manuals and brand names).

There usually are start up costs and these can be substantial. However, usually the franchisor helps the franchisee find these costs and they work in partnership to raise them.

However, if a franchise is to be sustainable, it must generate its running costs and a surplus to pay for development activities, To do this all social franchises pay money to the franchisor. This funds the franchisor to set up more businesses and provide the franchisees with shared services (eg training, marketing etc).

This is usually charged for through

   A share of the profits
   A percentage of the turnover
   A fee related to the size of the operation
   Membership fees

The most appropriate method of generating this income depends on the nature of the business and what is most culturally acceptable. The case studies show a wide variety of ways of doing this.

Whilst it may seem that there problems charging an ongoing fee or taking a percentage of the income, this is, as we have discussed, a vital element of social franchising. Without, a social franchise is not properly market orientated and it is not sustainable and we have dubbed it 'Venture Development, which we will now discuss in more detail.

Venture development

The model of social franchising we have outlined is a form of what we have called venture development. The franchisor supports the development of new franchises, usually without cost to the new franchisee. In this way what we are doing is like venture capitalist but what we are doing is providing a wide range of resources that can include providing or finding financial support as well as advice and access to the intellectual property of the franchise. For this we expect a return and this comes from both he growth of the social franchise and a financial return in the form of a proportion of turnover or more commonly of profits. A proportion of profits ensures that the income the franchise takes does not put the franchisee into financial difficulties.

This financial return can vary from a few percent as with CASA to approaching 50% for CoRE. The amount depends on the type of business being established and the relative amounts of time and resources being put in by the franchisor and franchisee. Whatever it is, it needs to be clearly defined from the outset both in terms of the amount and the length of time. Indeed, the amount can change over time and shift, as CoRE proposes, from initially being a proportion of profits to ultimately being a membership fee.

We are conscious that on the one hand some would regard the level of return from the franchisee as being fixed from the outset and remaining at a constant level in perpetuity. Provided this is clearly stated from the outset everyone is aware what the deal is and even if this turns out to be a substantial amount of money, it is just.

Others argue that if the social franchisor goes on exacting a significant amount of money form the franchisor it may not put the franchisee under undue financial pressure (particularly if the return is based on profits rather than turnover) but it may be seen as an unfair tax. If the franchisee feels it is paying over large amounts of money to the franchisor and getting very little in return for it, then this will inevitably create tensions between franchisee and franchisor, which could become very destructive. The sense of mutuality between franchisee and franchisor could be destroyed.

This issue also raises questions about whether or not the franchisor should allow franchisees at some point in time to become totally independent of the franchisor or at the least, change the relationship.

As yet, we have not come to a firm view on this and we suspect that it will be one that will vary between different franchises because of the nature of the business and the views of those involved. However two points are clear:

1. The financial return from venture development for the franchisor should normally equal the cost of the of resources put in to developing a new franchisee and the net return from all franchisees should be greater than the resources put into developing them. If this is not so, the franchisee cannot grow and become financially sustainable unless it can find some other sources of income.
2. A mutually owned social franchise is more likely to be able to cope with the tensions created by the issue of what is a just return to the franchisor. This is because the franchisees are involved or in control (depending on whether the Board of the franchise is exclusively made up of franchisees or partially) in setting what the return is and can also change it over time. Furthermore, as owners of the franchise they can agree what is done with the profits it generates and could even decide to pay members a dividend.

Cross Cultural Issues

The SIPS programme is fundamentally about trying to develop the concept of social franchising and developing business models that can be transferred across national boundaries. The question is whether cultural differences and different business environments make this too difficult to achieve.

The SIPS programme did find it difficult to develop business ideas between transnational partners. It became clear that rather than jointly developing ideas, it was probably the case that there was more interest in taking up an idea from one country to another. The UK is working with Italian partners to develop a catering enterprise whilst Lithuania has

worked with the UK on developing a care cooperative. CoRE is also seeking funding with European partners, including WIPS members to develop CoRE Europe.

There is clearly some interest in European working.

Within Italy, Comunità Solidali's psychiatric care provision model has been copied across Italy. In such a decentralised state, approaches to care provision and local legislation vary widely and the Welfare Italia brand has coped with this variation.

Le Mat has also developed hotels beyond its Italian homeland in Sweden and is working on developing others in, for example, Croatia.

The evidence therefore points to the fact that, like commercial franchises, a good business idea in one European country is likely to work well in another despite cultural difference, differences in the way social enterprises are constituted and organised and legislative environments.

However, it is clear that a good business idea in one country might not be strong in another, For example, CAP markets are taking over smaller supermarkets abandoned by the commercial sector in Germany. This provides a market opportunity as some of these sites are abandoned more as part of a strategic corporate move to bigger out of town premises than an analysis of the viability of individual sites. However, in the UK the commercial sector, and in particular the Coop group, are beginning to move back to operating smaller stores and the opportunity to buy up smaller stores is no longer a significant opportunity.

4. The step-by-step guide
This final section draws on the key principles set out before, to provide a step by step guide to replication and social franchising.   It is designed for use by Development Agencies, Social Entrepreneurs, or social enterprises who are looking to rapidly expand.

Step 1: Colonisation
Identify the 'colonisation sector'. This is based on our first key principle as discussed in section 3. It is not our intention to rehearse the arguments again here. We simply want to highlight the importance of the first three steps - get these wrong, and the rest is a waste of time. Essentially you want to identify sectors that are:

- Growing or a particular problem is being solved
- Formulaic in some way
- Where it will be easy to build the *'Unique Social Enterprise Proposition'*
- Entry levels are achievable

Step 2: Identify The Model
This second step is also crucial. Credibility in the market place can only be fostered if you have a worth while track record. If an existing model is being adopted, then the due diligence spent on it will not be wasted. If it is a new idea, be prepared to call it a pilot, and be patient - track record doesn't occur overnight!

Step 3: Capacity and the Replication Team

Whatever type of organisation is involved in replication, it is important to ensure that the development team behind the replication has the right set of skills to drive it forward. These include:

- Vision, drive and motivation - basically they need to be an entrepreneurial team
- High level trade skills and experience of running a successful business unit in the sector that has been decided replicate into
- A 'story' as to 'why this, why now'
- Excellent communication and marketing abilities
- Solid business planning and money raising abilities
- A financial partner

This team then needs the capacity behind it to deliver - this could be grant money to pay for secondments, or career breaks, or indeed private investment. Wherever it comes from, significant resource in both money and time is needed to get a replication network of the starting blocks.

Step 4: Build The Replication Model

Essentially this is about creating a saleable 'product'. First of all, identify through structured discussion and looking at the competition, what precisely is the 'replication offer' in terms of:

- Brand
- Systems
- Development Support
- Training
- Territory
- On going Support
- Cost of both initial fee and then on-going fees and/or saleable products (with margins) to the units

These key components then need to be translated into a series of documents, including:

- A prospectus or brochure detailing the idea, the benefits, the offer, the cost, and the track record
- The business manual setting out all the business systems
- The legal agreement between the unit and the replication 'hub'. Legal advice should be sought when preparing this agreement. A template is available from www.sfuk.co.uk.

In order to do this properly, a business plan for the hub also needs to have been prepared, which identifies:

- The vision and rate of growth
- The level of services, etc to be delivered to the units
- The ongoing funding requirement of the hub
- The legal structure of the hub, and its organisational relationship with the units

- The precise contractual relationship between the hub and its units
- The mutuality between the hub and its units

Of course, for some types of social franchise, it is not always possible to include all of the above elements, but whilst it might not always be possible to produce, for example, a business manual, the issues the points above are addressing still need to be dealt with. Thus CoRE may not have a business manual, but it will need to produce an alternative way, in this case, a one off business plan.

Steps #1 to #4 all need to have been put in place before the roll out of replication can commence. There needs to be clarity in what precisely is being offered to particular host or support organisations.

Step 5: Identifying the Pilot Units
Whether they are called 'pilot units' or not, the first couple of replications are to all intents and purposes pilots. If they fail, so will the replication network. They will also provide a fabulous testing ground for the business manual.

There will be a tension between wanting to get the first couple of units operational, and being pressured into choosing the wrong organisation or location. In terms of the unit location, you should know better than anybody what works and why! rust your judgement and wait till the right opportunity comes along.

Choosing the right host organisation is more difficult, and there is no easy formula. Points to look for include:
- Their own track record at delivering projects
- Their access to recourses
- Their commitment to the project - is their joint risk, for example
- Do you like and trust the people involved?
- Do they fully understand the relationship - for example, are the host organisation happy to bow to your experience in terms of the unit, hiring and firing of staff, etc.

Step 6: Implementation - Developing the Unit
Obviously quality business development support is crucial here.   However key pointers are:

Recruiting the right unit staff team is one of the most important stages of the process.

Establish the right local development team to chart the progress of the project. Membership of such a team will vary depending upon the type of project/unit unit, but the replication hub (ie you) should convene and manage it. It should also involve:
- The host organisation
- Recently recruited unit staff
- Local regeneration agencies/funders

The robustness of the business manual and implementation plan is also being trialled. Experience and 'action research here will allow a better 'product' to be developed.

Full support should be provided in putting the business plan together, but it needs to be made clear from the outset that the hub, through the business plan, is *NOT* responsible for the success of the unit, and no guarantees can be made.

There are no hard and fast rules on whether the hub or the unit should take the lead on putting the plan together, although it is the unit that has to hit the sales targets, so they must feel comfortable with both the market research and the underlying assumptions that generated the sales forecasts.

Step 7: Unit Trading
The early months of trading can be 'full on' whilst systems and people bed down. It is crucial that all the correct system is in place before the unit launches, and that the unit is managed on a very regular basis.

Financial, sales, and other key performance indicators need to have been set, and they need to be monitored on a monthly, if not a weekly basis.

Close management support and supervision needs to be routinely carried out, and that fact that 'things are quiet' are certainly no indication that 'all is well"!

European Network of Social Franchising

Authored by Giovanna Maranzana, W.I.P.

During these years the Transnational Partnership of our Project has been working on the promotion and development of social franchising

As the result of this work, it has been identified the need to create a EUROPEAN NETWORK OF SOCIAL FRANCHISING.

We realized that S.F should increase the effectiveness of social enterprises and increase their growth.

Franchising is a way of transferring knowledge and experience from one successfully operating business venture to a new company.

The franchisee, for a fee, may use the franchisor's name and trademark, know how, business methods and techniques, way of working and other rights.

The advantages of Franchising:
- Without extensive experience, is it possible to start a business venture
- The risks for the entrepreneur and for the financier, are considerably lower

Social Franchising means using and developing the franchising method to achieve social goals.

Social Franchising is different to commercial franchising in that the franchise is owned by the franchisees rather than just the francisor.

It is about spreading experience from successful social enterprises that small social enterprises could grow up and new one could be created.

S.F concept has been developed by a number of organisation and social enterprises within the E.U.

It is a method that has been developed to enable social enterprises to grow much more speedily and effectively than usually they do.

S.F is based on the concept of a Consortia approach to business development that is used in Italy.

We identified that having a European Network will help social franchising by providing the following benefits:

- Share knowledge, contact and business ideas on social franchising
- Provide support from other involved in social franchising
- Facilitate the development of European Social franchises
- Promote the concept of social franchising
- Make S.F a credible alternative to traditional business development methodologies
- S.F make easier and safer for social entrepreneurs to set up enterprises, providing them with a proven business model and access to trade specific support

FUNCTIONS OF THE ENSF
We identified these following functions the network should have

1. Lobbying and representation of social enterprises at European level
2. Jointly developing of new business idea
3. Provision of a promotional website and European access point on social franchising with links to national and regional members and social franchise
4. Provision of an interactive Wiki website to share information and best practice for members
5. Provide an accreditation standard for social franchises

FUNDING
In the long term the Network should be self funding.
Members will receive benefits from membership in the form of information, such as a business structures, promotion of social franchise and the concept of social franchising. Such benefits we believe could be sufficient to enable the Network to be self susstainable. However this will take at least three years to happen, that it means we need to look for three years funding.

We estimate this will cost about Euros 120.000 per annum.

By now the resources have been provided by SIPS, after the project will be finished this won't be possible anymore.

NEXT STEPS
We think we need to

1. Engage more people in the network (other European network, too)
2. Raise awareness of social franchising and the network
3. Develop a web presence
4. Consult more widely on our proposal for the network
5. Develop detailed proposal for establishing a network

THIS WILL BE ACHIEVED BY
1. "How to Social Franchise " Guide
2. A conference in Brussels held in partnership with the DG Employment and DG Enterprise of the European Commission to launch the Network and refine its purpose
3. Production of a three years business plan for the Network
4. Identification of funding for the Network

Some of these activities will be funded by SIPS and it´s members, others will need additional resources (The Brussels conference).

Appendices

Community Renewable Energy - Developing renewable energy and community profits

Authored by INSPIRE Project

Community Renewable Energy (CoRE) works with communities to develop renewable energy systems which will: provide independent, sustainable energy supplies, reduce funding reliance and generate an income. In return, CoRE will retain a stake in the projects set up to fund the establishment of more community owned renewable energy systems.

CoRE will set up a variety of types of renewable energy systems (eg hydro, wind and bimass) and through a variety of company types. However, we still consider it a social franchise even though there is no replicable business model (though we do plan to establish model developments) as there is with CASA or CAP Market. All the companies share the CoRE brand and all will call on common knowledge and expertise from CoRE. They will also own the brand and share services

Need
We need to develop community owned renewable energy systems for three reasons:
1. Non-renewable energy sources are running out. Energy prices have risen in response to this and growing demand.
2. Our current dependence on fossil fuels is responsible for climate change, which, uncontrolled, could have serious implications for our long-term future.
3. The demand and need for renewable energy is high and as such potentially highly profitable. Communities are in a strong position to capitalise on this opportunity as they have in other European countries.
4. Despite community groups showing interest in renewable energy, it has been too complicated for most of them to turn this interest into reality.

The service

We are proposing a market orientated approach that will overcome these difficulties and allow communities to generate income for community activities. We will do this by establishing two types of social enterprises with community based organisations:

1. Joint ventures with CoRE to establish larger renewable energy systems like wind turbines or hydro electrics;
2. Membership cooperatives of CoRE, community groups, individuals and fuel suppliers, to set up smaller renewable energy systems supplying members.

We also intend to set up companies that will supply services to these companies, such as the raising of finance or selling of Renewable Energy Obligations (ROCs). We plan to establish these companies in three phases

1. Quick and certain returns - Combined Heat and Power (CHP), from biofuels including wood heating.
2. Higher risks, higher rewards - e.g. large wind turbine projects
3. Vertical developments - e.g. energy supply company

This business plan covers Phase 1 and will involve the establishment of four companies:

1. Bio Community Renewable Energy- setting up biomass Combined Heat and Power (CHP) systems generating heat and electricity for members
2. Wood Community Renewable Energy - installing and supplying and running wood fired heating for users members (e.g. Development Trusts and Schools).
3. Berwick Community Renewable Energy - a joint venture between Berwick Development Trust and CoRE to set up an 800 kWh wind turbine.
4. The Teesdale Community Renewable Energy - a joint venture with Teesdale Village Hall Consortium to provide renewable energy systems for the 33 members of the consortium and their communities.

CoRE does not charge new organisations it works with a fee of any kind. It looks for the necessary commitment from prospective franchisees and opportunity to establish a profitable renewable energy system. CoRE receives its financial return from sharing the profits from the renewable energy system.

Finance

We anticipate that by year three the first three of these companies will be generating income of £78,000 per annum. This income will be sufficient to maintain and grow CoRE.

CoRE and its member companies, will have a substantial requirement for capital of just over £2 million, which will be provided for through interest free loans, interest bearing loans, grants and, in the case of Berwick wind turbine, equity stakeholders.

Grants of £385,000 have been secured to revenue fund the establishment of CoRE and its member companies.

Organisation

CoRE has grown out of and is supported by the Inspire Project. It has developed a proven social franchising methodology upon which CoRE's business model is based. It has a manager and administrator and is a company limited by guarantee that will probably seek charitable status. Its board is made up of representatives from the companies it establishes, from support agencies, staff representatives and co-optees.

'Franchisees', those companies set up by CoRE, will mostly be Community Interest Companies. They will covenant a proportion of their profits, ranging from 10-60% to CoRE. This will normally be for a fixed period and designed to reflect CoRE's contribution to establishing the new company. After this period, some member companies will shift to paying membership fees and services provided by CoRE.

Marketing

During the period of this business plan, CoRE will focus its marketing and engagement activities on community groups interested in renewables, policy makers and funders. It will use a range of strategies to reach these target groups.

A key element will be the CoRE Network. This has already been established and currently has a membership of around 60 community groups and support agencies. It will be further developed to meet on a regular basis to enable interchange of information between members, to identify possible services and companies CoRE could develop with community groups and provide a voice for the sector.

Objectives and impacts

A number of objectives against which CoRE's performance can be measured have been set. Key of these is the establishment of five community owned renewable energy companies.

Achieving this will require a modest investment of around £380,000 in grants. This will enable CoRE to become self sustaining and to help communities generate £80,000 a year income. It should be stressed that these figures take no account of future energy price increases. It will also reduce carbon dioxide emissions by over 2200 tonnes and directly create seven new jobs.

But this is far from all. Once CoRE is established it will have the potential to grow exponentially within the community renewable sector. This will have a major impact in terms of environmental and financial sustainability of these communities.

However, it may be that CoRE's biggest contribution will be the provision of dependable, stably priced relatively low cost energy. Communities controlling such assets are likely to have huge economic and social advantages compared to those dependent on a diminishing and erratic conventional energy supply.

CAP Märkte - a chain of neighbourhood supermarkets employing disabled people

Authored by Toby Johnson, with thanks to Peter Stadler of FAF GmbH

Shopping for social benefit
The chain of CAP Märkte (CAP Markets) is growing steadily and has reached nearly 50 shops. They are medium-sized neighbourhood supermarkets employing disabled people. Each unit is typically run by a local disablement association, but the brand is owned by a co-operative of sheltered workshops. As well as good working conditions, they provide a cherished community service.

History
GDW Süd
GDW Süd - Genossenschaft der Werkstatten für behinderte Menschen Süd eG - is a charitable co-operative set up in 1985 by the officially accredited organisations providing employment for disabled people in the two Germany Länder of Baden-Württemberg and Bavaria. It works with five other similar co-operatives to cover the whole of Germany. Initially it was a joint purchasing organisation for the shelter workshops run by the member organisations. In 1983 it was restructured and now has five objects:

- to buy and sell jointly for its member institutions
- to develop and sell products suitable for manufacture by disabled people
- to set up and manage co-operative operations among member institutions
- to give business and technical advice
- to manage development projects

It works in six business areas to fulfil these tasks: the CAP Märkte, WKE (electronics recycling and document shredding), EP (assembly), AVK (order and payroll processing), ISB (information, training and advice) and KBM (joint purchasing).

CAP Märkte
GDW Süd developed the CAP Markt idea - the name comes from 'handicap' - with its punning slogan 'CAP - der Lebensmittelpunkt' which combines the words for 'grocery point' and 'centre of life'. The business idea is to take over premises left empty by the flight of the main supermarket chains to out-of-town sites, and open neighbourhood grocery shops that are accessible on foot and provide a friendly service. The shops have a sales area of 400-1,000 m^2, stock 7,000 lines, turn over between €750,000 and €2m a year, and employ between five and 20 people, two-thirds of whom are handicapped.

They provide jobs for handicapped people, aiding their integration through direct contact with customers; bring about local regeneration (by providing accessible facilities for people without cars); and counter exclusion by offering services such as home delivery of meals or postal services.

Results

The first CAP Markt opened in Sindelfingen, near Stuttgart, in 1999. The chain has now grown to 48 shops, mostly in Baden-Württemberg, but increasingly in other areas of Germany as well. They provide some 500 jobs, predominantly for severely disabled people.

Approximately one-third of shops are run by sheltered workshops, and two-thirds are social firms trading on the market. Some associations run several shops. The attraction for disablement organisations running sheltered workshops is that opening a CAP Markt enables them to create jobs for their users in the 'real world'. These allow disabled people to have near-normal working life and to be a fully integrated part of the local community. Many of the jobs that sheltered workshops undertake, such as assembly or logistics, are carried out away from the public gaze. Retailing, on the other hand, brings users into direct contact with the public, and so has a greater therapeutic effect.

Success factors

A key factor in the chain's success is that it brings multiple benefits to multiple stakeholders. A CAP Markt not only provides satisfying work for disabled people, but also supplies staple foodstuffs within walking distance of people's homes, reduces car use (which has health, energy and congestion benefits), and regenerates the local economy by recirculating money locally.

1. Political support

The concept has three attractions for policy-makers:

- labour market policy: the Land of Bader-Württemberg, where the CAP Märkte started, is particularly keen to ensure equal opportunities for its disabled citizens. Its labour market policy is therefore to encourage the creation of integration enterprises, and its target is to reach a total of 2,000 jobs for disabled people by 2010. It has a successful programme including financial incentives for employers and career support services which has succeeded in reducing unemployment among disabled people by 20%.
- regeneration policy - the quality of life in towns falls when retailers close down, so there is support from residents for the empty sites to be reused. The properties are available at affordable prices.
- sustainable development policy: the shops are close to customers' homes, and can be reached on foot, which is particularly valuable for people on lower incomes without cars, and for older people. To capitalise on this advantage, the shops offer a delivery service.

2. A generous financial framework

Germany's social security law[1] provides that firms must employ a certain quota of 'severely disabled' people. Those that do not meet their quota are obliged to pay into a 'compensation fund' instead. This fund is used to pay a wage subsidy to integration

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[1] Sozialgesetzbuch (SGB) IX §§ 132-4

enterprises (Integrationsbetriebe) that do employ disabled people. This allows such enterprises to maintain higher staffing levels, which both compensates for the lower productivity of some workers, and allows an atmosphere to be created in which people have time for each other. This makes the jobs agreeable to and sustainable by disabled people.

This means that the associations that open CAP Märkte have sufficient money, as well as a mission. The service is in demand by two stakeholders: local communities as well as unemployed disabled people. This gives access to multiple sources of support.

Secondly, the investment required to open a shop is reduced by the fact that a sum of between €10,000 and €15,000 per job created for a disabled person is also available, half of which is loan and half grant. Some private foundations will also make grants of as much as €100,000 towards start-up costs.

An important but often forgotten factor is that it was the relatively generous - in the European context - subsidy regime that applies to sheltered workshops that allowed them to accumulate the working capital needed to develop the business idea in the first place.

3. A good market segment
The business concept also offers many advantages to shoppers:
- a culture of friendly and helpful service: staff can take the time to advise and chat with customers, and customer suggestions are welcomed;
- a wide range of products - 7,000 lines - which makes it a 'one stop' alternative to out-of-town supermarkets. While four-fifths of sales must be from the CAP Market range, the remaining fifth can be sources elsewhere, to suit local and regional tastes. For instance in a catchment area where 30% of customers take their holidays in Italy, shops can stock Italian ingredients;
- it includes additional services that increase customer loyalty - for instance delivery;
- it has ecological appeal, by going with the trend to energy-saving and against out-of-town shopping.

Customers are further rewarded through a loyalty card which, after 20 shopping visits, gives the customer the right to a small gift.

4. The right resources
- industry experience: the managing director has a long working history in retail
- the connections and market intelligence that comes with that experience
- fairness: a balanced licence agreement that combines local autonomy with central discipline
- solidarity and mutual aid: a structured decisions and information system based on regular meetings
- critical mass: the CAP group has built up sufficient size it has negotiating power with its suppliers, and especially EDEKA, from whom it gets a small discount below the prices that are available to member retailers generally; in return it provides EDEKA with a significant boost to sales, without the headaches of giving detailed support to each customer.

5. Integration philosophy

- acceptance of disability: the employers know and accept their employees' health circumstances, and tolerate a certain level of mistakes, which gives the employees a sense of security
- time for people: staff are expected to work to the best of their abilities, but are not excessively pressurised
- people first: the shops do not need to maximise profits; it is sufficient that they break even and make a small surplus

Methods & tools

• *Business idea*

The business idea has the strength of generating benefits for several stakeholders:

- for the licensees, the key benefits of opening a CAP Markt are that they are joining well-known and trusted brand. This generates customer loyalty and reduces advertising expense. They receive, in return for a relatively low levy on turnover, a great deal of invaluable help and advice born of long experience in the sector. This covers location, shop design, the product range, recruitment, management systems and much more;
- for local politicians, a CAP Markt offers integration for disabled people, urban regeneration, improved local services and environmental sustainability;
- for disabled people, it provides a job under conditions that are close to those in the mainstream labour market, and which are subject to standard employment contracts, but which are humane and which suit vulnerable people. Most jobs are full-time, but there are also some part-time jobs such as collecting trolleys, which are paid on an hourly basis and serve to ease people back into the discipline of working.

• *Information / research*

GDW Süd helps each new licensee to draw up a business plan. The long retail experience and contacts that GDW Süd possesses mean that it can offer extremely accurate advice to intended licensees. For instance when a new location is under consideration, it can often find out through trade connections what the previous turnover was, thus reducing the risk of opening up.

Once the shop is trading, it gives management support using benchmarking tools it has developed over the years. These enable licensees to compare their own performance with that of comparable shops, discern their strong and weak points, set realistic targets and measure their future performance against them.

• *Finance*

No specific financial package is available, however the fact that the brand and system is by now well-known and proven, along with the group's reputation for honesty and fair dealing, increases investor confidence. Each shop licensee pays GDW-Süd a fee of around €10,000 for the franchise in two instalments, and thereafter pays a levy of 1-2% on turnover. Some Länder offer financial incentives, and some local authorities may help, for instance with premises.

• *Premises*

Premises are not in short supply. Typically, local authorities will approach GDW Süd with a proposal to re-occupy an empty shop. Location is the crucial factor in retailing, and in practice, some 80% of these proposals have to be turned down. GDW Süd offers support during lease negotiations and in fitting the shop out, and this support continues during the periodic inspection visits.

• *Start-up*

The crucial event in each shop's life is opening day. It is absolutely imperative to start out on the right foot, as it is within the first two weeks that future customers will make their first visit and decide whether they will return regularly. It is a byword in retailing that the first week's turnover determines future turnover. GDW Süd therefore gives each new shop particularly strong support in the opening period. It drafts in additional staff to make sure the atmosphere is good and the service is up to scratch. It applies the many 'tips of the trade' that it knows, fir instance that giving away alcoholic drinks at the opening can backfire.

• *Training & organisational development*

GDW Süd helps licensees to recruit staff, and organises training in various aspects of retailing: dealing with food, ordering, cash handling, operating the computer system, quality assurance etc.

By contrast the licensees already possess the necessary skills related to integration As regards organisational development, a meeting is held every year of all shops. Regional meetings take place monthly. Less formally, telephone support is available from shop to shop.

Quality assurance is an important aspect of the licence, and the central staff make regular visits. To preserve the reputation of the group as a whole, they are authorised by the agreement to issue instructions for shop managers should this be necessary.

Prospects

The chain is currently at a strength of 48, with six more openings in 2007. Trading conditions are good, and it is easy to imagine the group growing to 70 shops across Germany. The main threat would appear to be a reduction in the wage subsidy provided from the 'compensation fund'.

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Welfare Italia - the mark of good care

Authored by Dorotea Daniele

Comunità Solidali, a consortium of social co-operatives offering care services to elderly, disabled and mentally ill people, has created a registered trademark for co-operatives managing psychiatric residential homes. It stands for quality services at reasonable cost, planned and implemented in collaboration with local authorities, families and local communities.

Key messages and partners

Comunità Solidali is an example of replication of the vertical integration of the productive chain of care services provided by social co-operatives. The use of trademarks represents a recent innovation for social enterprises. In fact, the sector has been reluctant to use tools introducing elements of standardisation and homogenisation in the production process. Firstly, social enterprises have promoted their visibility and reputation mainly by campaigning for legal recognition of their specific legal form[1] and the fields in which they operate.[2] Secondly, they have emphasised the primacy of the individual experience through their statutes, mission statements, ethical codes and social accounts.

The recent and rapid dissemination of quality trademarks is probably linked to the need to affirm their identity not only in their statutes but also in their products. Only in this way can they clearly distinguish themselves to their stakeholders: users, partners and institutions. The use of trademarks not only helps to reaffirm the 'uniqueness' of social enterprises vis-à-vis their external clients but also their members and partners. There is a growing need to show the added value of specific features of social enterprises that are not laid down by law.

Comunità Solidali is part of the evolution of CGM, the main Italian consortium of social co-operatives. CGM represents 1,200 social co-operatives grouped in 84 local consortia spread all over Italy. They comprise 35,000 workers and have an annual turnover of €1 billion.

In 2003 CGM decided to create several trademark companies operating in different sectors (childhood, mental illness and elderly people, environment, labour policies) under the same trademark, named Welfare Italia. The purpose of Welfare Italia is to establish strong partnerships with citizens and organisations, public and private enterprises, in order to give concrete answers to citizens' needs, promote people's well-being and plan and offer quality services at an affordable price. All those companies are members of CGM co-operative group.

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[1] Law 381/91 on social co-operatives and Law 118/05 on social enterprises
[2] Laws 328/00 and 68/99 give special advantages to social co-operatives providing social services and work for disabled people.

Comunità Solidali is CGM's trademark company operating in the field of mental health, handicap and elderly people. Its members are:

• 800 social co-operatives operating in 13 Italian regions
• 41 territorial consortia associating and supporting individual co-operatives
• One funding member (CGM)
• One foundation (Fondazione Betania)

History and content
Comunità Solidali is the result of CGM's ten years of experience in psychiatric care. Since 1994 CGM has undertaken projects to develop proximity services for people with mental illness based on:

• the satisfaction of the users and their families
• the direct involvement of all the actors concerned (public authorities, doctors, nurses, families and local communities) in order to promote the well-being and integration of mentally ill people
• the creation of small 'home style' structures (case famiglia) to host psychiatric patients
• personalised rehabilitation paths aiming at empowerment, autonomy and work integration of people with mental problems
• investment in training, research and innovation.

There are two characteristic elements: the trademark symbol of excellence and the orientation towards innovation and development.

The trademark aims to provide a positioning in the market and competitive advantages to all co-operatives managing psychiatric residential homes according to the rules and requirements contained in a manual. The manual has been created after a systematic evaluation lasting several years of the psychiatric communities managed by CGM co-operatives. This evaluation comprised both a continuous self-evaluation done by the co-operatives and an annual evaluation done by the national consortium. An important contribution was made by external actors - Caritas, the National Health Institute, the University of Verona and the Grana Padano Consortium (a consortium of cheese producers) - which helped to elaborate the trademark regulations.
Innovation and development means the promotion of 'broad solidarity' which means the creation of solidarity networks and the capacity to implement reciprocity and subsidiarity at local level, where local consortia act as strategic agencies to promote mental health in their territories.

In recent years, Comunità Solidali has extended its action from mental care to services for elderly and handicapped people. It has started developing trademarks and integrated care services (home care, residential care, day centres etc.) using the experience acquired in the mental care sector. It answered a clear need for support from social co-operatives operating in the care sector that needed to face a changing welfare system and increased competition.

In fact, CGM's social co-operatives traditionally operate in the market of home care services managed by public administrations through public procurement. This market is changing because of keen price competition from big co-operatives and profit-oriented businesses and the introduction of vouchers. Moreover, few CGM co-operatives manage or own residential homes, because of the high investment required, while the private (families and individual) market is mainly in the hands of individual workers (generally immigrants, often on the black market).

Results

Given the broad scope of its activity, the achievements of Comunità Solidali concern several aspects, such as the consolidation of the network, partnerships with other actors, the creation of new psychiatric communities, the awarding of the trademark and the development of new services.

• *Consolidation of the network*

Comunità Solidali was created in 2003 by CGM and seven local consortia. The number of members has grown steadily to reach 41 in 2006. It has also opened membership to other actors, such as foundations, while for the moment the direct membership of co-operatives has been excluded, according to the general principle that the national consortium is a third-level organisation federating local consortia, which in turn federate co-operatives.

• *Partnerships*

Partnership with different organisations (for-profit and non-profit) is an important achievement in order to build a comprehensive system that can meet multiple needs in the care sector. Comunità Solidali's main partners are:

- Anfass, the national association of families of mental handicapped people, has joined with Comunità Solidali to set up a new company to promote residential communities to solve the "after us" problem of handicapped people (handicapped people's survival after their parents' death) (see the section on Prospects below);
- Fondazione Talenti, a grant-making foundation managing religious orders' properties. Presently, it is funding a research study on the "after us" services offered to families of handicapped people and the needs for legal changes to implement new services. In the future, they could make disused religious buildings available for conversion into residential homes for elderly, handicapped or mentally ill people;
- FISH, the Italian federation of disabled people, is a very important actor in the sector and is collaborating in the above-mentioned research study;
- Banca Intesa is a partner in Alfa, the new company created with Anfass, and will provide preferential loans to Comunità Solidali co-operatives or associations wishing to create "after us" communities for handicapped people;
- CGM Finance is a financial company in the CGM network providing financial support and services to member co-operatives;
- Solidalia is a mutual society recently created by CGM and Assimoco, a co-operative insurance company. Comunità Solidali has a member on the board with the aim of finding common solutions in the conception of a new public-private welfare system (care services paid for both by the public sector and by personal private insurances).

• *New psychiatric communities*
Twenty-five new small psychiatric communities have been created thanks to a financial contribution from the CEI (Italian Episcopal Conference). These communities replicate the successful model promoted by Comunità Solidali and have applied to obtain the trademark.

• *Trademark*
The trademark has been awarded to 46 psychiatric communities. In 2006, seven communities have obtained it "under reserve" and six have been rejected. These two groups will be re-evaluated in 2007.

• *New services*
Through specific projects, Comunità Solidali has launched research and experimentation in order find innovative solutions for care services for elderly people and handicapped people, namely:

• Mondi Solidali ('Solidarity Worlds'), a project funded by CEI to raise public awareness of the problems and the need to include people with mental problems
• Filiera ('Productive chain'), a project aiming to create links between all the innovative projects in the mental illness sector operating in Lombardy
• Legami ('Links'), an experiment in innovative home care services, characterised by a strong involvement of local communities and users
• the "after us" issue: research and new company, already mentioned above
• Vodafone has supported experimentation with 'care houses' providing minor health care to elderly people in big cities.

Main difficulties
The development of the consortium takes a lot of time and energy. Financial and human resources are scarce. Fees cover only part of the cost of the national consortium, while most of activities are funded by specific projects and sponsorships. The latter are linked to specific conditions (territories to be involved, need for co-financing etc.) so they may not respect the priorities established by the board. As a consequence, not all the territories are involved in innovative projects and some priority activities lag behind because of lack of funding. Moreover the increased number of members, necessary to have a national coverage, makes it even more difficult to involve everybody.

Comunità Solidali, according to the rules of Consorzio CGM, has opened its membership to local consortia and not directly to social co-operatives. The reason is to keep a territorial level of co-ordination and to have an intermediary body that knows the global needs of the territory and is able to integrate different needs and actions. On the other hand, the local consortium could slow down the development of specific sectoral activities, because they may not be a priority for them. They also represent an additional link in the chain linking the national level with the users. The need to respect the principle of democracy and the need to involve and consult everybody before taking any decision makes the system very participative but slow to develop.

The political and institutional context represents a difficulty. At national level the welfare system is changing rapidly: public resources are scarcer and competition is increasing. The third sector has to face rapid changes with limited resources, while other competitors may have access to greater material resources. From an institutional point of view it is the regions that are responsible for health and social issues, which means that regulations and requirements may differ from region to region.

Success factors
- The *vertical integration* of the productive chain, which is a driving concept of the history of local consortia. Many of them were born and work to combine activities that meet different needs in the local population. A local consortium, through its member co-operatives, should be able to provide answers to different social needs: rehabilitation, care, education, work integration, etc. Similarly the trademark of Comunità Solidali covers the whole sector of services addressed to mentally ill, elderly and handicapped people, providing different solutions and services adapted to the specific needs and situations.
- The *evaluation system* based on scientifically recognised methodologies is an important added value element that Comunità Solidali communities can offer to users and their families. Moreover it helps the care scheme not to be self-referential.
- The *commitment and the enthusiasm* of the social entrepreneurs involved is the key factor that allows the network to progress. All the managers and staff of the national consortium come from social co-operatives working in the sector and have decided to devote part of their time and energy to developing the national consortium.
- *Collaboration with external actors*, not traditionally involved in social co-operatives, is providing a growing added value to the network. Even if some of them (Caritas, CEI, FISH) already had specific collaborations with individual co-operatives, the structured co-operation at national level provides a higher added value to individual projects and a better recognition of the role of each partner. Moreover, collaboration with national private companies and banks has been made possible by the size of the consortium and its recognition as a major national actor in the sector.
- The development of *innovative services* and the *research* on the new needs of the welfare system helps co-operatives belonging to the network to provide rapid answers to emerging needs and to be competitive. Methods and tools

The trademark has been recognised at European level and is managed by the Comunità Solidali Consortium. Co-operatives that want to adopt the trademark send a request to the consortium and start the process.

The process consists of various steps, including an evaluation of documents and written materials and an evaluation in the field. The evaluation team is composed of eight experts: one co-ordinator, two psychiatrists, two ISO evaluators and three experts in mental health and co-operatives. All these people have undertaken specific training on the trademark manual and on the way to conduct evaluations (people to meet, timing, completing check-lists etc.). Each year they update their competences according to the results of the previous year's evaluation.

At the end of the process, the evaluation team writes a report for the trademark manager, containing a synthesis of the situation examined, a quantitative evaluation of the indicators and, if necessary, suggestions for improvement.

Those elements are transmitted to the board of Comunità Solidali who is in charge of attributing the trademark.

The procedure of attributing the trademark also aims to encourage the co-operatives that adopt it to keep in a state of a 'healthy tension' as regards continuous improvement, to compare their experiences with those of other similar organisations in order to get new ideas and, finally, to interact with external bodies that are able to give an impartial opinion on aspects needing to be ameliorated.

Two committees collaborate in awarding and managing the trademark:
• the Ethical Committee, composed of representatives of Caritas,
  La Sapienza University, and two prominent individuals
• the Scientific Committee, composed of a representative
  of the National Health Institute and two university professors

In term of finance, each member of Comunità Solidali has a share capital of €2,500, while CGM, as funding member, has a share capital of €35,000. Presently, each member pays an annual fee of €2,000, decided yearly by the General Assembly.

The fee gives members access to seminars and products, while all the innovative projects are funded from other sources: donations, public or private funding.

Given the limited amount of financial resources, Comunità Solidali relies upon its members. Its premises are located on the site of Consorzio SolCo Cremona, to which it pays a small rent. Its paid staff comprises a secretary, a person in charge of the trademark and a project manager. Its managerial staff (president and chief executive) are only partially remunerated by Comunità Solidali, being seconded by individual co-operatives in the sector.

Training is one of the main services Comunità Solidali offers its members. It consists mainly of short seminars on specific topics. They are addressed to co-operative managers and technical staff in order to provide updated information on specific topics or services. The methodology combines speeches by specialists with practical workshops. In 2006, 16 seminars were organised, with an average attendance of 65 participants.

The monitoring system is also a relevant tool the consortium offers its members. It is used to assign the trademark, but also to check the quality level of the services provided. The data collected are accessible at different levels by the different actors. If the evaluators use them to check the trademark requirements, co-operative managers can use them to measure their performance. Moreover, the scientific tests used to measure the progress made by patients are internationally recognised and can be used as quality indicators. Local consortia can also use aggregated data in their negotiations with local authorities.

Prospects

During the first phase of its development, the trademark has been used mainly to govern the relationships between organisations belonging to the same local and national networks. Now it is crucial to develop promotional actions addressed to the external world, potential clients, institutions and also the general public, in order to increase the visibility of the trademark, which is the main added the member organisations expect.

Comunità Solidali's original mission was to operate in the mental health field. Only in 2005 has it extended its action into the field of care for elderly people and the disabled. It is now starting to develop trademarks and integrated services in these fields as well. The principles are still the same (quality, locally based and integrated services, involvement of families and communities) even if the regulations and the situation are different. While disabled people have access to a panoply of services offered by the public sector or by associations, much elderly care is provided by immigrant carers, often working illegally, directly to families, without any specific recognition or qualification. There is a clear need to find new solutions that can meet multiple and diverse needs, but resources are scarce.

The issue of "after us" services is developing quickly. The fact that handicapped people live longer and survive their parents' deaths need innovative solutions. Together with Anfass and Banca Intesa, Comunità Solidali has created Alfa, a new company in the form of a social enterprise,[3] in order to promote the creation of residential communities for handicapped people after their parents' death and to create a specific trademark.

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[3] one of the first in Italy, according to the recently approved law 118/2005

Addicted to growth - Villa Vägen ut!

Authored by Toby Johnson and Pernilla Svebo Lindgren

Villa Vägen ut! ('Way out!') is spreading the concept of halfway houses for recovering drug addicts across Sweden. The two existing houses in Göteborg, each housing eight people, are acting as models for others shortly to open in Örebro and Sundsvall. Five others are in the pipeline, and with 15 houses, the system will be self-sufficient.

History

There are some 60,000 drug addicts in Sweden, and the idea of starting halfway houses for recovering addicts sprang from their own personal experience. Some of them, who had also been to prison, had formed a self-help group called KRIS - Kriminellas Revansch i Samhället (Criminals Return into Society), which has a presence in 25 towns. It was observed that the formation of a KRIS branch was followed by a drop in the crime rate.

In Göteborg, Sweden's second city, an EQUAL partnership came together involving agencies working with ex-offenders, the local co-operative and association development agencies, the employment service, the prison and probation service, the regional social insurance agency, the social work resource centre the city council and four self-help organisations, among them KRIS, which ran the project.

In 2003 some of the people from these self-help organisations opened the first halfway house, Villa Vägen ut! Solberg, which caters for men, and followed with one for women, Villa Vägen ut! Karin. Both are members of the consortium Vägen ut! kooperativen, which comprises eight workers' co-operatives engaged in activities including weaving, silversmithing, screen printing, café management and catering. Vägen ut! wanted to spread this successful halfway house concept and decided to use the method of social franchising.

The social franchising concept

Social franchising means using and developing the franchising method to achieve social goals. It is about spreading experience from successful social enterprises so that more people become employed. It also means that these companies apply democracy in such a way that the potential of all employees is developed. Social franchising also builds a community by stimulating contacts among employees in different companies and efforts toward common goals.

A community

In social franchising, there is a founder, just like in any franchise. The starting point for the franchisor is to spread its ideas, share its experiences, and build a community. The

social goals are fundamental, and often include contributing to the creation of more jobs. In this form of franchising, exchange and learning through contacts with those who started earlier are important for the entrepreneurs.

The form varies

The founder builds up a franchise system and becomes a franchisor. The forms vary among different systems. They can be co-operatives when this is appropriate, but the franchisor always enters into an agreement with the franchisee that regulates rights and obligations. Through involvement, knowledge, and fees, the franchisee contributes to the development of the business concept.

Knowledge transfer

By defining the keys to success and documenting them in manuals, and by developing training courses based on them, a group of entrepreneurs can gain access to knowledge and experience.

In social franchising, an important aspect is training as a source of support for entrepreneurs. Training, forms of management and routines are designed so that they empower the employees. As a part of every company's founding, everyone is involved in the design of the organisation.

More social enterprises can be started

Starting a social enterprise is usually difficult. The entrepreneurs have often been without a foothold in the labour market, with all that goes along with that. Knowledge and networks for operating a company may not be the best in all cases. Starting and operating a company under these premises is very difficult.

Through social franchising, to put it simply, more social enterprises will be able to start. It provides a support structure for social enterprises.

Improved competitiveness

By co-operating in a franchise organisation, competitiveness is improved. Joint development and quality efforts offer better prospects. Even the social enterprise must survive the ever-faster change in its environment!

Results

The two Göteborg houses provide places for some 16 ex-addicts. The third and fourth houses, which will be of the same size, are under active development in Örebro and Sundsvall respectively, and five other towns - Stockholm, Jönköping, Norrköping, Karlstad and Gotland - are interested in following suit.

Success factors
- a proven model - several years' track record is needed
- strong core of committed people
- active user group of ex-addicts (KRIS) providing lobbying support
- empowerment of co-operative members
- creation of a consortium to provide a stable and mutually supportive base

- support of local professionals
- existence of local co-op support agencies - the 25 local offices of Coompanion, the new name of the *lokal kooperativa utvecklingscentren (LKUs)*, which can promote the idea to each local authority.
- availability of small support budgets from EQUAL and other ESF programmes to launch new businesses
- credibility lent by the academic cost-benefit study

Methods & tools

• *Business idea - how is it socially profitable?*

Vägen ut! is one of the first two subjects of an innovative method of calculating the cost/benefit analysis called socio-economic reporting. This method was invented by economists Ingvar Nilsson and Anders Wadeskog of the Institute for Socio-Ecological Economics (SEE AB) in Göteborg. It analyses the complex series of public service interventions - 'welfare consumption chains' - that are associated with a particular activity, and assesses the costs of these. In the case of Vägen ut!, the economists analysed five groups of processes that follow from a case of drug addiction, concerning:

- income (sickness benefit, unemployment benefit, work, fraud, theft, prostitution etc.)
- criminal justice (detention, indictment, conviction and punishment)
- care and treatment (physical and mental aspects)
- children (school support, fostering etc.)
- housing (hostel, care home etc.)

All in all, they take in some 130 different costs to the pubic purse.

The cost of addiction is thus considerable, amounting on average to €219,000 per year for a male heroin addict, and €70,000 for a male alcoholic, with women costing somewhat less. The costs fall principally on the municipality, the Prison and Probation Service and insurance companies.

These costings allow the social profitability of initiatives that reduce drug dependency to be calculated. In 2005 Vägen ut! made a trading profit of €38,500, but produced a social profit over ten times greater than this - €4.03m - owing to the savings in public expenditure it generated. This is equivalent to about €106,000 per person.

• *Organisational context*

The initiative was driven and supported by four self-help NGOs, among them a national user group, KRIS.

Its success depended on mobilising government and municipal resources, including expert knowledge and also finance. The formation of a broad partnership was a strategic advantage in that it brought access to a broad span of expertise, as well as creating ambassadors for the concept among many professional fields.

It also benefits from support at national level by NUTEK, the national small business agency, and by the EQUAL National Thematic Group on social enterprise.

• *Information / research*

Vägen ut!'s experience shows the efficiency of the franchising idea: developing the second house goes much more quickly than the first one, as a whole host of problems have already been solved, issues such as the house rules, administrative systems and regulatory approvals such as fire regulations, and of course the most important - how to build a strong entrepreneurial group.

This know-how has been distilled into a set of key documents:
- the handbook
- the quality handbook
- the preliminary franchise agreement
- the final franchise agreement

As far as building relationships goes, the most important are those with the Prisons & Probation Office and the municipality. These are built by, for example, hosting visits from elected members and staff from the Örebro and Sundsvall councils and employment offices.

Development advice in each locality is provided by the local office of Coompanion, which allocates half a day of development work to each project every week. Each worker completes a one-week placement in Göteborg, and the managers and other members of Villa Vägen ut! Karin and Solberg also go out to help them.

• *Legal aspects*

The owner of the concept - the franchisor - is the Vägen ut! consortium, which has eight Göteborg co-operatives in membership. The consortium also holds the legal rights in Scandinavia to a second social franchising business, the Le Mat hotels, and is the first member outside Italy of the Le Mat Association.

Working from scratch to set the halfway house franchise system up, the consortium and Coompanion in Göteborg took advice from a franchising consultant on commercial terms. This enabled it to ensure that it complied with franchising law.

Each new prospective franchisee follows these steps:
1. signing of preliminary franchising agreement
2. delivery of handbook
3. preparatory work
4. signing of final franchising agreement
5. opening of halfway house

• *Finance*

The business model is that all income to the houses comes from renting places to the prison and probation office and municipality, which pay a flat monthly fee per bed + a €1,000 entrance fee. There is no commercial income.

In turn, each house pays a flat fee to the franchisor, which gradually rises from year to year. In the first year it is €500 per month per house, and after 5 years it has risen to €1,500 per month per house. The fee is not linked to the size of the house nor to the

occupancy rate: the flat fee system was chosen deliberately, with the idea of removing any incentive for 'cheating'.

One difficult aspect has been to raise working capital. Once premises have been found, each house needs some €20,000 to pay the running costs until the first month's rent payments come in.

Meanwhile, the start-up phase is supported by EQUAL and the European Social Fund in general.

• *Training & organisational development*

(a) The key document is the *franchise handbook*. This comes in loose-leaf format and comprises some 170 pages, including standard forms for interview and so on. It has three parts:

(1) The social enterprise

The Villa Vägen ut! concept, social enterprises and the co-operative model, social franchising

(2) Everyday practice

What is Villa Vägen ut!?, how to create a halfway house, the daily work, organisation of the company, staff and member relations (the double status of co-operative member-employees, probationary period etc.), purchasing, agreements with customers etc., training, quality, environmental issues.

(3) Start-up

The business plan, finance, legal form (ekonomisk förening - 'economic association', i.e. co-operative), insurance, building, regulatory permissions, initial training, entrepreneurial education (for Coompanion advisers to use)

(b) There is a separate *quality handbook*. Quality is the subject of a specific formal agreement, which for instance provides for impromptu inspections.

Prospects

The group has achieved a positive profile nationally and will soon have four operational houses. It aims to break even within eight years with the opening of the 15th house, at which time the revenue will support two central staff.

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Both by Ingvar Nilsson and Anders Wadeskog/SEEAB, NUTEK, Stockholm, 2006.
See www.seeab.se, www.nutek.se.
Download: http://www.vagenut.coop/sidor/ english.html.
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For more information on social franchising[4];
please see www.socialfranchising.coop

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[4]Social franchising is characterized by

-the preserve of a franchisor, i.e. an organisation that is or may not be owned by the franchises it sets up whose purpose is to encourage, support and develop franchises
-a common brand or shared identity
-the provosion of shared knowledge and resources
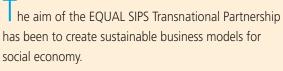-a more symbiotic and reciprocal relationship between 'hub and replication units´, franchisor and franchisees

The aim of the EQUAL SIPS Transnational Partnership has been to create sustainable business models for social economy.
The transnational collaboration created descriptions of business models, a Guide for Social Franchising and a European Social Franchising Network.
This book consists of articles about the project's outputs, produced by the Partners.
The outputs and results were presented in the SIPS Final Conference in June 2007, in Finland.

SIPS Transnational Partnership:

SESF Sustainable Employment in Social Firms, Finland
BEDP Business Encouragement for Disabled People, Lithuania
MAZURSKI FENIKS, Poland
W.I.P. Welfare, Inclusione, Partecipazione, Italy
INCUBE, Germany
REALISE, UK
INSPIRE, UK