

Sign of Our Time

Skoll and Big Society

Two aspects and examples from the social entrepreneurship world – the one about what social entrepreneurship is, the other about how it could be financed.

Skoll

Source: Publicity material for Skoll Centre for Social Entrepreneurship, Said Business School, Oxford, England

Driven by a mission for systemic social impact, social entrepreneurship, at its most powerful, creates systems-change to threats and inequalities, and provides pathways to scalable, replicable solutions – changes that reimagine current paradigms.

“The truth is, our ultimate goal is to erase the false dichotomy between [charities and commerce]. Why? If there is one thing we have learned in the past few years with the economic meltdown, it is that society can no longer afford to separate how people make money from how people do good and exercise environmental stewardship.”

– Pamela Hartigan, Director

More sustainable, innovative answers are needed to address the root causes of social and environmental challenges. Could there be a new approach to solve these problems? One that brings together financial value and social values.

Social entrepreneurship is the story of how entrepreneurship can be channelled for public interest. It is the story of the people and organisations driving sustainable impact. It is the story of markets, underpinned by fundamental values, and a new business architecture created with respect for human dignity and for the planet.

Social entrepreneurs create organisations that are efficient, transparent, and have measurable impact. They have the potential to disrupt assumptions and conventional business models, and signal changes to how value can be defined and co-created. In essence, they forge new models on how value is created for society, rather than only focusing on how financial wealth is accumulated for managers and shareholders.

A social entrepreneur adopts a performance-driven and competitive approach to solving social and environmental problems.



Big Society

Source: www.bigsocietycapital.com

Big Society Capital is an independent financial institution with a social mission, set up to help grow the social investment market. Its vision is for “A vibrant, diverse, well capitalised and sustainable social investment market in the UK, through which charities and social enterprises can access appropriate and affordable finance and support to grow their positive impact on society.”

Mission:

As an investor: To have a transformative impact on the social investment market in the UK by supporting social investment finance intermediaries to become financially robust and able to: Attract greater and more diverse sources of investment; Effectively and efficiently channel appropriate and affordable capital to the social sector; and Provide effective financial and business support services to the social sector.

As a champion: To increase awareness of and confidence in social investment by: Promoting best practice and sharing information; Improving links between the social investment and mainstream financial markets; and Working with other investors to embed social impact assessment into the investment decision-making process.

Funding:

English dormant bank accounts: It is anticipated that we will receive up to £400 million from the Reclaim Fund Ltd which collects dormant bank and building society account monies from UK banks and building societies. After retaining reserves to cover possible future claims, the Reclaim Fund passes the money it receives to the Big Lottery Fund. The Big Lottery Fund then allots the money to each of the home countries using a standard government formula. The English monies are sent to Big Society Capital.

The four main UK high street banks: Over time, the four main UK high street banks each contribute additional capital in aggregate equivalent to 60% of the amount provided by the Reclaim Fund. This represents an equity investment. The banks' contribution is limited to £200 million over five years.

Governance:

We are governed by our social mission and we reinvest the majority of any surplus we generate in our mission. We will seek to achieve financial sustainability over the long term as far as we are able, given our social mission.

The Big Society Capital Group is made up of three separate organisations: The Big Society Trust, a company limited by guarantee and the holding company which has the sole object of protecting the social mission of Big Society Capital Ltd., a company limited by shares and the operating company of the group, and the Big Society Foundation, which will be constituted in the future to receive charitable donations and develop grant programmes to support the group's mission.

Social Entrepreneurship

Its History and Meaning

Source: www.wikipedia.org/social_entrepreneurship

Per Wikipedia, social entrepreneurship is the process of pursuing innovative solutions to social problems. More specifically, social entrepreneurs adopt a mission to create and sustain social value. They draw upon appropriate thinking in both the business and nonprofit worlds and operate in a variety of organizations: large and small; new and old; religious and secular; nonprofit, for-profit, and hybrid.

Business entrepreneurs typically measure performance in profit and return, but social entrepreneurs also take into account a positive return to society. Social entrepreneurship typically furthers broad social, cultural, and environmental goals and is commonly associated with the voluntary and not-for-profit sectors. Profit can at times also be a consideration for certain companies or other social enterprises.

Who Counts?

There are continuing arguments over precisely who counts as a social entrepreneur. Thus far, there has been no consensus on the definition of social entrepreneurship, so many different sorts of fields and disciplines are associated with social entrepreneurship. Philanthropists, social activists, environmentalists, and other socially-oriented practitioners are referred to as social entrepreneurs.

For a clearer definition of what social entrepreneurship entails, it is necessary to set the function of social entrepreneurship apart from other socially oriented activities and identify the boundaries within which social entrepreneurs operate. Some have advocated restricting the term to founders of organizations that primarily rely on earned income – meaning income earned directly from paying consumers. Others have extended this to include contracted work for public authorities, while still others include grants and donations.

Social entrepreneurship in modern society offers an altruistic form of entrepreneurship that focuses on the benefits that society may reap. Simply put, entrepreneurship becomes a social endeavor when it transforms social capital in a way that effects society positively. It is viewed as advantageous because the success of social entrepreneurship depends on many factors related to social impact that traditional corporate businesses do not prioritize.

Social entrepreneurs recognize immediate social problems, but also seek to understand the broader context of an issue that crosses disciplines, fields, and theories. Gaining a larger understanding of how an issue relates to society allows social entrepreneurs to develop innovative solutions and mobilize available resources to impact the greater global society. Unlike traditional corporate businesses, social entrepreneurship ventures focus on maximizing gains in social satisfaction, rather than maximizing profit gains. Both private and public agencies worldwide have had billion-dollar initiatives to empower deprived communities and individuals. Such support from organizations in society, such as government-aid agencies or private firms, can catalyze innovative ideas to reach a larger audience.

Prominent innovators associated with the term include Pakistani Akhter Hameed Khan and Bangladeshi Muhammad Yunus, the founder of Grameen Bank which pioneered the concept of microcredit for supporting innovators in multiple developing countries in Asia, Africa and Latin America. He received a Nobel Peace Prize for his efforts, and also inspired programs such as the Infolady Social Entrepreneurship Programme. Others, such as Stephen Goldsmith, former Indianapolis mayor, focused social efforts on a more local level, engaging the private sector in providing many services.

Some History

Social entrepreneurship is distinct from the concept of entrepreneurship itself, yet still shares several similarities with the classic concept. Jean-Baptiste Say, a French economist, defined an entrepreneur as a person who “undertakes” an idea and shifts perspectives in a way that it alters the effect that an idea has on society. However, the difference between “entrepreneurship” and “social entrepreneurship” stems from the purpose of a creation. Social entrepreneurs seek to transform societies at large, rather than transforming their profit margin like classic entrepreneurs typically seek to do.

Despite the established definition nowadays, social entrepreneurship is a difficult concept to define, since it can be manifested in multiple forms. A broad definition of the concept allows interdisciplinary research efforts to further understand and constantly challenge the notion behind social entrepreneurship. No matter which sector of society certain organizations are in (i.e. corporations or unincorporated associations and societies), social entrepreneurship focuses on the social impact that an endeavor carries. Whether social entrepreneurship is altruistic or not is less important than the effect it has on society.

The terms social entrepreneur and social entrepreneurship were used first in the literature on social change in the 1960s and 1970s. The terms came into widespread use in the 1980s and 1990s, promoted by Bill Drayton the founder of Ashoka: Innovators for the Public, and others such as Charles Leadbeater. From the 1950s to the 1990s Michael Young was a leading promoter of social entrepreneurship and in the 1980s was described by Professor Daniel Bell at Harvard as “the world’s most successful entrepreneur of social enterprises” because of his role in creating more than sixty new organizations worldwide, including the School for Social Entrepreneurs (SSE) which exists in the UK, Australia and Canada and which supports individuals to realize their potential and to establish, scale and sustain, social enterprises and social businesses.

Although the terms are relatively new, social entrepreneurs and social entrepreneurship can be found throughout history. A list of a few noteworthy people whose work exemplifies the modern definition of “social entrepreneurship” includes Florence Nightingale, founder of the first nursing school and developer of modern nursing practices; Robert Owen, founder of the cooperative movement; and Vinoba Bhave, founder of India’s Land Gift Movement. Such pioneers promoted ideas that were eventually taken up by mainstream public services in welfare, schools, and health care.

Access to Work

Offering Training to Young People

Source: www.access2employment.co.uk

Access to Training and Employment (A2T) was originally formed in 2010 as the Pero Project. Run by Michael Ditchfield, A2T is a community interest company which, put it into its simplest terms, means we work for the benefit of the community and are a not-for-profit organisation. Our aims and objectives are to make the community a better place for all to live in and to try to improve the lives of everybody within the community, particularly the most marginalised and disadvantaged. We originally started training young people who were generally towards the lower end of the education spectrum and could not get into mainstream education

Training Young People

The project was set up to take training into the heart of some of the most deprived areas in Europe. At A2T we feel we have a unique way of delivering qualifications to young people and benefitting the community as a whole. The community projects we embark on match not only employees' needs but meet learners' aspirations while benefitting the community as a whole. The projects allow young people to see an end product, a product they can be proud of and a product which will benefit themselves and the community in years to come.

The future looks even more exciting having had expressions of interest in the model already to take it to a wider audience, and are positive we could role this out nationally. Although we are a relatively new organization, from the Directors to the Delivery team, we have worked for over 15 years in this industry. A2T's greatest assets are its ability to retain young people on the programmes, achieve and keep them engaged. A2T is an equal opportunities provider and actively recruits learners from all areas of the community. The main aim of these programmes has always been to offer vocational programmes to those young people who are not yet ready or able to engage in apprenticeship, further education or employment.

We have worked with the local Vocational College in various forms of delivery in a capacity where we offer a delivery of programmes only and as a sub-contractor. As a delivery team, A2T was given the task of delivering qualifications as a teaching resource in both Worcester and Ellesmere Port, two areas that are notoriously difficult to engage young people. A2T's partnership with The Vocational College has been very successful in embedding itself within the local community, engaging learners from all areas of the community and working hard on breaking down barriers and beliefs. We believe our unique model of delivery and our close working relationship with The Vocational College has enabled us to succeed where many providers have failed.

Typical Projects (From a local press report)

An empty property in Ellesmere Port high street, near Liverpool, has been given a new lease of life. Local Community Interest Company, Access2Training & Employment, has established itself in the Whitby Road property as part of the Council's Empty Shop Refurbishment Scheme while Wirral's

largest social landlord, Magenta Living, has refurbished two flats above the training centre to bring them back into use. Local young people are also getting involved in refurbishment works to transform an empty shop in Whitby Road into an art gallery.

Access2Training & Employment offer young people training in construction in 'live' classrooms. Currently, the organisation is working with 20 young people from Ellesmere Port who were previously not in education, employment, or training. Qualified teachers supervise the young people as they progress their training towards employment or future apprenticeships within the construction industry. Alongside a Level 1 Diploma in Construction skills, they also achieve qualifications in Maths, English, Employability Skills and Health and Safety in the workplace.

Executive Member for Prosperity, Councillor Herbert Manley, said: "Residents living close to Whitby Road had raised the issue of empty shops in the town centre via the Council's Our Place Neighbour Action Groups and the project was taken on by our Town Centre Improvements Manager:

"The Council's funding not only targets the empty shops and brings them back in to use for the benefit of the community, but it is also enabling young people to become engaged with their local area and start to develop their own future prospects through skills training... The new art gallery will strengthen Ellesmere Port's position on the cultural map and I am delighted to see so many people benefitting from this project at such an early stage."

The scheme, which is part of a town centre improvement programme, targets long-term vacant shops in the old high street of Whitby Road and aims to bring them back into use for the benefit of the community. Landlords are asked to rent out their unused retail unit to local community interest groups for a two-year period, receiving a peppercorn rent and benefiting from a grant to bring the property back up to modern specifications in return.

John McCollah, Operations Director at the Vocational College, said: "This project is part of the college's aim to fully integrate learning opportunities available through our Education Funding Agency Learner Responsive funding stream into community projects that will provide sustainable employment and valid progression routes to further study for our learners. Most importantly for potential employers, on completion of the programme, these young people will be job ready, knowledgeable, reliable, safe and useful from day one."



Designing Builder Capital

The Right Sort of Money

Source: *The Investable Social Entrepreneur*, by Helen Heap

What does the Right Sort of Money look like?

If social enterprises are to successfully develop sustainable business solutions for meeting social need they require access to a different sort of money to that which is currently (in theory) available.

- Money that is pro-actively seeking to make positive social change and is prepared to take on the risks that come with genuine innovation.
- Money that is ultra-patient and which will support the enterprise as it battles through market dysfunction on the way to a viable business model.
- Money that is looking to build effective organisations that can sustain themselves in the long-term
- Money that enables the entrepreneur to avoid the need to continually fundraise.
- Money that is there to do an important job and which expects to earn returns: social returns only in the first instance; financial returns as well once the enterprise has developed a viable and sustainable model.

We call this money *Builder Capital*.

Builder Capital

To continue the construction industry terminology, Builder Capital is the financial scaffolding which supports the formation of a financially sustainable social enterprise during its earliest phases of development.

Builder Capital is there to:

- Pay for the development of the enterprise:

Key staff

Premises

Mission-critical equipment, software or processes

Finding new customers

- Fund R&D to develop services / products
- Absorb losses while a viable business model is established

Investment of the right amount of Builder Capital in the early stages of an enterprise's development will remove the need for the entrepreneur to spend time bringing together whatever funding they can find and instead focus on developing an effective model that meets the social need and creates a sustainable business. With Builder Capital in place, time and effort can now be directed towards developing products and finding customers rather than filling out funding applications and answering yet more requests for information from financiers. The enterprise can develop lasting customer relationships that will lead to mutually beneficial business opportunities rather than having to chase whatever source of income happens to be available at the time.

In short, Builder Capital introduces the correct capital and capacity, buying the enterprise time to find and develop markets for the social impact they can deliver.

Who are the Builder Capitalists?

While accepting that such capital does not fit easily within the conventional risk/return spectrum used within financial markets because it is higher risk and yet offers no security or ownership stake in the enterprise, we maintain that social investors, by definition, are not purely motivated by financial risk and return alone.

We think the pioneering Builder Capitalists will be wealthy individuals, trusts/foundations and/or corporations. They will have a powerful social conscience, a desire to see radical change and they will have a better than average understanding of risk. They will know how it feels to be responsible for a business operating in precarious markets and the livelihoods that depend on it.

Providers of Builder Capital will understand how long it takes to start with nothing and then to develop an enterprise that can take care of all its own needs without needing to rely on outside help. They will appreciate how hard that is. Builder Capitalists will be interested in solving problems and creating a lasting legacy. Financial returns will be important to them. Social impact even more so.

Builder Capital Key Features

Investors start by asking, "Is there an innovative market-based solution to this social problem?"

And then "Can the social enterprise providing the solution achieve sustainability if supported in the right way and with appropriate funding?"

Builder Capital is ultra-patient with no predetermined repayment schedules.

Capital is at risk.

Builder Capital will deliver social returns only while the social enterprise achieves mutually agreed measures of sustainability.

Builder Capital will deliver modest financial returns that are directly related to the success of the enterprise once sustainability is achieved.

Definitions of how financial returns are to be delivered (share of revenues, financial surplus etc.) and applicable thresholds will be agreed in advance and built in to contracts that will be binding on all parties at the time when Builder Capital is provided to the enterprise.



AEX Page

Join the AE-Exchange

<http://tech.groups.yahoo.com/group/ae-exchange/>

Montreal Meeting of Economics Conference

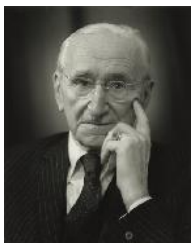
The 13th annual meeting of the Economics Conference was held in June in Montreal, Canada, with 21 participants from 6 countries attending. A main theme was an updating of our work to further Rudolf Steiner's idea of 'true price'. This had two aspects: participants shared their projects throughout the year and throughout the world (PhDs, dialogues with local businesses, conferences and publications, exhibitions), and considering whether we need to develop a conscious, coherent strategy to displace mere prices as the focus of economics – achieved by low prices and competition – or true price – achieved by true prices and associating. True price entails (a) looking forward and covering needs, and (b) demonstrable profitability seen by sharing accounts

The last day was given over to a focus on teaching financial literacy, in particular by teaching double entry bookkeeping: What it is, how it is done, how to teach it and at what age? This is part of a worldwide project in response to the increasing demand of governments that financial literacy be taught in secondary schools.

A central question seems to be whether to begin with 12 year-olds, at the time when they can comprehend algebra, compound interest and so on, or with adolescents from 15 to 18, but then with financial literacy becoming the keel, as it were, of secondary education. Another is whether financial literacy should just be about learning how to use the money system, without thought to its axioms, or to see its value as a metaphor. For example, the very word 'balance' in balance sheet, the T-Account as a symbol of uprightness, and the fact that double entry reveals if one has made a mistake and requires any mistakes to be corrected.

Rudolf Steiner and Other Economists

Gradually, quietly, Rudolf Steiner and associative economics are making their way onto the mainstream radar (if such a mixed image may be used). Two projects in particular warrant mention. The first, also mentioned in the last newsletter, are masters students in Holland exploring whether the precepts of associative economics can be used to understand such problems as how to fund research in the pharmaceutical industry, and how associative economics compares with Islamic economics. Second, a chapter in a forthcoming latest and final book of a series on the legacy of Fredric von Hayek, the darling of Margaret Thatcher, but of interest on other accounts. In this case, his roots in Austro-Hungary and the similarity of his ideas about cultural and economic governance as compared to Rudolf Steiner's idea of the threefold nature of society.



Argentina

Against the background of Argentina going into default, a youth bond project is being developed near Buenos Aires which includes courses in finance, the provision of credit, and training teachers. This work is being 'driven' by local skills and enthusiasm. For reason of the Argentine way of doing things, it is carried out in the presence of local notaries and public accountants and the tax authorities. On the one side, therefore, it is very concrete; on the other it is being observed for what it says about wider application in Argentina. Believing in young people – providing them with credit, not against property collateral but against their 'I' – cuts through many a nightmare biography.



Quick Quip

At the recent Economics Conference meeting (see adjacent item) play was made of a Leonard Cohen lyric, 'its the crack, the crack that lets the light get in.' This prompted one participant to send in this item.

Rolling Stone Interviewer: Is financial necessity good or bad for art?

Leonard Cohen: I think it levels the ground. I never had huge amounts of money when I was young. I had huge amounts of fame, and I always had the sense of labor and recompense. I always said I don't want to work for pay, but I want to get paid for my song. Financial necessity of course arose in a very acute manner a few years ago. [His then-manager stole over \$5 million from his retirement account.] I thought I had a little bread, enough to get by. I found I didn't – for which I'm very grateful because it spurred a lot of activity.



True Enterprise is Social

Five Watchwords

Victor's View from Rare Albion

A monthly column/blog published first in Associate! then online at <http://www.simplesite.com/Rare-Albion/144058852>.

Comments welcome to chb@christopherhoughtonbudd.com.

1. True enterprise is social

True enterprise occurs whenever someone uses his skills, talents and resources to serve or meet the needs of others. One needs, therefore, to be very clear, and careful when using the qualifier 'social', lest that means enterprises not so described are 'unsocial'. In fact, unsocial ought to be the real qualifier, so that we focus on what makes a business or economic activity something other than a vehicle for serving other people's need.

2. Third sector

The idea of a 'third sector' makes little sense unless used alongside 'first sector' and 'second sector', business and government, and, therefore, the particular analysis that gave rise to these uncertain terms. Secondly, the third sector is essentially the result of a specific taxation regime, whereby funds made 'unsocially' in the business world are transferred by taxation to charities and the like in order to finance the parts of the economy that the business sector does not reach, or reaches but then plunders or abuses. Better, surely, to invoice a company for the pollution it puts into a town's river, than for the town to accept that cost, then recover it by taxing its citizens?

3. The taxation divide

The taxation divide creates a mythical or unreal division. On the one side, companies are supposed to 'make' money, on the other side charities give it away. On the one side, this neatly excuses business people from giving thought to how they make money; on the other, it leads to and reinforces a culture of financial indifference, if not indiscipline. The real difference between the first and third sector is that the first sector makes profits for distribution to its shareholders (though only after they have taken care of the company's investment, cash flow, and liquidity needs), whereas a charity makes profits on the basis that it will only use its profits to further its objects. From a pure accounting point of view, this is all nonsense since accounting is constant and common to all enterprise. What the taxation divide does is to allow the government to escape scrutiny, because it does not create value in its own right but redistributes the values created by entrepreneurs.

4. Confusion between debt and own capital

Many a 'social enterprise' funds its risk with debt, an immediate and absolute mismatch, in terms of type, term, expectation and effect on the entrepreneur. To be an entrepreneur is to take risk, not just to borrow money; and to cover that risk, not just to hope things work out. Awareness of risk and risk levels and, therefore, of the difference between debt and own capital (equity) needs to be there from concept to practice, and clear in the mind of the entrepreneurs especially, so that they do not take on board the wrong kind of capital, debt when they need

own capital, own capital instead of debt. If entrepreneurs do not know this difference, it cannot be rectified from outside. No amount of regulation of balance sheets, neither at the macro nor at the micro level, can hop over the fact that entrepreneurs are the link between assets and liabilities and that much depends on whether they are awake. Risk arises from seeing something before anyone else does, having an idea before the world can see it in product or service form. This is the essence of being an entrepreneur; one is not just an agent of capital growth. Again, the fundamental problem is the absence of risk-appropriate capital, something that is often also true of the ordinary business world, at least in small 'unprofessional' businesses.

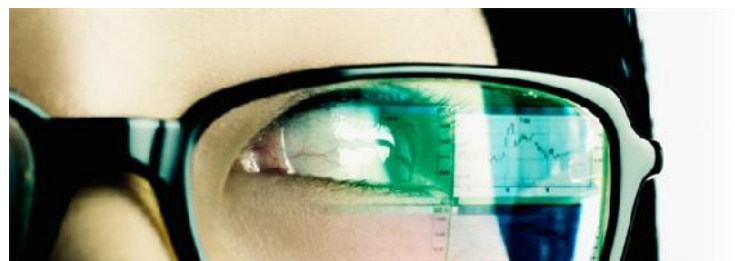
5. Cashflow, the entrepreneur and liquidity

The environment of a business, or an initiative, or an undertaking – call it what you will – is never static; it is also never definitive. It is a context or horizon of circumstances. Stand in that context or look at oneself from the horizon, and one will see that the circumstance to end all circumstances is the entrepreneur as such. Forget this for a moment, and that will be the moment the rogue wave hits. For this the only antidote, indeed, the only way to understand business, is that one's balance sheet is the expression of one's entrepreneurial ability and that one runs the world from here outwards. Above all by positive cash flow. Lose positive cash flow, and the world invades, bringing with it its own criteria – quite rightly so.

Using humanity's liquidity to finance one's initiative is not a one-way street; it is a profound social contract. From ancient times down to today's distinction between debt and equity, such things have been known and very carefully managed. One can buy a set of computerised accounts, but this does not give one the right or ability to use humanity's liquidity. There is much else that has to be taken into account, but none of it is not already covered by a standard set of 'pure' accounts – that it so say, accounts before they are distorted for net worth calculations or tax avoidance purposes (which are the main uses of accountancy today).

For a balance sheet to be the means for interfacing successfully with the rest of the world, entrepreneurs need to be financially literate. They may well use division of labour to have someone keep their books, but they should never become dependent on that person, or not know at a moment's notice where they are in their journey across the economic ocean.

Bookkeepers and accountants can only supply or reflect back data; they cannot interpret that data, they do not know what it means. For they are not the one's reflected in it or responding to it; they are not the one's who will have the intuition or insight or hunch that trumps what life throws at one. They can only watch behind their shield of 'information supplied by the client'.



Associate!

Centre for Associative Economics PO Box 341 Canterbury CT4 8GA England

CONTRIBUTORS

Helen Heap, is a self-employed social investment analyst.

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ADDRESS

PO Box 341, Canterbury CT4 8GA, England

TELEPHONE & FAX

0044 (0) 1227 738207

WEB & EMAIL

www.cfae.biz
admin@cfae.biz

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